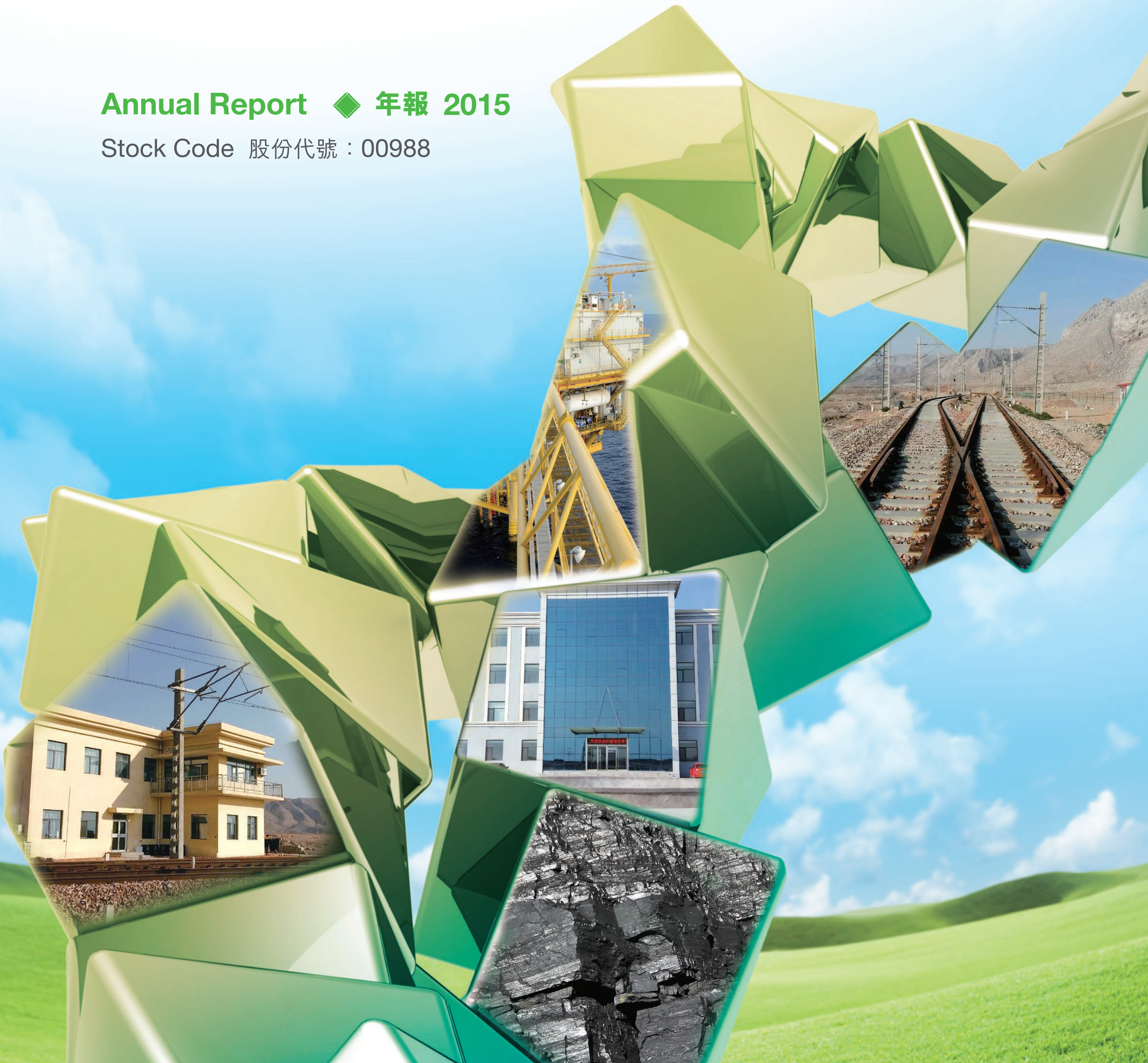
LOUDONG GENERAL NICE RESOURCES (CHINA) HOLDINGS LIMITED
樓東俊安資源(中國)控股有限公司

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

Annual Report ◆ 年報 2015

Stock Code 股份代號：00988



CONTENTS

Corporate Information

EXECUTIVE DIRECTORS
Cai Sui Xin *(Chairman)*
Zhao Cheng Shu *(Deputy Chairman)*
Lau Yu *(Chief Executive Officer)*
Ng Tze For

INDEPENDENT NON-EXECUTIVE DIRECTORS
Choy So Yuk, *BBS, JP*
Gao Wen Ping
Leung Yuen Wing

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

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

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

EXECUTIVE COMMITTEE
Lau Yu *(Chairman)*
Zhao Cheng Shu
Ng Tze For

AUTHORISED REPRESENTATIVES
Ng Tze For
Chiu Yuk Ching

COMPANY SECRETARY
Chiu Yuk Ching

AUDITORS
Ascenda Cachet CPA Limited

REGISTERED OFFICE
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Bermuda

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BRANCH SHARE REGISTRAR AND TRANSFER OFFICE
Tricor Tengis Limited
Level 22, Hopewell Centre
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Hong Kong

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

Chairman's Statement

Dear Shareholders,

On behalf of the board of directors (the "Board") of Loudong General Nice Resources (China) Holdings Limited (the "Company"), I present you the annual report of the Company and its subsidiaries (collectively, the "Group") for the financial year ended 31 December 2015 (the "Review Year").

2015 was another difficult year for the Group, underlining the problems facing our coal and coke, oil and commodities businesses, amidst a global supply glut and slowing demand in China. In the Review Year, the Group's revenue and gross profit amounted to approximately HK$1,569,903,000 and HK$74,687,000 respectively. Loss attributable to owners of the Company for the Review Year amounted to approximately HK$1,291,990,000, compared to a loss of HK$376,988,000 recorded in 2014. The substantial loss reported was mainly attributable to the depressed prices of coal and coke, oil and other commodities, as well as the deepening downturn of coal-coke business environment in China. For the Review Year, basic loss per share for continuing operations was HK$0.42, as compared to basic loss per share of HK$0.16 in 2014. The Board does not recommend the payment of a final dividend for the year ended 31 December 2015. (2014: Nil).

In 2015, coal, iron and steel industry suffered from serious excess capacity, and faced an unprecedented downturn. According to the statistics from China National Coal Association in early 2016, over 80% of the enterprises in the coal industry reported losses in 2015. Since November 2015, China has embarked on a supply-side structural reform, steps up efforts to slash its bloated capacity and lower the cost while increasing the efficiency. Under this new reform policy, the demand in coke and coal has been reduced and coal production has been lowered. According to the statistics released by National bureau on January 19, 2016, the latest data showed that national coal production is about 368,000 tons in 2015, down by 3.5% year-on-year. Imported coal is about 200 million tons, fell by 29.9% year-on-year. The coke production in China in 2015 was 447.78 million tons, dropped 6.5% year-on-year. The consumption in coal first dropped in 2014, the falling trend continued in 2015, fell 4% year-on-year.

In 2015, the international crude oil market fared even worse. Earlier in the year, international oil prices fell below US$50 a barrel. After the short rebound in the second quarter, oil prices fell again. Affected by the Federal Reserve raising interest rates, OPEC maintaining production and uplift of the Iranian crude ban, international oil prices hit its lowest record in the past seven years. New York oil price fell to US$34.73 a barrel and Brent oil price plunged to US$36.11 a barrel, down by 34.8% and 37% respectively compared with the price at the end of 2014. The Group's oil production income was also adversely affected by the market downturn in 2015.

In view of the poor coking industry outlook and weakening commodities market, the Group has geared up to diversify its business to logistics-warehousing business during the year under review. A logistics project in Dongguan, Guangdong province, was acquired, followed by participation in two logistics-warehousing projects in Inner Mongolia in line with the "One-Belt One-Road" initiative. More stable revenues are expected from expanding the Group's logistics-warehousing and selected commodities businesses, with gradual downsizing or exit of the unprofitable coke manufacturing segment in the years ahead.

Chairman's Statement

Moreover, the Group has introduced two new investors with strong Chinese state-owned background and industry experience to enhance our financial position and shareholder structure. During 2015, the Group completed the issuance of two convertible bonds to China Huarong Investment Management Limited ("Huarong Investment") and Xinya Global Limited ("Xinya") for HK$400,000,000 and HK$300,000,000 respectively. The holding company of Huarong Investment is one of China's largest asset management companies under the Ministry of Finance while Xinya is a subsidiary of Tewoo Group Co., Ltd., which is the largest state-owned material circulation enterprise in Tianjin. The Board is of the view that introduction of these strategic investors of state-owned background with strong financial position, diversified business networks and connections, and leading market position in the logistic warehousing industry can broaden the business base and income stream of the Group, which is beneficial to the Company's long term business development.

In order to achieve sustainable development in the future, the Group has been actively looking for suitable and potential investment opportunities in China and also other parts of the world. Hence, to enhance the strength and business development capabilities, the Group will maintain a diversified asset portfolio to reduce risks, to accommodate the "New Normal" of China's economic growth and bring better returns to our shareholders.

Chairman
Cai Sui Xin

31 March 2016

Management Discussion and Analysis

FINANCIAL RESULTS

For the year ended 31 December 2015, the Group recorded revenue from operations of approximately HK$1,569,903,000 (2014: approximately HK$5,825,864,000), representing a 73.1% drop from the previous year. The Group's gross profit decreased to approximately HK$74,687,000 for the year ended 31 December 2015 from approximately HK$639,089,000 recorded in 2014, with the gross profit margin decreased to 4.8% from 11.0% in prior year.

The loss attributable to the owners of the Company for the year ended 31 December 2015 was approximately HK$1,291,990,000. The loss attributable to the owners of the Company in 2014 was HK$376,988,000. This is mainly due to the decrease in gross profit and the impairment of trade receivables leading by the recession of coking industry, the impairment of investment in an associate and the impairment of the oil properties resulted from the decrease in fair value of the business due to the significant decrease in crude oil price, and increase in finance costs leading by the increase in the interest-bearing liabilities.

BUSINESS REVIEW

In 2015, due to deep-seated structural issues and the crisis legacies, the global economy is still lack of growth momentum. In addition, China's economic growth showed a slowdown. Affected by the double impact of slow down in the domestic steel industry and sharp dropping on international crude oil prices, the coke industry, as being the upstream industry, was inevitably faced a difficult operating environment. The National Bureau of Statistics data showed China's coke output reached 447.78 million tonnes in 2015, representing a drop of 6.5% as compared to the output in 2014. Though the price of coke have fallen continuously, the problem of excess supply of coke is expected to continue for a period of time, it thus brings negative impact to the coke industry and the Group.

The Group's coking business consisted of two major segments, the coke manufacturing and trading business, whist the trading business is minimal in 2015. The manufacturing facilities, located in Shanxi province, composed of a coke manufacturing plant and an electricity-generating unit, which generated electricity for self-utilization with surplus power sold to third parties and local government. The trading business line used to focus on direct procurement and sales of metallurgical coke from other manufacturers in the past years.

During the year, the coke manufacturing and commodities trading segments generated turnover of approximately HK$1,238,648,447 and HK$318,246,288 respectively.

Yet, the income tax expenses was mainly contributed by the reason that, our suppliers did not provide sufficient valued-added tax invoices for the purchases by the Group, these purchases were not allowed to be deductible in corporate income tax thus resulted in a higher income tax expenses.

The debtors turnover day of the Group in 2015 was 215 days compared with 67 days in 2014. The Company has extended the credit period to long-term established customers in line with coke industry practice in Shanxi. Debtors turnover day was lengthened in the year due to continued slowing economy and depressed steel and coking industry. In general, the management of the Group adopts a prudent credit policy to its customers by closely monitoring their repayment status and consistently reviews their credit terms. If there are any irregularities in repayment, credit terms granted to debtors will be adjusted accordingly. If the balance due from debtors becomes doubtful, appropriate doubtful debt provision will be provided for.

Management Discussion and Analysis

As of 31 December 2015, the Group's total equity further decreased by about 69.5% to approximately HK$301,504,000 from approximately HK$987,139,000 recorded in 2014 with gearing ratio at 61% (31 December 2014: 68%).

As stated in the Group's report last year, the Group has been seeking for new mergers and acquisitions opportunities in order to achieve diversification and broaden its source of income. The Group has intended to diversify further in logistics-warehousing business.

Due to the weak performance of coking industry, the Group strives to diversify business and introduce new shareholder to enhance liquidity and optimize shareholder structure. On 18 May 2015, the Group entered into a subscription agreement with China Huarong International Holdings Limited ("Huarong") pursuant to which Huarong has agreed to subscribe for a 3-year convertible bonds (the "Convertible Bonds") in an aggregate principal amount of HK$400,000,000 with a coupon rate of 6% at an initial conversion price of HK$0.331 per conversion share. Prior to completion of the subscription, Huarong has novated all its rights and obligations under the subscription agreement to its wholly-owned subsidiary, China Huarong Investment Management Limited ("Huarong Investment") in August 2015. In favour of Huarong Investment, General Nice Resources (Hong Kong) Limited, a shareholder of the Company and is controlled by Mr. Cai Sui Xin ("Mr. Cai"), the Chairman of the Company, has charged its 319,100,000 shares of the Company as security under a share charge, and Mr. Cai has provided a personal guarantee to guarantee in favour of Huarong Investment the performance of the obligations by the Company under the subscription agreement. Upon completion of the issue of the Convertible Bonds on 19 August 2015, Huarong Investment has subscribed for the Convertible Bonds. Huarong's holding company, China Huarong Asset Management Co., Ltd., was established with the approval of the State Council of China and is a state-owned non-bank financial company controlled by the Ministry of Finance and is one of the largest financial asset management companies in the PRC. This not only increases the capital flow of the Group, but also optimizes the Group's shareholder structure. It also provides the necessary financial resources for the Group to further explore and diversify into logistics-warehousing business, in order to stabilize the overall business development. Please refer to the announcements of the Company dated 18 May 2015, 28 May 2015, 10 June 2015, 4 July 2015 and 19 August 2015 and the circular of the Company dated 17 June 2015 for further details.

On 24 August 2015, the Group entered into a subscription agreement with Xinya Global Limited for the issue of a 3-year convertible bonds in an aggregate principal amount of HK$300,000,000 with a coupon rate of 6% at an initial conversion price of HK$0.376 per conversion share. Xinya Global Limited is a subsidiary of Tewoo Group Co., Ltd. ("Tewoo Group"). Tewoo Group is one of the twenty largest enterprises in the circulation field cultivated by the Ministry of Commerce of the PRC. From this transaction, the Group would have an expedite access to the vast experience and market intelligence of the Tewoo Group in the logistic-warehousing business in the PRC. Tewoo Group, being one of the Fortune Global 500 companies in 2014, has long established its footprint in the logistic-warehousing and trading of commodities (including coal, iron ore, ferrous and nonferrous metals) businesses in the PRC. The Board believes that not only solid support will be brought by introduction of strategic investor with strong financial position and diversified business networks and connections, and leading market position in the logistic warehousing industry, but also broaden the business base and income stream of the Group.

Management Discussion and Analysis

On 11 August 2015, the Group entered into an agreement to acquire 100% interest in 東莞市海輝物流有限公司 (Dongguan City Hai Hui Logistics Company Limited, "Hai Hui") for an agreed consideration of HK$70 million. Hai Hui is principally engaged in general cargo, warehousing services, freight forwarding, cargo transportation and handling services, import and export trade, domestic trade in goods, marina facilities, cargo handling, warehousing, logistics services within the port area, packaging and processing of goods and wholesale of coal. Hai Hui was granted by the landlord under a lease agreement the right to use a factory as well as a land and a 1,000 tons pier with an aggregate area of 51.8 mou located in Dongguan City, the PRC for a term of 30 years to 30 June 2039. This acquisition is consistent with our development as stated in the annual report of 2014. The Group will continue the strategy to seek for potential and profitable projects so as to diversify into logistic-warehousing business.

As to grasp the opportunities, the Group entered into an agreement in October 2015 to acquire 39% equity interest in 內蒙古亞歐大陸橋物流有限責任公司 (Inner Mongolia Euraasian Continent Bridge Logistics Limited Liability Company, "Euraasian Continent Bridge") for a total an agreed consideration of HK$150 million. Euraasian Continent Bridge is principally engaged in transportation business related to the construction and operation of storage facilities and international logistics. The acquisition has completed. Euraasian Continent Bridge's principal asset is a parcel of land located in Wuhai City, Inner Mongolia Autonomous Region, the PRC which is being developed into a logistics centre with zones designated for railway, storage and trading and business services. In addition, on 30 December 2015, the Group entered into an acquisition agreement of 40% equity interest of 烏蘭察布市綜合物流園區有限公司 (Wulanchabu Integrated Logistics Park Company Limited, "WILP") and its subsidiaries ("WILP Group") for an agreed consideration of HK$640 million, and the acquisition was completed on 13 January 2016. WILP Group is principally engaged in railway construction investment, operation, coal shipment, storage, processing; wholesale and retail of coal, building materials and other mineral products, ordinary freight forwarding for coal trading and domestic freight agency, warehousing and piling of railway transportation, mining of mineral resources, water resources development and road construction investment, The Group believes it provides an optimum opportunity for the Group to diversify and broaden its business base in the logistics industry.

In August 2015, the Group has completed the acquisition of 30% equity interest of RockEast Energy Corporation ("RockEast") for an agreed consideration of HK$510 million. RockEast is an oil and natural gas company based in Calgary, Alberta, Canada with operations within Western Canadian Sedimentary Basin. The management consolidated the experiences from the crude oil industry, as the crude oil price reached the lowest in recent years, the acquisition provide an opportunity for the Group to further invest in the oil and gas industry, meanwhile the Board believed that after a short wintry stage, when the crude oil price rebounds, this project will substantially enhance the profitability of the Group.

During the year under review, the crude oil price has progressively decreased throughout the year and resulted with a record low as at year end. This has adversely affected the performance of the oil industry as a whole and the subsidiary (EPI) of the Group located in USA in particular, resulting in a financial loss for the year. Even worse, the fair values of this subsidiary and RockEast were also affected by the low crude oil price. Thus, there were an impairment of the oil properties of EPI and an impairment of the Group's investment in an associate (RockEast) after assessing the respective fair values of their CGUs by an independent valuer.

The Company maintained the American Depositary Receipts Program which provided an opportunity for shares of the Company to be traded in the over-the-counter market of the United States. Having given consideration to the relatively low participation in this Program, the Company has determined to terminate the Program. In the view of the Board, it would not have any adverse impact on the price or trading volume of the shares of the Company on The Stock Exchange of Hong Kong Limited.

Management Discussion and Analysis

OUTLOOK

Looking ahead, the performance of the global economy will remain weak. The prices of international commodity and energy are expected to remain low. China, as one of the driving forces of the global economy, is expected to slow down the growth on its economy. There is still excess supply of steel in Chinese domestic market. It's difficult to see a robust in the coke industry due in the coming years.

Under such circumstance, the Group will adopt a more flexible and effective business strategy to cope with the difficulties. The Group will continue to maintain a diversified portfolio by continuing to seek for new mergers and acquisitions as well as certain assets disposal.

As China's logistics industry is developing rapidly, with the increasing investment in infrastructure from the PRC Government. Such optimistic development in China's logistics industries encourages the Group to continue to seek and acquire more potential logistic business in order to enter China's logistics industry.

On the other hand, though the oil price is at its low history record, the Group believes that there will be a rebound in oil prices. The Group will continue to seize the opportunity to expand its business in oil industry by acquiring oil assets in order to bring benefits to the Group in future.

The Group will continue to explore investment opportunities in resources and logistics businesses that have earning potentials, to expand its existing operations and to diversify its businesses, in order to achieve steady development and to create profitable return for shareholders.

CAPITAL STRUCTURE, LIQUIDITY, FINANCIAL RESOURCES AND DEBT MATURITY PROFILE

As at 31 December 2015, the Group had total interest bearing bank and other borrowings in the amount of approximately HK$1,904,009,000 (2014: HK$1,824,476,000), representing an increase of HK$79,553,000. The maturity profile of the Group's interest bearing bank and other borrowings of HK$1,904,009,000 was spread with approximately HK$1,105,663,000 repayable within 1 year and approximately HK$798,346,000 repayable in the second year to fifth year.

The Group's total interest bearing bank and other borrowings of approximately HK$1,904,009,000 were 99.6% denominated in Renminbi ("RMB") and 0.4% denominated in HK$ in which, as to 81.0% bears at fixed interest rate and as to 19.0% bears at a floating rate. The Group's cash and bank balances of approximately HK$457,123,000 were 1.2% denominated in RMB, 0.2% in USD and 98.6% in HK$.

As at 31 December 2015, the Group had total convertible bonds in the aggregate amount of approximately HK$636,388,000 (2014: Nil), which are redeemable in the 2018. The convertible bonds are denominated in HK$ and bear interest at fixed interest rate of 6%.

TREASURY POLICY

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

MATERIAL ACQUISITION OR DISPOSAL OF SUBSIDIARIES AND AFFILIATED COMPANIES

On 6 August 2015, City Joint Investments Limited ("City Joint"), a wholly-owned subsidiary of the Company, and Lawrence Jack Coleman ("Coleman") entered into the sales and purchases agreement pursuant to which Coleman has conditionally agreed to sell, and City Joint has conditionally agreed to purchase 100% of the issued share capital of the Kai Sum International Limited ("Kai Sum"), a company incorporated in the British Virgin Islands with limited liability. Kai Sum, through its wholly-owned subsidiary, holds 30% equity interests in RockEast Energy Corporation, a company incorporated in Alberta, Canada with limited liability, which is principally engaged in exploration and production of oil and natural gas in Canada. The consideration for the acquisition is HK$510,000,000, which shall be settled by way of allotment and issue of 500,000,000 consideration shares to Coleman (or his nominee) at the date of completion. The acquisition was completed on 12 August 2015.

On 11 August 2015, 深圳市韻勝貿易有限公司 (Shenzhen Yun Sheng Trading Company Limited*) ("Shenzhen Yun Sheng"), a wholly owned subsidiary of the Company, entered into the agreement with the Mr. Cai Han Guang, Mr. Pan Zeng Yong and Mr. Wang Cheng (collectively as "Vendors"), pursuant to which Shenzhen Yun Sheng agreed to acquire and the Vendors agreed to sell the entire registered capital of 東莞市海輝物流有限公司 (Dongguan City Hai Hui Logistics Company Limited*), a company established in the PRC with limited liability, for the aggregate consideration of HK$70,000,000, which shall be satisfied by Shenzhen Yun Sheng to procure the Company to allot and issue a total of 70,000,000 consideration shares to the Vendors. The acquisition was completed on 7 September 2015.

On 22 October 2015, Mr. Qi Tie Han ("Mr. Qi"), an independent third party, entered into the agreement with the City Joint pursuant to which Mr. Qi has conditionally agreed to sell and the City Joint has conditionally agreed to acquire the entire issued share capital of the Wealth Delight International Holdings Limited ("Wealth Delight"), a company incorporated in the British Virgin Islands with limited liability, at a total consideration of HK$150,000,000. Wealth Delight, through its wholly-owned subsidiaries, holds 39% equity interests in 內蒙古亞歐大陸橋物流有限責任公司 (Inner Mongolia Euraasian Continent Bridge Logistics Limited Liability Company*), a company established in the PRC with limited liability, which is principally engaged in transportation business related to the construction and operation of storage facilities, international logistics and freight forwarding business, container loading, devanning, repair and cleaning, warehousing, cargo transportation, customs declaration, declaration and inspection agent in Inner Mongolia, and import and export trade and domestic trade. The acquisition was completed on 26 October 2015.

On 30 December 2015, the Group entered into a sale and purchase agreement with an independent third party (the "WILP Vendor"), pursuant to which the Group agreed to purchase 100% of the issued share capital of Pride Logic Limited from the WILP Vendor. Pride Logic Limited, through its wholly-owned subsidiary, holds 40% equity interests in Wulanchabu Integrated Logistics Park Company Limited ("WILP"), which is principally engaged in railway construction investment and coal storage in the PRC (the "WILP Acquisition"). The consideration for the WILP Acquisition is HK$640,000,000 (the "WILP Consideration"), among which, (i) as to HK$190,000,000 was settled by cash; and (ii) the balance of HK$450,000,000 was settled by way of allotment and issue a total of 562,500,000 new shares (the "WILP Consideration Share(s)") of the Company of HK$0.01 each, credited at fully paid, at an issue price of HK$0.80 per each WILP Consideration Share to the WILP Vendor at completion. The WILP Acquisition was completed on 13 January 2016.

EMPLOYEES

As at 31 December 2015, the total number of employees of the Group was approximately 720 (2014: 960). Apart from the basic remuneration, discretionary bonus may be granted to eligible employees by reference to the Group's performance as well as the individual's performance. The Group also has adopted a share option scheme for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operation. As at 31 December 2015, there were 4,214,351 (2014: 4,486,245) outstanding share options granted under such scheme.

CHARGE OF GROUP ASSETS

As at 31 December 2015, the Group pledged deposits of approximately HK$35,199,000 (2014: HK$256,447,000) and a property with a carrying value of approximately HK$13,715,000 (2014: HK$14,059,000) as securities for the Group's banking facilities. Certain machineries with a net carrying amount before impairment of approximately HK$346,914,000 (2014: HK$408,014,000) were pledged to secure general banking facilities granted to the Group.

GEARING RATIO

As at 31 December 2015, the gearing ratio of the Group (being the ratio of net debt divided by total capital plus net debt) was approximately 61% (2014: 68%). Net debt represented the aggregate amount of the Group's, interest-bearing bank and other borrowings, promissory notes and the non-current portion of the loans from related parties less cash and cash equivalents of the Group. Total capital represented total equity attributable to owners of the Company.

EXPOSURE TO FLUCTUATIONS IN EXCHANGE RATES AND ANY RELATED HEDGES

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

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

CONTINGENT LIABILITIES

The Group had no material contingent liabilities as at 31 December 2015 (2014: Nil).

Biography of Directors and Senior Management

EXECUTIVE DIRECTORS

Mr. Cai Sui Xin, aged 54, was appointed an executive Director and the chairman of the Company with effect from 19 September 2008 and is the chairman of the nomination committee of the Company. He is also a director of certain subsidiaries of the Company. Mr. Cai is the founder and chairman of General Nice Development Limited ("GND"), General Nice Resources (Hong Kong) Limited ("GNR") and General Nice (Tianjin) Industry Company Limited (collectively "General Nice Group"). General Nice Group has developed into two main segments of business, the first segment involves the mining of coal, coal washing, coke manufacturing, logistic business for coke and coal, and the sale of coal, coking coal and coke; the second segment involves the exploration of iron ore mines and the importing of iron ore into the People's Republic of China (the "PRC"). With Mr. Cai's well-established business relationship in Tianjin and Shanxi, General Nice Group has expanded to one of the PRC's biggest private producers and operators of metallurgical coke. Mr. Cai was re-designated from executive director to non-executive director of Abterra Ltd ("Abterra") with effect from 31 March 2016, he is currently the non-executive chairman and non-executive director, a member of the audit committee, nominating committee, remuneration committee and employee share option scheme committee of Abterra and the executive chairman and executive director of New Silkroutes Group Limited ("New Silkroutes", formerly known as Digiland International Ltd), both companies listed on the Singapore Exchange Securities Trading Limited ("SGX"), a non-executive director of IRC Limited, a company listed on The Stock Exchange of Hong Kong Limited ("HKEX"). Mr. Cai is also a director of General Nice Group Holdings Limited ("GNG") and General Nice Investment (China) Limited ("GNI"). GNG through GND and GNI has controlling interest in GNR which has more than 5% of the issued shares of the Company.

Mr. Cai was publicly reprimanded by SGX on 7 January 2016 for breaching the listing rules of SGX (the "Breach") as at the relevant time he as the chairman and executive director of Abterra (i) failed to act in the interest of shareholders of Abterra in relation to an acquisition (the "Acquisition") of certain interest in a target company; (ii) caused Abterra to fail to immediately announce a reduction of Abterra's interest in its associated company after a restructuring agreement had been made; and (iii) caused Abterra to fail to immediately announce material changes in the terms of the sale and purchase agreement for the Acquisition. As a result of the Breach, all companies listed on SGX were advised to consult SGX before any of them appoints Mr. Cai as a director or member of its management. SGX had also directed Abterra to appoint a compliance adviser to advise Abterra on its continuing listing obligations and had referred the Breach to the relevant authorities in Singapore.

Mr. Zhao Cheng Shu, aged 52, was appointed an executive Director of the Company on 2 April 2009. He is also the deputy chairman of the Company and a member of the executive committee and nomination committee of the Company. Mr. Zhao is an economist and a senior engineer and has accumulated over 20 years of experience in the management of sizeable enterprises in the PRC. He is a specialist in corporate management and an entrepreneur. Currently he is a director and the general manager of Shanxi Loudong-General Nice Coking & Gas Co., Ltd. ("Shanxi Loudong"), a major subsidiary of the Company, and a director of a subsidiary of the Company. He is responsible for overall management and operations of Shanxi Loudong. Mr. Zhao is the general manager of Shanxi Loudong Industry and Trading Group Company ("Loudong Trading") and a director of Xin Lou Resources (Hong Kong) Limited, which is a subsidiary of Loudong Trading and has more than 5% of the issued shares of the Company. He is also the Vice President of the Federation of Young Entrepreneurs of Shanxi Province, Standing Committee of the Political Consultative Conference and Representative to the National People's Congress of Xiaoyi City of Shanxi Province, Deputy President of the Chamber of Industrial and Commerce of Xiaoyi City of Shanxi Province, Member of the Committee of the Political Consultative Conference of Luiliang City of Shanxi Province, etc. Mr. Zhao has contributed a lot to the society and thus been awarded many honourable titles and prizes, including "Advance Worker Assisting Economic Development of Private Enterprises of Luiliang City of Shanxi Province", "Outstanding Entrepreneur of Private Enterprise of Shanxi Province", "Young Leader of Special Technology of Luiliang City of Shanxi Province", "Outstanding Person in Pushing Relief from Poverty for the Society", "Role Model for Labour in Shanxi Province", "National Model for Labour ", "Ethical Role Model", "Medalist of Labour Day in Shanxi Province" etc. Mr. Zhao holds a Master degree in Enterprise Management specialising in Industrial Economics awarded by the Graduate School of China Institute of Social Science (中國社會科學院).

EXECUTIVE DIRECTORS (continued)

Mr. Lau Yu, aged 47, was appointed an executive Director of the Company with effect from 22 September 2008. He is also the chief executive officer, the chairman of the executive committee of the Company and director of certain subsidiaries of the Company. Mr. Lau has over 20 years of solid experience in international trading of mineral resources and metals, including coal, coke, iron ore and steel. With his extensive experience in the trading of coke and metallurgy, Mr. Lau has established strong network around the world and has extensive investment experience in areas including finance, real estates, manufacturing and natural resources. Mr. Lau is the chief executive officer and an executive director of Abterra, an executive director and the vice chairman of New Silkroutes, a non-executive director of Pluton Resources Limited ("Pluton"), a company listed on the Australian Securities Exchange, the chairman, an executive director and the compliance officer of Evershine Group Holdings Limited (stock code: 8022, "Evershine"), a company listed on the growth enterprise market of HKEX. He is also the chief executive officer and a director of GNR. Mr. Lau holds a Bachelor of Business Administration degree from the School of Finance in University of Hawaii in the United States of America.

Pluton entered into a deed (the "Deed") of company arrangement on 4 January 2016 with its creditors, pursuant to which Pluton agreed to settle the claims (the "Claims") by its creditors in accordance with the arrangements contemplated under the Deed.

Mr. Lau confirmed that there was no wrongful act on his part leading to the Claims and the entering into of the Deed and he is not aware of any actual or potential claim that has been or will be made against him as a result of the entering into of the Deed. Pluton is owned as to approximately 38% by GNR, but is not related in any way to the Company or to the Group.

Mr. Lau was publicly reprimanded by SGX on 7 January 2016 for the Breach as he as the chief executive officer and executive director of Abterra (i) failed to act in the interest of shareholders of Abterra in relation to the Acquisition (ii) caused Abterra to fail to immediately announce a reduction of Abterra's interest in its associated company after a restructuring agreement had been made; and (iii) caused Abterra to fail to immediately announce material changes in the terms of the sale and purchase agreement for the Acquisition. As a result of the Breach, all companies listed on SGX were advised to consult SGX before any of them appoints Mr. Lau as a director or member of its management. SGX had also directed Abterra to appoint a compliance adviser to advise Abterra on its continuing listing obligations and had referred the Breach to the relevant authorities in Singapore.

Mr. Ng Tze For, aged 54, was appointed an executive Director of the Company with effect from 11 September 2008. He is also a member of the executive committee of the Company and director of certain subsidiaries of the Company. Besides, Mr. Ng is the finance director of GNR. He was an alternate director to a non-executive, non-independent director of Palabora Mining Company Limited ("Palabora") from July 2013 to December 2014 and is currently a non-executive director of Palabora. Palabora has been de-listed from the Johannesburg Stock Exchange Limited since April 2014. He has more than 20 years experience in banking, corporate finance, business development and strategy planning for a number of international banks and listed companies in Hong Kong, Beijing and Shanghai. Mr. Ng graduated from The Chinese University of Hong Kong with a Bachelor of Business Administration Degree and obtained a Master Degree in Business Administration from City University of Hong Kong.

Biography of Directors and Senior Management

INDEPENDENT NON-EXECUTIVE DIRECTORS

Ms. Choy So Yuk, ***BBS, JP***, aged 65, was appointed an independent non-executive director of the Company on 5 June 2009. She is also a member of the audit committee and the nomination committee and the chairman of remuneration committee of the Company. She obtained her Bachelor of Science and Master of Philosophy degrees from the University of Hong Kong in 1974 and 1980 respectively. Ms. Choy was the founding managing director of SHK International Services Limited (which was subsequently acquired by Ms. Choy and changed its name to Oriental-Western Promotions Limited). Ms. Choy holds a wide variety of political, social and academic positions, such as a deputy of the National People's Congress of China and a director of Fujian Middle School. Ms. Choy was a member of the Fujian Provincial Committee of the Chinese People's Political Consultative Conference and a member of the Legislative Council in Hong Kong from 1998 to 2008. Ms. Choy is currently an independent non-executive director of Ping Shan Tea Group Limited (stock code: 364) since its listing on HKEX on 30 August 2002 and an independent non-executive director of Evershine since 12 May 2015.

Mr. Gao Wen Ping, aged 53, was appointed an independent non-executive director of the Company on 18 October 2010. He is also a member of the audit committee, the remuneration committee and the nomination committee of the Company. Mr. Gao graduated from the Department of Chinese of HuaZhong Normal University in China with a Master of Arts degree. Mr. Gao had been an associate professor of Lvliang University and had served as the deputy county magistrate of Linxian, LvLiang City of Shanxi Province, the deputy secretary of Liulin County, Shanxi Province, the deputy officer of the Department of Commerce of Shanxi Province, a director of Foreign Investment Association and a professor of the Faculty of Law of University of Finance and Economics for over 20 years and has extensive experience in economics, trading, investment and enterprises management.

Mr. Leung Yuen Wing, aged 48, was appointed an independent non-executive Director on 1 November 2012. He is also the chairman of the audit committee, a member of the remuneration committee and the nomination committee of the Company. Mr. Leung is an associate member of the Hong Kong Institute of Certified Public Accountants and a fellow member of the Chartered Association of Certified Accountants. He had held managerial positions in various renowned accounting firms, an investment bank and enterprises including listed companies. Mr. Leung is currently the chief financial officer of a glass manufacturing company. Mr. Leung had been the company secretary and authorized representative of the Company, the financial controller of General Nice Group and the chief financial officer of Abterra and he left the Group in February 2010. He was an independent non-executive director of PME Group Limited (stock code: 379), a company listed on the main board of HKEX from September 2004 to June 2013.

SENIOR MANAGEMENT

Mr. Kwok Kam Tim, aged 39, joined the Company in 2008 and is currently the financial controller of the Company. He was the company secretary and authorized representative of the Company from February 2010 to March 2013. Mr. Kwok is a fellow member of the Association of Chartered Certified Accountants, the Hong Kong Institute of Certified Public Accountants, the Hong Kong Institute of Chartered Secretaries, and the Institute of Chartered Secretaries and Administrators. Mr. Kwok holds a Bachelor of Engineering degree from The Hong Kong University of Science and Technology, a Bachelor of Arts degree in Accountancy and a Master degree in Corporate Governance from The Hong Kong Polytechnic University. He had worked in an international accounting firm and has over 14 years of experience in accounting, auditing and financial management. Currently, Mr. Kwok is an independent non-executive director of Newtree Group Holdings Limited (stock code: 1323), the shares of which is listed on the main board of the HKEX. He was also the independent non-executive director of Capital Finance Holdings Limited (stock code: 8239) during October 2009 to September 2015, and the independent non-executive director of Sky Forever Supply Chain Management Group Limited (stock code: 8047) from June 2014 to July 2014, both companies were listed on the growth enterprise market.

Corporate Governance Report

For the year ended 31 December 2015

The board of directors of the Company (the "Board") is pleased to present the corporate governance report for the year ended 31 December 2015.

A. CORPORATE GOVERNANCE PRACTICES

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

In the opinion of the directors of the Company (the "Directors"), the Company has complied with the respective code provisions of the Corporate Governance Code (the "CG Code") as set out in Appendix 14 of the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") during the year ended 31 December 2015, except for the following deviations:

Code provision A.2.7

Under Code A.2.7, the chairman should at least annually hold meetings with non-executive directors (including independent non-executive directors) without the executive directors present,

During the year ended 31 December 2015, the chairman of the Company (the "Chairman") held a meeting with Mr. Gao Wen Ping, an independent non-executive Director ("INED"), without the executive Directors present. As the meeting was not scheduled in advance, Ms. Choy So Yuk and Mr. Leung Yuen Wing, the remaining two INEDs, had not attended the meeting. Subsequent to 2015, Ms. Choy So Yuk and Mr. Leung Yuen Wing had met and discussed with the Chairman without the executive Directors present. The Chairman encourages the INEDs meet with him any time when they think required, he will schedule meetings at such times convenience to the INEDs.

Code Provision A.4.1

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

Code Provisions A.6.7 and E.1.2

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

Mr. Gao Wen Ping, an INED, was not in Hong Kong and had not attended the annual general meeting of the Company held on 18 June 2015 (the "2015 AGM"). Due to other commitments which must be attended to by the Chairman, the Chairman was unable to attend the 2015 AGM. However, Mr. Lau Yu, an executive Director and the chief executive officer of the Company, attended and took the chair of the 2015 AGM. Ms. Choy So Yuk, an INED, the chairman of the Remuneration Committee and a member of the Audit Committee and the Nomination Committee and Mr. Leung Yuen Wing, an INED, the chairman of the Audit Committee, a member of the Nomination committee and the Remuneration Committee attended the 2015 AGM and answered questions from the shareholders of the Company.

Code Provision A.7.1

Under code provision A.7.1, for regular board meetings, and as far as practicable in all other cases, an agenda and accompanying board papers should be sent, in full, to all directors at least 3 days before the intended date of a board meeting or board committee meeting. Since additional time was required to prepare the board papers for 2 meetings, the board papers were not sent to all Directors 3 days before such meetings.

B. DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the code of conduct regarding directors' securities transactions set out in the Model Code for Securities Transactions by Directors of Listed Issuers contained in Appendix 10 of the Listing Rules (the "Model Code"). Following specific enquiry by the Company, all Directors confirmed that they have complied with the required standards set out in the Model Code throughout the year ended 31 December 2015.

C. BOARD OF DIRECTORS

The Board currently comprises four executive Directors, namely Mr. Cai Sui Xin (the Chairman), Mr. Zhao Cheng Shu (the deputy Chairman), Mr. Lau Yu (the chief executive officer) and Mr. Ng Tze For and three INEDs, namely Ms. Choy So Yuk, Mr. Gao Wen Ping and Mr. Leung Yuen Wing. Mr. Li Xiao Long resigned as non-executive Director on 6 February 2015 and Ms. Li Xiao Juan resigned as executive Director on 29 December 2015.

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

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

During the year, 10 Board meetings and 5 special general meetings ("SGM") and the 2015 AGM were held. The attendance records of individual Director are as follows:

Directors	Board Meetings	2015 AGM	SGM
	No. of meetings attended/held	No. of meeting attended/held	No. of meetings attended/held
Executive Directors			
Mr. Cai Sui Xin *(Chairman)*	5/10	0/1	0/5
Mr. Zhao Cheng Shu *(Deputy Chairman)*	6/10	0/1	0/5
Mr. Lau Yu *(Chief Executive Officer)*	10/10	1/1	5/5
Mr. Ng Tze For	10/10	0/1	4/5
Ms. Li Xiao Juan (resigned on 29 December 2015)	2/10	0/1	0/5
Non-executive Director			
Mr. Li Xiao Long (resigned on 6 February 2015)	1/1	N/A	N/A
Independent Non-executive Directors			
Ms. Choy So Yuk	10/10	1/1	5/5
Mr. Gao Wen Ping	9/10	0/1	0/5
Mr. Leung Yuen Wing	8/10	1/1	3/5

Throughout the year ended 31 December 2015, the Company met at all times the requirements of the Listing Rules to have at least three INEDs representing at least one-third of the Board and with at least one INED possessing appropriate accounting and financial management expertise and professional qualifications.

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

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

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

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

During the year under review, the Company provided reading materials to the Directors to update them on the latest developments and changes to the Listing Rules, the applicable laws and regulations relating to directors' duties and responsibilities. The Company has appointed a compliance adviser to provide guidance and advice on compliance issues relating to the Listing Rules. The compliance adviser of the Company met with Mr. Lau Yu, Mr. Ng Tze For, Mr. Gao Wen Ping, Ms. Choy So Yuk and Mr. Leung Yuen Wing and briefed them the responsibilities and duties of a director under the Listing Rules. Mr. Leung Yuen Wing also attended other seminars/training courses relevant to his profession and duties as a director. In the first quarter of 2016, all Directors had received 24 hours training presented by the lawyer of the Company on Listing Rules compliance, directors' duties and corporate governance matters.

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

D. CHAIRMAN AND CHIEF EXECUTIVE OFFICER

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

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

E. NON-EXECUTIVE DIRECTORS

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

F. BOARD COMMITTEES

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

Executive Committee

The executive committee (the "Executive Committee") currently comprises three executive Directors, namely Mr. Lau Yu (acts as the chairman), Mr. Zhao Cheng Shu and Mr. Ng Tze For. Ms. Li Xiao Juan ceased to be a member on 29 December 2015 following her resignation as an executive Director. The Executive Committee was established to assist the Board in execution of its duties and to facilitate effective management. It has a written terms of reference under which certain functions, including the daily operation and management functions have been delegated to it.

Remuneration Committee

The Remuneration Committee currently comprises three INEDs, namely Ms. Choy So Yuk (acts as the chairman), Mr. Gao Wen Ping and Mr. Leung Yuen Wing. Mr. Li Xiao Long ceased to be a member following his resignation as a non-executive Director on 6 February 2015. The terms of reference of the Remuneration Committee are available on the respective websites of the Company and the Stock Exchange.

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

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

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

(iii) make recommendations with respect to the remuneration of the Directors and the senior management of the Company for approval by the Board.

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

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

Committee Members	Number of meetings attended/held
Ms. Choy So Yuk *(chairman)*	1/1
Mr. Gao Wen Ping	0/1
Mr. Leung Yuen Wing	1/1
Mr. Li Xiao Long (ceased to be a member on 6 February 2015)	N/A

During the year, the Remuneration Committee considered the policy for the remuneration of the Directors, reviewed and made recommendation to the Board on the remuneration packages of the Directors. Due to the unsatisfactory performance of the Group, the Remuneration Committee recommended the monthly salary of Mr. Zhao Cheng Shu, Mr. Lau Yu and Ms. Li Xiao Juan adjust down by 20% with effect from 1 May 2015. Details of the remuneration of each of the Directors and the senior management for the year are set out in Note 8 (Directors' and Chief Executive's Remuneration) and Note 9 (Five Highest Paid Employees) of the consolidated financial statements.

Nomination Committee

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

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

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

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

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

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

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

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

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

In 2015, the Nomination Committee reviewed the structure, size and composition and diversity (including the evaluation of skill, knowledge, cultural and education background, professional experience, age, gender and length of services of the Board members) of the Board and the Board Diversity Policy. The Nomination Committee considered the Board to possess a diversity of perspectives which is appropriate to the Group's requirement. The Nomination Committee also discussed and recommended to appoint an independent non-executive director.

Board Diversity Policy

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

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

Audit Committee

The Audit Committee currently comprises three INEDs, namely Mr. Leung Yuen Wing (act as the chairman), Ms. Choy So Yuk and Mr. Gao Wen Ping, all being the INEDs. The chairman of the Audit Committee has the appropriate professional qualification as required by the Listing Rules. Mr. Li Xiao Long ceased to be a member of the Audit Committee following his resignation as a non-executive Director on 6 February 2015. The Audit Committee has a written terms of reference. During the year, the Company has amended the terms of reference, among other things, to incorporate risk management to the roles of the Audit Committee. The terms of reference are available on the respective websites of the Company and the Stock Exchange.

The major roles of the Audit Committee are as follows:

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

(ii) review the independence and objectivity of the external auditor and the effectiveness of the audit process in accordance with applicable standards;

(iii) review the financial information, the financial and accounting policies and practices;

(iv) oversee financial reporting system, risk management and internal control systems; and

(v) review connected party transactions.

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

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

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

The audited financial statements and the annual report of the Company for the year ended 31 December 2015 have been reviewed by the Audit Committee.

G. CORPORATE GOVERNANCE FUNCTIONS

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

H. AUDITORS' REMUNERATION

For the year under review, the fees in respect of audit services provided to the Company and its subsidiaries by the auditor of the Company amounted to HK$1,350,000 (2014: HK$1,339,000), and other non-audit service provided to the Company for the year 2015 amounted to HK$165,000 (2014: HK$150,000). The non-audit service was in relation to the provision of advisory services to the Group.

I. FINANCIAL REPORTING

The Directors acknowledged their responsibility for preparing consolidated financial statements for each financial period which give a true and fair view of the state of affairs of the Group and its results and cash flows for the relevant financial period. In preparing the consolidated financial statements for the year ended 31 December 2015, the Directors ensured that the consolidated financial statements have been prepared in accordance with statutory requirements and applicable accounting standards and have applied them consistently; made judgments and estimates that are prudent, fair and reasonable; and have prepared the consolidated financial statements on a going concern basis. The Directors are also responsible for the timely publication of the consolidated financial statements of the Group.

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

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

J. INTERNAL CONTROL

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

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

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

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

The Board has conducted review of the effectiveness of the system of internal control and is of the view that the system of internal control adopted for the year ended 31 December 2015 is effective to safeguard the interests of the shareholders' investments and the Company's assets.

The Board has also conducted an annual review on the effectiveness of the accounting and financial reporting function of the Company and takes the view that the Company possesses adequate resources and staff qualifications and experience in this regard. However, the internal control, financial, operational and reporting procedures still have much rooms for improvement. The Company will identify the weaknesses and insufficiency and make improvement.

K. COMPANY SECRETARY

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

L. SHAREHOLDERS' RIGHTS

Convening a general meeting

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

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

Putting enquiries to the Board

Shareholders may send their enquiries and concerns to the Board by addressing them to the Company Secretary and deposit at the Company's principal place of business in Hong Kong or by e-mail to enquiry@ldgnr.com.

Putting forward proposal at general meeting

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

M. COMMUNICATION WITH SHAREHOLDERS

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

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

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

N. INVESTOR RELATIONS

There was no change to the Company's Bye-laws during the financial year 2015. A copy of the latest Bye-laws are posted on the websites of the Company and the Stock Exchange.

Report of the Directors

The directors of Loudong General Nice Resources (China) Holdings Limited (the "Company") are pleased to present their report and the audited financial statements of the Company and its subsidiaries (the "Group") for the year ended 31 December 2015.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. Details of the principal activities of the principal subsidiaries are set out in note 1 to the consolidated financial statements.

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

BUSINESS REVIEW

A review of the Group's business during of the year is provided in the section "Management Discussion and Analysis" on pages 5 to 10 of this report.

ENVIRONMENTAL POLICY AND PERFORMANCE AND THE COMPLIANCE OF LAWS AND REGULATIONS

The Group is committed to maintain an environmental friendly strategy by ways of minimizing pollution and wastage dispose to the environment, energy saving, low carbon emission, and emphasizing on recycling. The offices were aimed in minimizing the use of papers and consumables, and concentrated in the use of electronic media. The factories were restructured based on the national environmental policies for years, and continuing upgrade the factories to satisfy the latest governmental environmental requirements. Certain factories were fulfilled the standards of ISO9001 and ISO14001 on the quality management and environmental management respectively. Disposal and wastage were collected and used to produce side products to reduce pollution from direct disposal to the environment. In addition, the newly constructed factories and machineries were strictly fulfilled the national environmental policies before they are started to operate. Sufficient provision was made for the assets retirements in the oil companies to ensure a minimal damage to the environment. The Group is consistently reviewed the compliance on environmental policies in each location to ensure the compliance of relevant laws, rules and regulations, and consistently enhance our standard to increase our contribution to the environment.

During the year, as far as the Company is aware, there was no material breach or non-compliance with applicable laws and regulations by the Group that have significant impact on the business and operations of the Group.

RESULTS AND DIVIDENDS

The Group's loss for the year ended 31 December 2015 and the Group's financial position at that date are set out in the consolidated financial statements on pages 36 to 128.

The board of directors of the Company (the "Board") does not recommend payment of a final dividend for the year ended 31 December 2015 (2014: Nil).

SUMMARY FINANCIAL INFORMATION

A summary of the published results and assets, liabilities and non-controlling interests of the Group for the last five financial years, is set out on pages 131 to 132, which does not form part of the consolidated financial statements.

PROPERTY, PLANT AND EQUIPMENT AND INVESTMENT PROPERTIES

Details of movements in the property, plant and equipment, and investment properties of the Group during the year are set out in notes 13 and 14 to the consolidated financial statements, respectively. Further details of the Group's investment properties are set out on page 130.

BANK BORROWINGS

Details of bank borrowings of the Group are set out in note 27 to the consolidated financial statements on pages 100 to 101.

SHARE CAPITAL AND CONVERTIBLE BONDS

Details of movements in the Company's share capital and the Convertible bonds during the year are set out in notes 32 and 28 to the consolidated financial statements respectively.

PRE-EMPTIVE RIGHTS

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

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

Neither the Company, nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the year ended 31 December 2015.

DISTRIBUTABLE RESERVES

At 31 December 2015, the Company's reserves available for distribution, calculated in accordance with the Companies Act 1981 of Bermuda (as amended), amounted approximately to HK$33,256,000 (2014: HK$773,088,000).

MAJOR CUSTOMERS AND SUPPLIERS

During the year, sales to the Group's five largest customers accounted for 41.74% (2014: 55.92%) of the total sales for the year and sales to the largest customer included therein amounted for 10.27% (2014: 37.83%). Purchases from the Group's five largest suppliers accounted for 48.52% (2014: 60.53%) of the total purchases for the year and purchases from the largest supplier included therein amounted for 11.44% (2014: 16.01%).

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

Report of the Directors

DIRECTORS

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

Executive Directors:
Mr. Cai Sui Xin
Mr. Zhao Cheng Shu
Mr. Lau Yu
Mr. Ng Tze For
Ms. Li Xiao Juan (resigned on 29 December 2015)

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

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

In accordance with Bye-laws 87(1) and 87(2) of the Company's Bye-laws, Mr. Lau Yu, Mr. Gao Wen Ping and Mr. Leung Yuen Wing will retire from office by rotation at the forthcoming annual general meeting and, being eligible, offer themselves for re-election.

INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

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

MANAGEMENT CONTRACTS

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

DIRECTORS' AND SENIOR MANAGEMENT'S BIOGRAPHIES

Biographical details of the Directors and the senior management of the Group are set out on pages 11 to 13.

DIRECTORS' SERVICE CONTRACTS

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

DIRECTORS' REMUNERATION

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

PERMITTED INDEMNITY PROVISION

A permitted indemnity provision for the benefit of the Directors and senior management of the Company is currently in force and was in force throughout the year. The Group has appropriately purchased directors and officers liability insurance for years to minimize the risks of Directors and senior management for the performance of their corporate duties.

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS

No Director nor a connected entity of a director had a material interest, either directly or indirectly, in any transactions, arrangements or contracts of significance to the business of the Group to which the holding company of the Company or any of the Company's subsidiaries or fellow subsidiaries was a party during the year.

PLEDGE OF SHARES BY CONTROLLING SHAREHOLDER AND CONNECTED TRANSACTION

On 18 May 2015, the Group entered into a subscription agreement (the "CB1 Subscription Agreement") with China Huarong International Holdings Limited ("China Huarong") for the issue of a three-year convertible bonds in an aggregate principal amount of HK$400,000,000 (the "CB1") to China Huarong. The CBI carries interest at rate of 6% per annum payable yearly and is convertible into shares of the Company at an initial conversion price of HK$0.331 per conversion share. Prior to the completion of the subscription, China Huarong has novated all its rights and obligations under the CB1 Subscription Agreement to its wholly-owned subsidiary, China Huarong Investment Management Limited ("Huarong Investment"). As security of the CB1, General Nice Resources (Hong Kong) Limited ("GNR"), the then substantial shareholder of the Company, has charged its 319,100,000 shares of the Company in favour of Huarong Investment under a share charge, and Mr. Cai Sui Xin ("Mr. Cai") has provided a personal guarantee to guarantee in favour of Huarong Investment the performance of the obligations by the Company under the CB1 Subscription Agreement. Mr. Cai is the chairman and executive Director of the Company and GNR and has corporate interest in the shares of the Company through GNR. Mr. Lau Yu is the director and the chief executive officer of the Company and GNR. The proceeds of HK$400,000,000 was to fulfilling the general working capital requirement of the Group and the funding requirement for the potential acquisition of companies principally engaged in logistics and operation of warehouse businesses located in the PRC.

On 18 May 2015, GNR and China Huarong entered into a subscription agreement (the "EB Subscription Agreement") for the issue of a 3-year exchangeable bonds in the aggregate principal amount of HK$100,000,000 with a coupon rate of 6% per annum payable yearly and an initial exchange price of HK$0.331 per share. Upon full exercise of the exchangeable bonds, a total of 302,114,803 shares of the Company will be transferred from GNR to China Huarong (or a group company of China Huarong). Mr. Cai has provided a personal guarantee in favour of Huarong Investment for the performance of the obligations of GNR under the EB Subscription Agreement.

As China Huarong has entered into the CB1 Subscription Agreement with the Company and in addition, entered into the EB Subscription Agreement with GNR, China Huarong was a deemed connected person of the Company and the issue of the CB1 constituted a connected transaction for the Company under Chapter 14A of the Listing Rules and was subject to the approval of the independent shareholders by way of poll. The CB1 Subscription Agreement had been approved by the independent shareholder of the Company at the special general meeting held on 4 July 2015 and was completed on 19 August 2015. The conversion price of CBI was adjusted from HK$0.33 per Share to HK$0.29 per Share subsequent to the issue of a HK$300,000,000 convertible bonds by the Company.

RELATED PARTY TRANSACTION

A summary of the related party transactions entered into by the Group during the year ended 31 December 2015 is contained in note 39 to the consolidated financial statements. The related party transactions did not constitute connected transactions/continuing connected transactions or constituted connected transactions/continuing connected transactions but were exempted from all disclosure and independent shareholders' approval requirements under the Listing Rules.

INTERESTS OF DIRECTORS AND CHIEF EXECUTIVE

As at 31 December 2015, the following Directors and chief executive of the Company were interested, or were deemed to be interested in the following long and short positions in the shares, underlying shares and debentures of the Company or any associated corporation (within the meaning of the Securities and Futures Ordinance (the "SFO")) which (a) were required to be notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to Divisions 7 and 8 of Part XV of the SFO; or (b) were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein (the "Register"); or (c) were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers contained in Appendix 10 of the Listing Rules, to be notified to the Company and the Stock Exchange:

	Long and short positions in the shares and underlying shares of the Company				
	Number of ordinary shares		Number of underlying shares subject to the outstanding share options		Approximate percentage of the issued share capital
Name of Director	Personal interests	Corporate interests		Total	
Mr. Cai Sui Xin	7,205,545(L)	334,051,660(L) (Note 1)	–	341,257,205(L)	9.95%
		302,114,803(S) (Note 2)	–	302,114,803(S)	8.81%
Mr. Zhao Cheng Shu	5,438,150(L)	–	–	5,438,150(L)	0.16%
Mr. Lau Yu	21,448,550(L)	–	–	21,448,550(L)	0.63%
Mr. Ng Tze For	–	–	3,942,457(L)	3,942,457(L)	0.11%
Ms. Choy So Yuk	271,908(L)	–	–	271,908(L)	0.01%
Mr. Leung Yuen Wing	224,213(L)	–	–	224,213(L)	0.01%

L – Long position
S – Short position

Note:

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

2. Pursuant to the exchangeable bonds subscription agreement dated 18 May 2015 entered into between GNR and China Huarong, GNR has agreed to issue to China Huarong (or a group company of China Huarong) a 3-year exchangeable bonds (the "Exchangeable Bonds") in the aggregate principal amount of HK$100 million with an initial exchange price of HK$0.331 per share. Upon full exercise of the Exchangeable Bonds, a total of 302,114,803 shares will be transferred from GNR to the holders of the Exchangeable Bond.

Save as disclosed above, as at 31 December 2015, none of the Directors and chief executive of the Company was interested, or was deemed to be interested in the long and short positions in the shares, underlying shares and debentures of the Company or any associated corporation which were required to be notified to the Company and the Stock Exchange or recorded in the Register as aforesaid.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

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

RELATIONSHIPS WITH EMPLOYEES, CUSTOMERS AND SUPPLIERS

The Group believes that employees are valuable assets and the key element to sustain its growth and development. Thus the Group maintain a competitive remuneration package, discretionary bonus, training and occupational health and safety to retain the employees. The Group will consistently review the remuneration packages so as to competitive with the market. Further, the Group has adopted a share option scheme for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group. Customers and suppliers are another important elements for the Group to success. Thus the Group would value good relationship with the customers and suppliers by ways of providing high quality services and products to the customers, as well as maintaining a mutual trust and commitment with the suppliers.

SHARE OPTION SCHEME

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

Details of the Scheme are set out in note 33 to the consolidated financial statements.

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS

Save as disclosed under the section headed "Interests of Directors and chief executive" above, as at 31 December 2015, the following persons had an interest in the shares and underlying shares of the Company as recorded in the register required to be kept under Section 336 of the SFO.

		Long and short positions in the shares/underlying shares of the Company		
Name	Capacity	Nature of Interest	No. of shares/ underlying shares	Approximate percentage of the issued share capital
GNR	Beneficial owner	Corporate interests	334,051,660(L) (Note 1)	9.74%
			302,114,803(S) (Note 2)	8.81%
GND	Interest of controlled corporation	Corporate interests	334,051,660(L) (Note 1)	9.74%
			302,114,803(S) (Notes 2)	8.81%

Name	Capacity	Nature of Interest	Long and short positions in the shares/underlying shares of the Company: No. of shares/ underlying shares	Approximate percentage of the issued share capital
GNI	Interest of controlled corporation	Corporate interests	334,051,660(L) (Note 1) 302,114,803(S) (Notes 2)	9.74% 8.81%
GNG	Interest of controlled corporation	Corporate interests	334,051,660(L) (Note 1) 302,114,803(S) (Notes 2)	9.74% 8.81%
Tsoi Ming Chi	Interest of controlled corporation	Corporate interests	334,051,660(L) (Note 1) 302,114,803(S) (Notes 2)	9.74% 8.81%
Xin Lou Resources (Hong Kong) Limited ("Xin Lou")	Beneficial owner	Corporate interests	321,858,177(L)	9.39%
Shanxi Loudong Industry & Trading Group Company (formerly known as Xiaoyi Loudong Industry & Trading Group Company ("Loudong Trading")	Interest of controlled corporation	Corporate interests	321,858,177(L) (Note 3)	9.39%
Wise Perfection Limited	Beneficial owner	Corporate interests	250,000,000(L) (Note 4)	7.29%
Rong De Investments Limited	Interest of controlled corporation	Corporate interests	250,000,000(L) (Note 4)	7.29%
Chu Hing Tsung	Interest of controlled corporation	Corporate interests	250,000,000(L) (Note 4)	7.29%
Liao Tengjia	Interest of controlled corporation	Corporate interests	250,000,000(L) (Note 4)	7.29%
Xinya Global Limited	Beneficial owner	Corporate interests	1,006,096,460(L) (Note 5)	29.34%
Tewoo Import & Export (HK) Limited	Interest of controlled corporation	Corporate interests	1,006,096,460(L) (Note 5)	29.34%

Name	Capacity	Nature of Interest	No. of shares/ underlying shares	Approximate percentage of the issued share capital
	Long and short positions in the shares/underlying shares of the Company			
Tianjin Tian Yuen Investment Limited* 天津天源投資有限公司	Interest of controlled corporation	Corporate interests	1,006,096,460(L) (Note 5)	29.34%
Tewoo Import and Export Trade Co., Limited* 天津物產進出口貿易有限公司	Interest of controlled corporation	Corporate interests	1,006,096,460(L) (Note 5)	29.34%
Tewoo Group (Hong Kong) Limited	Interest of controlled corporation	Corporate interests	1,006,096,460(L) (Note 5)	29.34%
Tewoo Group Co., Ltd.* 天津物產集團有限公司	Interest of controlled corporation	Corporate interests	1,006,096,460(L) (Note 5)	29.34%
Tianjin Guo Wang Asset Management Limited* 天津國旺資產管理有限公司	Interest of controlled corporation	Corporate interests	1,006,096,460(L) (Note 5)	29.34%
Tianjin Guo Xing Asset Operation Limited* 天津國興資本運營有限公司	Interest of controlled corporation	Corporate interests	1,006,096,460(L) (Note 5)	29.34%
Bohai Steel Group (Tianjin) Investment Limited* 渤海鋼鐵集團(天津)投資有限公司	Interest of controlled corporation	Corporate interests	1,006,096,460(L) (Note 5)	29.34%
Bohai Steel Group Co., Ltd.* 海鋼鐵集團有限公司	Interest of controlled corporation	Corporate interests	1,006,096,460(L) (Note 5)	29.34%
China Huarong	Interest of controlled corporation	Corporate interests	1,681,425,147(L) (Note 6)	49.03%

Notes:

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

2. Pursuant to the Exchangeable Bonds subscription agreement dated 18 May 2015 entered into between GNR and China Huarong, GNR has agreed to issue to China Huarong (or a group company of China Huarong) the Exchangeable Bonds. Upon full exercise of the Exchangeable Bonds, a total of 302,114,803 shares will be transferred from GNR to the holder(s) of the Exchangeable Bonds.

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

4. These shares are beneficially owned by Wise Perfection Limited which is wholly owned by Rong De Investments Limited. Rong De Investments Limited is owned as to 34.06% by Chu Hing Tsung and 36% by Liao Tenjia. Accordingly each of Rong De Investments Limited, Chu Hing Tsung and Liao Tengjia is deemed to be interested in the shares held by Wise Perfection Limited.

5. These interests comprise 208,224,120 issued shares of the Company beneficially owned by Xinya Global Limited and 797,872,340 underlying shares which may be allotted and issued to Xinya Global Limited upon full exercise of the conversion rights attaching to the convertible bonds with the principal amount of HK$300,000,000 at a conversion price of HK$0.376 per share. Xinya Global Limited is wholly owned by Tewoo Import & Export (HK) Limited. Tweoo Import & Export (HK) Limited is owned as to 49% by Tewoo Import And Export Trade Co., Limited and 51% by Tewoo Group (Hong Kong) Limited. Tewoo Import And Export Trade Co., Limited is owned as to 49% by Tianjin Tian Yuen Investment Limited and 51% by Tewoo Group Co. Limited. Tianjin Tian Yuen Investment Limited is wholly owned by Tiajin Guo Wang Asset Management Limited. Each of Bohai Steel Group (Tianjin) Investment Limited and Tianjin Guo Xing Asset Operation Limited owns 50% of Tianjin Guo Wang Asset Management Limited. Bohai Steel Group (Tianjin) Investment Limited is wholly owned by Bohai Steel Group Co., Limited. Tewoo Group (Hong Kong) Limited is wholly owned by Tewoo Group Co., Limited. Accordingly, each of Tewoo Import & Export (HK) Limited, Tewoo Import And Export Trade Co., Limited, Tewoo Group (Hong Kong) Limited, Tewoo Group Co., Limited, Tianjin Tian Yuen Investment Limited, Tianjin Guo Wang Asset Management Limited, Bohai Steel Group (Tianjin) Investment Limited, Bohai Steel Group Co., Limited and Tianjin Guo Xing Asset Operation Limited is deemed to be interested in the shares held by Xinya Global Limited.

6. According to the records of the Company, China Huarong Investment Management Limited is interested in 1,681,425,147 underlying shares (of which 1,379,310,344 shares (as adjusted subsequent to the adjustment of the conversion price from HK$0.331 to HK$0.29 per shares) may be allotted and issued upon the exercise of the conversion rights attaching to the convertible bonds with the principal amount of HK$400,000,000 at conversion price of HK$0.29 (as adjusted) per conversion share and 302,114,803 shares may be transferred from GNR to it upon exercise of the conversion rights attached to the Exchangeable Bonds). China Huarong owns 100% of China Huarong Investment Management Limited and is deemed to be interested in 1,681,425,147 underlying shares held by China Huarong Investment Management Limited, China Huarong International Holdings Limited is owned as to 88.1% by Huarong Real Estate Co., Ltd. and as to 11.9% by Huarong Zhiyuan Investment & Management Co., Ltd. Each of Huarong Real Estate Co., Ltd. and Huarong Zhiyuan Investment & Management Co., Ltd. is wholly-owned by China Huarong Asset Management Co., Ltd.

Save as disclosed above, the Directors are not aware of any other persons who, at 31 December 2015, had interests or short positions in the shares or underlying shares of the Company which are recorded in the register and required to be kept under Section 336 of the SFO.

SUFFICIENCY OF PUBLIC FLOAT

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

DIRECTORS' INTERESTS IN A COMPETING BUSINESS

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

Mr. Cai Sui Xin is also a director and beneficial owner of GND, GNR and General Nice (Tianjin) Industry Co. Ltd. ("GNT") which are also involved in the trading of minerals. Mr. Cai is also interested in 49% equity interest of Tianjin Gangjun Logistics Development Co., Ltd. (天津港俊物流發展有限公司) ("Tianjin Gangjun") which is principally engaged in the provision of depot storage services and the trading of ores and coke.

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

Report of the Directors

CORPORATE GOVERNANCE

Details of the Company's corporate governance practices are set out in the Corporate Governance Report on pages 14 to 23 of this annual report.

EVENTS AFTER THE REPORTING PERIOD

Details of significant events of the Group after the reporting period and set out in note 43 to the consolidated financial statements.

AUDITORS

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

ON BEHALF OF THE BOARD
Cai Sui Xin
Chairman

Hong Kong
31 March 2016

Ascenda CACHET
天健德揚

13F Neich Tower
128 Gloucester Road
Wanchai Hong Kong

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

We have audited the consolidated financial statements of Loudong General Nice Resources (China) Holdings Limited (the "Company") and its subsidiaries (together, the "Group") set out on pages 36 to 128, which comprise the consolidated statement of financial position as at 31 December 2015, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

AUDITORS' RESPONSIBILITY

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

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

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

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

Independent Auditors' Report

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Company and its subsidiaries as at 31 December 2015, and of their financial performance and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Ascenda Cachet CPA Limited
Certified Public Accountants

Chan Yuk Tong
Practising Certificate Number P03723

Hong Kong
31 March 2016

Consolidated Statement of Profit or Loss and Other Comprehensive Income

Year ended 31 December 2015

	Notes	2015 HK$'000	2014 HK$'000
REVENUE	5	**1,569,903**	5,825,864
Cost of sales	6	**(1,495,216)**	(5,186,775)
Gross profit		**74,687**	639,089
Other income and gains	5	**29,620**	65,874
Selling and distribution expenses		**(118,887)**	(170,015)
Administrative expenses		**(85,818)**	(70,155)
Other operating expenses		**(4,185)**	(39,965)
Impairment of trade receivables	6	**(351,211)**	(167,046)
Impairment of prepayments and other receivables	6	**(39,825)**	(177,336)
Impairment of investment in an associate	6	**(354,488)**	–
Impairment of goodwill	6,18	**–**	(56,400)
Impairment of oil properties	6,19	**(72,145)**	–
Share of profit and losses of associates	16	**(1,195)**	–
Finance costs	7	**(191,572)**	(88,411)
LOSS BEFORE TAX	6	**(1,115,019)**	(64,365)
Income tax expense	10	**(222,844)**	(332,478)
LOSS FOR THE YEAR		**(1,337,863)**	(396,843)
OTHER COMPREHENSIVE INCOME			
To be reclassified to profit or loss in subsequent periods:			
Exchange differences on translation of foreign operations		**14,970**	(26,179)
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX		**14,970**	(26,179)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**(1,322,893)**	(423,022)
Loss attributable to:			
Owners of the Company		**(1,291,990)**	(376,988)
Non-controlling interests		**(45,873)**	(19,855)
		(1,337,863)	(396,843)
Total comprehensive income attributable to:			
Owners of the Company		**(1,277,851)**	(402,412)
Non-controlling interests		**(45,042)**	(20,610)
		(1,322,893)	(423,022)
LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY	12		
Basic		**(HK$0.42)**	(HK$0.16)
Diluted		**(HK$0.42)**	(HK$0.16)

Consolidated Statement of Financial Position

31 December 2015

	Notes	2015 HK$'000	2014 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment	13	**250,790**	258,752
Investment property	14	**13,007**	11,992
Prepaid land premiums	15	**32,128**	34,633
Interests in associates	16	**320,904**	6,371
Available-for-sale investments	17	**7,548**	11,900
Goodwill	18	**115,740**	64,781
Oil properties	19	**231,261**	292,116
Total non-current assets		**971,378**	680,545
CURRENT ASSETS			
Inventories	20	**50,427**	123,482
Prepaid land premiums	15	**953**	998
Trade and bills receivables	21	**890,209**	2,073,671
Prepayments, deposits and other receivables	22	**1,596,646**	1,139,025
Equity investments at fair value through profit or loss	23	**597**	14,892
Due from related companies	39(b)	**47,455**	30,201
Pledged deposits	24	**35,199**	256,447
Cash and cash equivalents	24	**457,123**	22,521
Total current assets		**3,078,609**	3,661,237
CURRENT LIABILITIES			
Trade and bills payables	25	**339,422**	686,812
Other payables and accruals	26	**298,512**	171,614
Interest-bearing bank and other borrowings	27	**1,105,663**	1,468,038
Promissory notes	29	**3,100**	9,305
Due to related companies	39(b)	**17,902**	18,254
Tax payable		**403,474**	256,262
Total current liabilities		**2,168,073**	2,610,285
NET CURRENT ASSETS		**910,536**	1,050,952
TOTAL ASSETS LESS CURRENT LIABILITIES		**1,881,914**	1,731,497

Consolidated Statement of Financial Position

31 December 2015

	Notes	2015 HK$'000	2014 HK$'000
TOTAL ASSETS LESS CURRENT LIABILITIES		**1,881,914**	1,731,497
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings	27	**798,346**	356,438
Loans from related companies	39(b)	**873**	219,827
Assets retirement obligations	30	**12,183**	1,384
Promissory notes	29	**45,538**	49,883
Convertible bonds	28	**636,388**	–
Deferred tax liabilities	31	**87,082**	116,826
Total non-current liabilities		**1,580,410**	744,358
Net assets		**301,504**	987,139
EQUITY			
Equity attributable to owners of the Company			
Issued capital	32	**34,292**	28,592
Exchange fluctuation reserve		**107,240**	93,101
Reserves	34	**191,185**	851,617
		332,717	973,310
Non-controlling interests		**(31,213)**	13,829
Total equity		**301,504**	987,139

Cai Sui Xin
Director

Zhao Cheng Shu
Director

Consolidated Statement of Changes in Equity

Year ended 31 December 2015

	Attributable to owners of the Company										
	Share capital HK$'000 (Note 32)	Share premium account* HK$'000	Share option reserve* HK$'000 (Note 33)	Equity component of convertible bonds HK$'000	Exchange fluctuation reserve HK$'000	Capital reserve* HK$'000 (Note 34(i))	Contribution surplus* HK$'000 (Note 34(ii))	Accumulated losses* HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
At 1 January 2014	23,892	626,634	1,534	–	118,525	688,569	1,742,526	(2,117,358)	1,084,322	34,439	1,118,761
Loss for the year	–	–	–	–	–	–	–	(376,988)	(376,988)	(19,855)	(396,843)
Other comprehensive income for the year:											
– Exchange differences on translation of foreign operations	–	–	–	–	(25,424)	–	–	–	(25,424)	(755)	(26,179)
Total comprehensive income for the year	–	–	–	–	(25,424)	–	–	(376,988)	(402,412)	(20.610)	(423,022)
Fair value of new shares issued as partial consideration for the acquisition of EPI (note 35(b))	4,700	286,700	–	–	–	–	–	–	291,400	–	291,400
At 31 December 2014 and 1 January 2015	**28,592**	**913,334**	**1,534**	**–**	**93,101**	**688,569**	**1,742,526**	**(2,494,346)**	**973,310**	**13,829**	**987,139**
Loss for the year	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(1,291,990)**	**(1,291,990)**	**(45,873)**	**(1,337,863)**
Other comprehensive income for the year:											
– Exchange differences on translation of foreign operations	**–**	**–**	**–**	**–**	**14,139**	**–**	**–**	**–**	**14,139**	**831**	**14,970**
Total comprehensive income for the year	**–**	**–**	**–**	**–**	**14,139**	**–**	**–**	**(1,291,990)**	**(1,277,851)**	**(45,042)**	**(1,322,893)**
Reduction in contribution surplus and share premium (note 34(iii))	**–**	**(913,334)**	**–**	**–**	**–**	**–**	**(969,436)**	**1,882,770**	**–**	**–**	**–**
Fair value of new shares issued as consideration for the acquisition of Kai Sum and Hai Hui (notes 16 & 35(a))	**5,700**	**564,700**	**–**	**–**	**–**	**–**	**–**	**–**	**570,400**	**–**	**570,400**
Transfer of share option reserve upon lapsing of share options	**–**	**–**	**(95)**	**–**	**–**	**–**	**–**	**95**	**–**	**–**	
Issue of convertible bonds, net of transaction costs	**–**	**–**	**–**	**66,356**	**–**	**–**	**–**	**–**	**66,356**	**–**	**66,356**
Share of reserve of an associate	**–**	**–**	**502**	**–**	**–**	**–**	**–**	**–**	**502**	**–**	**502**
As 31 December 2015	**34,292**	**564,700**	**1,941**	**66,356**	**107,240**	**688,569**	**773,090**	**(1,903,471)**	**332,717**	**(31,213)**	**301,504**

* These reserve accounts comprise the consolidated reserves of HK$191,185,000 (2014: HK$851,617,000) in the consolidated statement of financial position.

Consolidated Statement of Cash Flows

Year ended 31 December 2015

	Notes	2015 HK$'000	2014 HK$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Loss before tax		**(1,115,019)**	(64,365)
Adjustments for:			
Finance costs excluding interest on promissory notes and convertible bonds	7	**173,900**	86,727
Interest income	5	**(3,151)**	(3,977)
Reimbursement of depreciation charge	5	**(19,356)**	(16,592)
Depreciation of property, plant and equipment	13	**20,754**	17,160
Fair value gain on an investment property	14	**(1,015)**	(254)
Accretion expenses – oil properties	6	**698**	–
Amortisation of prepaid land premiums	15	**984**	1,004
Amortisation of oil properties	6,19	**3,488**	192
Impairment of trade receivables	6,21	**351,211**	167,046
Share of profit and losses of associates	16	**1,195**	–
Reversal impairment of the amount due from the associate		**–**	(31,254)
Impairment of investment in an associate	6,16	**354,488**	–
Write-down of inventories to net realisable value		**8,111**	–
Impairment of available-for-sale investments	6,17	**3,944**	–
Impairment of prepayment, deposits and other receivables	6	**39,825**	177,336
Impairment of goodwill	6,18	**–**	56,400
Impairment of oil properties	6,19	**72,145**	–
Gain on disposal of property, plant and equipment, net	6	**–**	(5,516)
Gain on disposed of equity investment at fair value through profit or loss	5	**(622)**	–
Interest on promissory notes	7,29	**2,500**	1,684
Interest on convertible bonds	7,28	**15,172**	–
Write-off of other receivables	6	**–**	5,220
Loss on early redemption of a promissory note	6,29	**1,362**	3,540
		(89,386)	394,351
Decrease in inventories		**61,699**	20,660
Increase in equity investments at fair value through profit or loss		**–**	(13,722)
Proceeds from disposal of equity investments at fair value through profit or loss		**14,699**	–
Increase in trade and bills receivables		**(117,308)**	(786,792)
Decrease in prepayments, deposits and other receivables		**402,745**	110,808
Decrease/(Increase) in amounts due from related parties		**21,265**	(126)
Decrease in trade and bills payables		**(374,188)**	(206,425)
Increase/(decrease) in other payables and accruals		**52,661**	(41,001)
Utilisation of assets retirement obligations	30	**(2,046)**	–
Cash used in operations		**(29,859)**	(522,247)
Income tax paid		**(93,961)**	(281,565)
Net cash flows used in operating activities		**(123,820)**	(803,812)

Consolidated Statement of Cash Flows

Year ended 31 December 2015

	Notes	2015 HK$'000	2014 HK$'000
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received	5	**3,151**	3,977
Net cash inflows in relation to the acquisition of subsidiaries	35	**100**	511
Net cash outflows in relation to the acquisition of an associate	16(ii)	**(150,000)**	–
Proceeds from disposal of items of property, plant and equipment		**–**	5,834
Purchases of items of property, plant and equipment	13	**(91)**	(102,230)
Additions of oil properties		**(2,738)**	–
Repayment from an associate		**–**	31,254
Refund of deposit paid for proposed acquisition of Linxian Taiye	22	**–**	162,409
Decrease in pledged deposits		**216,664**	372,738
Net cash flows from investing activities		**67,086**	474,493
CASH FLOWS FROM FINANCING ACTIVITIES			
New bank and other borrowings		**1,480,330**	2,325,717
Repayment of loans from banks and non-financial institutions		**(1,321,943)**	(1,850,780)
Issue of convertible bonds		**697,928**	–
Repayment to related companies		**(251,768)**	(16,020)
Early redemption of a promissory note		**(14,202)**	(30,000)
Interest paid		**(106,723)**	(86,756)
Net cash flow from financing activities		**483,622**	342,161
NET INCREASE FROM CASH AND CASH EQUIVALENTS		**426,888**	12,842
Cash and cash equivalents at beginning of year		**22,521**	7,630
Effect of foreign exchange rate changes, net		**(250)**	2,049
CASH AND CASH EQUIVALENTS AT END OF YEAR		**449,159**	22,521
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and cash equivalents as stated in the consolidated statement of financial position	24	**457,123**	22,521
Bank overdrafts	27	**(7,964)**	–
		449,159	22,521

1 CORPORATE AND GROUP INFORMATION

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

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

The Company is an investment holding company. During the year, the principal activities of the Group are coal processing and production of metallurgical coke and by-products, the trading of commodities and exploration and production of oil as well as the provision of well services. In addition, the Group commenced to engage in the provision of logistics and warehousing services through the acquisition of 內蒙古亞歐大陸橋物流有限責任公司 (literally translated as "Inner Mongolia Euraasian Continent Bridge Logistics Limited Liability Company", "Mongolia Logistics", an associate), and 東莞市海輝物流有限公司 (literally translated as "Dongguan City Hai Hui Logistics Co Ltd.", ("Hai Hui", an indirectly wholly-owned subsidiary") during the year (notes 16(ii) and 35(a)).

Information about subsidiaries

Particulars of the principal subsidiaries as at 31 December 2015 are as follows:

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

1 CORPORATE AND GROUP INFORMATION (continued)

Information about subsidiaries (continued)

Name	Place of incorporation and business	Issued/ paid up capital	Percentage of equity interest attributable to the Company Direct	Indirect	Principal activities
Mega Oil Inc.*	USA	US$1,000	–	100%	Extraction and sales of oil
Sheen Day Limited	Hong Kong	HK$1	–	100%	Property holding
Dongguan City Hai Hui Logistics Company Limited*@^	PRC	RMB30,500,000	–	100%	Provision of logistics and warehousing services
Kai Sum International Limited*@	BVI	US$2	–	100%	Investment holding
Wealth Delight International Holdings Limited*@	BVI	US$1	–	100%	Investment holding

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

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

^ The subsidiary is registered as wholly foreign owned enterprises under the PRC law.

@ These entities were newly acquired during the year ended 31 December 2015.

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

2.1 BASIS OF PREPARATION

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance (Cap. 622). In addition, the consolidated financial statements include the applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"). The financial statements have been prepared under the historical cost convention, except for investment property and equity investments at fair value through profit and loss which have been measured at fair value. These consolidated financial statements are presented in Hong Kong dollars and all values are rounded to the nearest thousand except when otherwise indicated.

2.1 BASIS OF PREPARATION (continued)

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31 December 2015.

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

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

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

(b) rights arising from other contractual arrangements; and

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

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

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

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

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

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has adopted the following revised standards, which are applicable to the Group, for the first time for the current year's consolidated financial statements:

- Amendments to HKAS 19 Defined Benefit Plans: Employee Contributions
- Annual Improvements to HKFRSs 2010-2012 Cycle
- Annual Improvements to HKFRSs 2011-2013 Cycle

Other than as explained below regarding the impact of HKAS 19, HKFRS 8, HKAS 16, HKAS 24, HKFRS 3, HKFRS 13 and HKAS 40 (state the applicable standards), the adoption of the above revised standards has had no significant financial effect on these financial statements.

(a) Amendments to HKAS 19 apply to contributions from employees to third parties to defined benefit plans. The amendment simplify the accounting for contributions that are independent of the number of years of employee service, for example, employee contributions that are calculated according to a fixed percentage of salary. If the amount of the contributions is independent of the number of years of service, an entity is permitted to recognise such contributions as a reduction of service cost in the period in which the related service is rendered. The amendments have had no impact on the Group as the Group does not have defined benefit plans.

(b) The Annual Improvements to HKFRSs 2010-2012 Cycle issued in January 2014 sets out amendments to a number of HKFRSs. Details of the amendments that are effective for the current year are as follows:

- HKFRS 8 Operating Segments: Clarifies that an entity must disclose the judgements made by management in applying the aggregation criteria in HKFRS 8, including a brief description of operating segments that have been aggregated and the economic characteristics used to assess whether the segments are similar. The amendments also clarify that a reconciliation of segment assets to total assets is only required to be disclosed if the reconciliation is reported to the chief operating decision maker. The amendments have had no impact on the Group.
- HKAS 16 Property, Plant and Equipment and HKAS 38 Intangible Assets: Clarifies the treatment of gross carrying amount and accumulated depreciation or amortisation of revalued items of property, plant and equipment and intangible assets. The amendments have had no impact on the Group as the Group does not apply the revaluation model for the measurement of these assets.
- HKAS 24 Related Party Disclosures: Clarifies that a management entity (i.e., an entity that provides key management personnel services) is a related party subject to related party disclosure requirements. In addition, an entity that uses a management entity is required to disclose the expenses incurred for management services. The amendment has had no impact on the Group as the Group does not receive any management services from other entities.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (continued)

(c) The Annual Improvements to HKFRSs 2011-2013 Cycle issued in January 2014 sets out amendments to a number of HKFRSs. Details of the amendments that are effective for the current year are as follows:

- HKFRS 3 Business Combinations: Clarifies that joint arrangements but not joint ventures are outside the scope of HKFRS 3 and the scope exception applies only to the accounting in the financial statements of the joint arrangement itself. The amendment is applied prospectively. The amendment has had no impact on the Group as the Company is not a joint arrangement and the Group did not form any joint arrangement during the year.

- HKFRS 13 Fair Value Measurement: Clarifies that the portfolio exception in HKFRS 13 can be applied not only to financial assets and financial liabilities, but also to other contracts within the scope of HKFRS 9 or HKAS 39 as applicable. The amendment is applied prospectively from the beginning of the annual period in which HKFRS 13 was initially applied. The amendment has had no impact on the Group as the Group does not apply the portfolio exception in HKFRS 13.

- HKAS 40 Investment Property: Clarifies that HKFRS 3, instead of the description of ancillary services in HKAS 40 which differentiates between investment property and owner-occupied property, is used to determine if the transaction is a purchase of an asset or a business combination. The amendment is applied prospectively for acquisitions of investment properties. The amendment has had no impact on the Group.

In addition, the Company has adopted the amendments to the Listing Rules issued by the Hong Kong Stock Exchange relating to the disclosure of financial information with reference to the Hong Kong Companies Ordinance (Cap. 622) during the current financial year. The main impact to the financial statements is on the presentation and disclosure of certain information in the financial statements.

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

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

Amendments to HKAS 1	Disclosure Initiative[1]
HKFRS 9	Financial Instrument[2]
Amendments to HKFRS 10 and HKAS 28 (2011)	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[1]
Amendments to HKFRS 10, HKFRS 12 and HKAS 28 (2011)	Investment Entities: Applying the Consolidation Exception[1]
Amendments to HKFRS 11	Accounting for Acquisition of Interests in Joint Operations[1]
HKFRS 14	Regulatory Deferral Account[3]
HKFRS 15	Revenue from Contracts with Customers[2]
Amendments to HKAS 1	Disclosure initiative[1]
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation[1]
Amendments to HKAS 16 and HKAS 41	Agriculture: Bearer Plants[1]
Amendment to HKAS 27 (2011)	Equity Method in Separate Financial Statements[1]
Annual Improvements 2012–2014 Cycle	Amendments to a number of HKFRSs[1]

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

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

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

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

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS (continued)

HKFRS 15 establishes a new five-step model that to account for revenue arising from contracts with customers. Under HKFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in HKFRS 15 provide a more structured approach for measuring and recognising revenue. The standard also introduces extensive qualitative and quantitative disclosure requirements, including disaggregation of total revenue, information about performance obligations, changes in contract asset and liability account balances between periods and key judgements and estimates. The standard will supersede all current revenue recognition requirements under HKFRSs. In September 2015, the HKICPA issued an amendment to HKFRS 15 regarding a one-year deferred of the mandatory effective date to HKFRS 15 to January 2018. The Group expects to adopt HKFRS 15 on 1 January 2018 and is currently assessing the impact of HKFRS 15 upon adoption.

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

Amendment to HKAS 1 include narrow-focus improvements in respect of the presentation and disclosure in financial statements. The amendments clarify:

(i) the materiality requirements in HKAS 1;

(ii) that specific line items in the statement of profit or loss and the statement of financial position may be disaggregated;

(iii) that entities have flexibility as to the order in which they present the notes to financial statements; and

(iv) that the share of other comprehensive income of associates and joint ventures accounted for using the equity method must be presented in aggregate as a single line item, and classified between those items that will or will not be subsequently reclassified to profit or loss.

Furthermore, the amendments clarify the requirements that apply when additional subtotals are presented in the statement of financial position and the statement of profit or loss. The Group expects to adopt the amendments from 1 January 2016. The amendments are not expected to have any significant impact on the Group's financial statements.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Investments in associates

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

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

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

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

Business combinations and goodwill

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

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

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

Any contingent consideration to be transferred by the acquirer is recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability is measured at fair value with changes in fair value recognised in profit or loss. Contingent consideration that is classified as equity is not remeasured and subsequent settlement is accounted for within equity.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Business combinations and goodwill (continued)

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

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

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

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

Fair value measurement

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fair value measurement (continued)

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

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

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

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

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

Impairment of non-financial assets

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Related parties

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

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

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

 (ii) has significant influence over the Group; or

 (iii) is a member of the key management personnel of the Group or of a parent of the Group;

or

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

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

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

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

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

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

 (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); and

 (viii) the entity, or any member of group of which it is a part, provides key management personnel services to the Group or to the parent of the Group.

Property, plant and equipment and depreciation

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Property, plant and equipment and depreciation (continued)

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

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

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

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

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

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

Investment properties

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investment properties (continued)

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

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

Intangible assets (other than goodwill)

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

Oil properties

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Leases

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

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

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

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

Investments and other financial assets

Initial recognition and measurement

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

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

Subsequent measurement

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

Financial assets at fair value through profit or loss

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments and other financial assets (continued)

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

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

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

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

Loans and receivables

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

Available-for-sale financial investments

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments and other financial assets (continued)

Available-for-sale financial investments (continued)

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

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

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

Derecognition of financial assets

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of financial assets

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

Financial assets carried at amortised cost

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

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

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of financial assets (continued)

Assets carried at cost

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

Available-for-sale financial investments

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

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial liabilities

Initial recognition and measurement

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

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

The Group's financial liabilities include trade and bills payables, other payables and accruals, amount due to the related company, interest-bearing bank and other borrowings and promissory note.

Subsequent measurement

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

Financial liabilities at fair value through profit or loss

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

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

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

Loans and borrowings

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial liabilities (continued)

Financial guarantee contract

Financial guarantee contracts issued by the Group are those contracts that require a payment to be made to reimburse the holder for a loss it incurs because the specified debtor fails to make a payment when due in accordance with the terms of a debt instrument. A financial guarantee contract is recognised initially as a liability at its fair value, adjusted for transaction costs that are indirectly attributable to the issuance of the guarantee. Subsequent to initial recognition, the Group measures the financial guarantee contract at the higher of: (i) the amount of the best estimate of the expenditure required to settle the present obligation at the end of the reporting period; and (ii) the amount initially recognised less, when appropriate, cumulative amotrisation.

Convertible bonds

The component of convertible bonds that exhibits characteristics of a liability is recognised as a liability in the statement of financial position, net of transaction costs. On issuance of convertible bonds, the fair value of the liability component is determined using a market rate for an equivalent non-convertible bond; and this amount is carried as a long term liability in the amortised cost basis until extinguished on conversion or redemption. The remainder of the proceeds is allocated to the conversion option that is recognised and included in the shareholders' equity, net of transaction costs. The carrying amount of the conversion option is not remeasured in subsequent years. Transaction costs are apportioned between the liability and equity components of the convertible bonds based on the allocation of proceeds to the liability and equity components when the instruments are first recognised.

Derecognition of financial liabilities

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

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

Offsetting of financial instruments

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

Inventories

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Cash and cash equivalents

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

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

Provisions

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

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

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

Asset retirement obligation

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

Income tax

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Income tax (continued)

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

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

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

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

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

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

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

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Government grants

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

Where the grant relates to an asset, the fair value is credited to a deferred income account and is released to profit or loss over the expected useful life of the relevant asset by equal annual instalments or deducted from the carrying amount of the asset and released to profit or loss by way of a reduced depreciation charge. Where the Group receives grant of non-monetary assets, the grants are recorded at the fair value of the non-monetary assets and released to profit or loss over the expected useful lives of the relevant assets by equal annual instalments.

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

Revenue recognition

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

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

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

(c) logistics and warehousing income is recognised when the relevant service has been rendered;

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Share-based payments

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

The cost of equity-settled transactions with employees for grants after 7 November 2002 is measured by reference to the fair value at the date at which they are granted. The fair value is determined by an external valuer using a binomial model, further details of which are given in note 33 to the financial statements.

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

For awards that do not ultimately vest because non-market performance and/or service conditions have not been met, no expense is recognised. Where awards include a market or non-vesting condition, the transactions are treated as vesting irrespective of whether the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Other employee benefits

For the Company and its subsidiaries located in Hong Kong

Pension scheme

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

For the subsidiaries located in PRC

(a) Pension obligations

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

(b) Medical benefit costs

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

(c) Housing fund

The Group contributes on a monthly basis to defined contribution housing fund plans organised by the PRC government. Contributions to these plans by the Group are expensed as incurred.

For subsidiaries located in United States

Pension scheme

The Group contributes on a monthly basis to the Social Security Trust Fund maintained by the United States Treasury. The Federal and States governments undertake to assume the retirement benefit obligations payable to all existing and future retired employees under these plans and the Group has no further obligation for post-retirement benefits beyond the contributions made. Contributions to these plans are expensed as incurred.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Borrowing costs

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

Where funds have been borrowed generally, and used for the purpose of obtaining qualifying assets, a capitalisation rate had been applied to the expenditure on the individual assets. No interest was capitalised for the years ended 31 December 2014 and 2015.

Dividends

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

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

Foreign currencies

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Foreign currencies (continued)

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

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

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

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

3 SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

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

Judgements

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

Operating lease commitments – Group as lessor

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

3 SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (continued)

Judgements (continued)

Impairment of assets

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

Classification between investment properties and owner-occupied properties

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

Income taxes

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

3 SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (continued)

Estimation uncertainty

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

Impairment of goodwill

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating units (the "CGU") to which the goodwill is allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash-generating units and also to choose a suitable discount rate in order to calculate the present value of those cash flows. The carrying amount of goodwill arising from the acquisition of subsidiaries was HK$115,740,000 (2014: HK$64,781,000) after impairment of goodwill of HK$Nil (2014: approximately HK$56,400,000) charged to the statement of profit or loss during the year. Further details are given in note 18 to the consolidated financial statements.

Impairment of property, plant and equipment

The recoverable amount of an asset is the higher of its fair value less cost to sell and its value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset, which requires significant judgement relating to level of revenue and amount of operating costs. The Group's management uses all readily available information in determining an amount that is a reasonable approximation of the recoverable amount, including estimates based on reasonable and supportable assumptions and projections of revenue and operating costs. Changes in these estimates could have a significant impact on the carrying value of the assets and could result in additional impairment charge or reversal of impairment in future periods.

Fair value of unlisted equity investments

The unlisted equity investments have been valued based on the expected cash flows discounted at current rates applicable for items with similar terms and risk characteristics. This valuation requires the Group to make estimates about expected future cash flows, credit risk, volatility and discount rates, and hence they are subject to uncertainty. The fair value of the unlisted equity investments at 31 December 2015 was HK$7,548,000 (2014: HK$11,900,000). Further details are included in note 17 to the consolidated financial statements.

Deferred tax assets

Deferred tax assets are recognised for all unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies. No deferred tax assets relating to recognised tax losses was recognised at 31 December 2014 and 2015. Further details are contained in note 31 to the consolidated financial statements.

3 SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (continued)

Estimation uncertainty (continued)

Useful lives of property, plant and equipment

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

Provision for impairment of prepaid land premiums

The management makes provision for impairment of prepaid land premiums based on the estimate of the recoverable amount of the leasehold land. Given the volatility of the property market in the PRC, the actual recoverable amount may be higher or lower than the carrying amount at the end of the reporting period. Any increase or decrease in the provision would affect the Group's operating performance in future years.

Provision for impairment of receivables

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

Estimation of oil reserves

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

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

Estimation on asset retirement obligation

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

4 OPERATING SEGMENT INFORMATION

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

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

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

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

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

(d) The logistics segment is engaged in the provision of transportation and warehousing services.

The logistics segment was commenced during the year by the acquisition of the entire equity interests in Hai Hui (note 35(a)) and 39% effective equity interests in Mongolia Logistics (note 16(ii)) by the Group.

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

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

4 OPERATING SEGMENT INFORMATION (continued)

Year ended 31 December 2015

	Coke manufacturing HK$'000	Commodities trading HK$'000	Oil HK$'000	Logistics HK$'000	**Total HK$'000**
Segment revenue					
Sales to external Customer	1,238,648	318,246	10,840	2,169	1,569,903
Segment results	(596,655)	(21,642)	(444,878)	914	(1,062,261)
Reconciliation					
Interest income					12
Unallocated income					5,974
Unallocated expense					(41,063)
Finance cost					(17,681)
Loss before tax					(1,115,019)
Segment assets	2,512,797	274,381	495,108	248,847	3,531,133
Reconciliation					
Unallocated assets					518,854
Total assets					4,049,987
Segment liabilities	2,299,172	191,069	12,671	47,534	2,550,446
Reconciliation					
Unallocated liabilities					1,198,037
Total liabilities					3,748,483
Other segment information					
Capital expenditure	–	–	2,741	22,082	24,823
Unallocated capital expenditure					26
					24,849
Depreciation and amortisation	16,846	–	7,338	676	24,860
Unallocated depreciation and amortisation	–	–	–	–	366
					25,226
Impairment loss recognised:					
Oil properties	–	–	72,145	–	72,145
Trade and bills receivables	323,829	26,161	1,221	–	351,211
Prepayments and other receivables	39,825	–	–	–	39,825
Investment in an associate	–	–	354,488	–	354,488
Unallocated impairment loss recognised:					
Available-for-sale equity investments	–	–	–	–	3,944

4 OPERATING SEGMENT INFORMATION (continued)

Year ended 31 December 2014

	Coke manufacturing HK$'000	Commodities trading HK$'000	Oil HK$'000	Total HK$'000
Segment revenue				
Sales to external customers	1,592,555	4,232,798	511	5,825,864
Segment results	(254,716)	294,475	(56,778)	(17,019)
Reconciliation:				
Interest income				3,937
Unallocated income				55,528
Unallocated expense				(18,400)
Finance costs				(88,411)
Profit before tax				(64,365)
Segment assets	2,210,357	1,367,663	392,329	3,970,349
Reconciliation:				
Unallocated assets				371,433
Total assets				4,341,782
Segment liabilities	663,529	182,100	108,727	954,356
Reconciliation:				
Unallocated liabilities				2,400,287
Total liabilities				3,354,643
Other segment information				
Capital expenditure	102,201	–	34,436	136,637
Depreciation and amortisation	17,377	–	578	17,955
Unallocated depreciation and amortisation				401
				18,356
Impairment loss recognised:				
Goodwill	–	–	(56,400)	(56,400)
Trade and bills receivables	(138,957)	(28,089)	–	(167,046)
Prepayments and other receivables	(177,336)	–	–	(177,336)

4 OPERATING SEGMENT INFORMATION (continued)

Geographical information

(a) Revenue from external customers

	2015 HK$'000	2014 HK$'000
PRC	**1,233,996**	2,897,703
Hong Kong	**133,877**	2,643,777
Singapore	**180,341**	258,774
Other countries	**21,689**	25,610
	1,569,903	5,825,864

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

(b) Non-current assets

	2015 HK$'000	2014 HK$'000
PRC	**415,689**	275,295
USA	**261,653**	326,367
Other countries	**178,296**	14,102
	855,638	615,764

The non-current asset information above is based on the location of the assets and exclude goodwill of approximately HK$115,740,000 (2014: approximately HK$64,781,000).

Information about a major customer

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

Detailed information was summarised as follows:

Customers	HK$'000
Year ended 31 December 2015	
A – Commodities trading segment	**161,283**
Year ended 31 December 2014	
B – Commodities trading segment	2,203,994

5 REVENUE, OTHER INCOME AND GAINS

Revenue from sales of goods represents the net invoiced value of goods sold, after allowances for returns and trade discounts, in case of sales of oil, net of royalties, obligations to governments and other mineral interest owners, during the year. Revenue from rendering of services represents the value of services rendered.

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

	2015 HK$'000	2014 HK$'000
Revenue		
Sales of goods	**1,567,734**	5,825,864
Rendering of services	**2,169**	–
	1,569,903	5,825,864
Other income and gains		
Rental income	**125**	125
Bank interest income	**3,151**	3,977
Government grants*	**4,240**	7,771
Gain on disposal of equity investments at fair value through profit or loss	**622**	–
Gain on disposal of items of property, plant and equipment, net	**–**	5,516
Fair value gain on an investment property (note 14)	**1,015**	254
Reimbursement of depreciation charges	**19,356**	16,592
Reversal of impairment of amount due from an associate	**–**	31,254
Sundry income	**1,111**	385
Total other income and gains	**29,620**	65,874
Total revenue, other income and gains	**1,599,523**	5,891,738

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

6 LOSS BEFORE TAX

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

	2015 HK$'000	2014 HK$'000
Cost of inventories sold	**1,495,215**	5,186,775
Cost of services provided	**1**	–
	1,495,216	5,186,775
Minimum lease payments under operating leases:		
Land and buildings	**70**	–
Auditors' remuneration:		
Assurance services	**1,350**	800
Other services	**165**	150
Under-provision in prior year	**539**	–
	2,054	950
Staff costs (excluding directors' remuneration (note 8)):		
Salaries and allowances	**41,171**	39,260
Retirement benefit costs	**437**	1,934
	41,608	41,194
Depreciation of property, plant and equipment (note 13)	**20,754**	17,160
Gain on disposal of items of property, plant and equipment, net	**–**	(5,516)
Write-off of other receivables	**–**	5,220
Accretion expenses – oil properties	**698**	–
Amortisation of prepaid land premiums (note 15)	**984**	1,004
Amortisation of oil properties (note 19)	**3,488**	192
Impairment of trade receivables (note 21)	**351,211**	167,046
Impairment of prepayments and other receivables	**39,825**	177,336
Impairment of interests in an associate (note 16)	**354,488**	–
Reversal of impairment of amount due from an associate	**–**	(31,254)
Impairment of available-for-sale investments (note 17)	**3,944**	–
Impairment of goodwill (note 18)	**–**	56,400
Impairment of oil properties (note 19)	**72,145**	–
Write down of inventories to net realisable value	**8,111**	–
Loss on early redemption of a promissory note (note 29)	**1,362**	3,540
Bank interest income	**(3,151)**	(3,977)
Government grants	**(4,240)**	(7,771)
Fair value gain on an investment property (note 14)	**(1,015)**	(254)
Foreign exchange loss, net	**18,268**	–

7 FINANCE COSTS

	2015 HK$'000	2014 HK$'000
Interest expenses, net of reimbursement on borrowings:		
Bank loans, overdrafts and other loans	**173,900**	86,727
Promissory notes (note 29)	**2,500**	1,684
Convertible bonds (note 28)	**15,172**	–
	191,572	88,411

8 DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION

Directors' remuneration for the year, disclosed pursuant to the Listing Rules, section 383(1)(a), (b), (c) and (f) of the Hong Kong Companies Ordinance and Part 2 of the Companies Disclosure of Information about Benefits of Directors) Regulation, is as follows:

	2015 HK$'000	2014 HK$'000
Fees	**465**	600
Other emoluments:		
Salaries, allowances and benefits in kind	**3,508**	3,900
Pension scheme contributions	**72**	67
	4,045	4,567

a) Independent non-executive directors

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

	2015 HK$'000	2014 HK$'000
Choy So Yuk	**150**	150
Gao Wen Ping	**150**	150
Leung Yuen Wing	**150**	150
	450	450

There were no other emoluments payable to the independent non-executive directors during the year (2014: Nil).

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

b) Non-executive director

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

	2015 HK$'000	2014 HK$'000
Li Xiao Long*	**15**	150

* Mr. Li Xiao Long resigned as a non-executive director of the Company with effect from 6 February 2015.

c) Executive directors

	Salaries, allowances and benefits in kind HK$'000	Pension scheme contributions HK$'000	Total HK$'000
2015			
Cai Sui Xin	**–**	**–**	**–**
Lau Yu**	**560**	**18**	**578**
Li Xiao Juan***	**828**	**18**	**846**
Ng Tze For	**1,560**	**18**	**1,578**
Zhao Cheng Shu	**560**	**18**	**578**
	3,508	**72**	**3,580**
2014			
Cai Sui Xin	–	–	–
Lau Yu**	650	17	667
Li Xiao Juan	1,040	17	1,057
Ng Tze For	1,560	17	1,577
Zhao Cheng Shu	650	16	666
	3,900	67	3,967

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

*** Li Xiao Juan resigned as an executive director of the Company with effect from 29 December 2015.

There was no arrangement under which a director waived or agreed to waive any remuneration during the year (2014: Nil).

There was no remuneration paid by the Group to the directors as an inducement to join or upon joining the Group or as compensation for loss of office during the year (2014: Nil).

9 FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year included four (2014: four) directors, details of whose remuneration are set out in note 8 above. Details of the remuneration of the remaining one (2014: one) highest paid employee who is neither a director nor the chief executive of the Company is as follows:

	2015 HK$'000	2014 HK$'000
Salaries, allowances and benefits in kind	**969**	939
Retirement scheme contributions	**18**	17
	987	956

The remuneration of the highest paid employee for the years ended 31 December 2014 and 2015 were below HK$1,000,000.

10 INCOME TAX

Hong Kong profits tax has been provided at the rate of 16.5% (2014: 16.5%) on the estimated assessable profits arising in Hong Kong during the year. Under the Corporate Income Tax Law, the corporate income tax ("CIT") is calculated at a rate of 25% (2014: 25%) on the Group's estimated assessable profits arising in the PRC for the year ended 31 December 2015. Tax on the assessable profits arising in the USA is calculated at a rate of 34% (2014: 34%) for the year ended 31 December 2015, however, no income tax has been provided as the Group did not generate any assessable profits arising in the USA.

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

	2015 HK$'000	2014 HK$'000
Current – Hong Kong	**40**	378
Current – PRC	**188,008**	410,992
Underprovision/(Overprovision) in prior year	**63,948**	(33,992)
	251,996	377,378
Deferred tax (note 31)	**(29,152)**	(44,900)
Total tax charge for the year	**222,844**	332,478

10 INCOME TAX (continued)

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

	Hong Kong		PRC		USA		Total	
	HK$'000	%	HK$'000	%	HK$'000	%	HK$'000	%
2015								
Loss before tax	(434,043)		(595,313)		(85,663)		(1,115,019)	
Tax at the statutory tax rate	(71,617)	16.5	(148,829)	25.0	(29,125)	34.0	(249,571)	22.4
Adjustment in respect of previous periods	23	0.0	–	–	–	–	23	0.0
Profits and losses attributable to associates	197	0.0	–	–	–	–	197	0.0
Income not subject to tax	(485)	0.1	(2,111)	0.4	(2,930)	3.4	(5,526)	0.5
Expenses not deductible for tax	72,186	(16.7)	338,948	(57.0)	381	(0.4)	411,515	(37.0)
Tax losses utilised from previous periods	(471)	0.1	–	–	–	–	(471)	0.0
Temporary difference not recognised	216	0.0	–	–	–	–	216	0.0
Underprovision in prior year	–	–	63,948	(10.7)	–	–	63,948	(5.7)
Tax losses not recognised	–	–	–	–	2,522	(3.0)	2,522	(0.2)
Tax reduction	(9)	–	–	–	–	–	(9)	0.0
Tax charge at effective tax rate	40	–	251,956	(42.3)	(29,152)	34.0	222,844	(20.0)
2014								
(Loss)/profit before tax	(72,233)		8,293		(425)		(64,365)	
Tax at the statutory tax rate	(11,918)	16.5	2,073	25.0	(144)	34.0	(9,989)	15.5
Income not subject to tax	(1,453)	2.0	(11,831)	(142.7)	(63)	14.8	(13,347)	20.7
Over-provision in prior year	–	–	(33,992)	(409.9)	–	–	(33,992)	52.8
Expenses not deductible for tax	4,410	(6.1)	451,576	5,445.3	82	(19.3)	456,068	(708.5)
Temporary differences not recognised	9,253	(12.8)	(75,627)	(911.9)	–	–	(66,374)	103.1
Tax losses not recognised	112	(0.1)	–	–	–	–	112	(0.2)
Tax charge at effective tax rate	404	(0.5)	332,199	4,005.8	(125)	29.5	332,478	(516.6)

11 DIVIDENDS

The board of directors of the Company does not recommend the payment of a final dividend for the year ended 31 December 2015 (2014: Nil).

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

The calculation of the basic loss per share amounts is based on the loss for the year attributable to ordinary equity holders of the Company of approximately HK$1,291,990,000 (2014: HK$376,988,000) and the weighted average number of ordinary shares of approximately 3,075,990,000 (2014: 2,407,249,000) in issue during the year.

No adjustment has been made to the basic loss per share amounts presented for the years ended 31 December 2014 and 2015 in respect of a dilution as the impact of share options and convertible bonds outstanding had an anti-dilutive effect on the basic loss per share amounts presented.

13 PROPERTY, PLANT AND EQUIPMENT

	Leasehold land and buildings HK$'000	Plant facilities HK$'000	Office equipment HK$'000	Oil equipment HK$'000	Machinery HK$'000	Motor vehicles HK$'000	Plant infrastructure HK$'000	Leasehold improvements, furniture and fixtures HK$'000	Construction in progress HK$'000	Total HK$'000
31 December 2015										
At 1 January 2015										
Cost	20,419	1,131,408	33,290	32,837	1,142,002	20,599	303,477	1,074	95,384	2,780,490
Accumulated depreciation and impairment	(4,659)	(983,154)	(32,141)	(183)	(1,097,000)	(20,020)	(288,644)	(553)	(95,384)	(2,521,738)
Net carrying amount	15,760	148,254	1,149	32,654	45,002	579	14,833	521	–	258,752
At 1 January 2015, net of accumulated depreciation and impairment	15,760	148,254	1,149	32,654	45,002	579	14,833	521	–	258,752
Additions	62	–	26	3	–	–	–	–	–	91
Acquisition of subsidiaries (note 35(a))	16,831	–	4,737	–	–	–	–	452	–	22,020
Depreciation provided during the year	(668)	(5,714)	(542)	(3,803)	(8,542)	(141)	(1,307)	(37)	–	(20,754)
Exchange realignment	(308)	(6,484)	(119)	(12)	(1,743)	(22)	(623)	(8)	–	(9,319)
At 31 December 2015, net of accumulated depreciation and impairment	31,677	136,056	5,251	28,842	34,717	416	12,903	928	–	250,790
At 31 December 2015										
Cost	35,904	1,076,693	37,059	32,823	1,073,076	19,139	295,864	1,748	91,109*	2,663,415
Accumulated depreciation and impairment	(4,227)	(940,637)	(31,808)	(3,981)	(1,038,359)	(18,723)	(282,961)	(820)	(91,109)*	(2,412,625)
Net carrying amount	31,677	136,056	5,251	28,842	34,717	416	12,903	928	–	250,790

13 PROPERTY, PLANT AND EQUIPMENT (continued)

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

* The differences between the balances at 1 January and 31 December represented the exchange realignment.

13 PROPERTY, PLANT AND EQUIPMENT (continued)

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

Location	2015 HK$'000	2014 HK$'000
Hong Kong (note (a))	**13,715**	14,059
PRC	**16,412**	104
USA	**1,550**	1,597
	31,677	15,760

Note:

a) The land and building in Hong Kong is pledged to secure general banking facilities granted to the Group (note 27).

Certain machinery with a net carrying amount before impairment of approximately HK$346,914,000 (2014: HK$408,014,000) are pledged to secure general banking facilities granted to the Group (note 27).

Impairment test for the years ended 31 December 2014 and 2015

At 31 December 2014 and 2015, the directors of the Company conducted assessments of the recoverable amounts of the property, plant and equipment of the Coke Manufacturing CGU with reference to the valuations conducted by Greater China Appraisal Limited, an independent firm of professional valuers with recognised qualifications and experiences, using the income approach methodology with related estimated residual values of property, plant and equipment. In the opinion of the directors, no provision for, or reversal of, impairment loss is considered as necessary as at 31 December 2014 and 2015.

14 INVESTMENT PROPERTY

	2015 HK$'000	2014 HK$'000
Carrying amount at 1 January	**11,992**	11,738
Gain from fair value adjustment (note 5)	**1,015**	254
Carrying amount at 31 December	**13,007**	11,992

The Group's investment property located in the PRC was revalued on 31 December 2015 by Greater China Appraisal Limited, a firm of independent professionally qualified valuers, at approximately HK$13,007,000 (2014: approximately HK$11,992,000). A gain on fair value adjustment of approximately HK$1,015,000 (2014: HK$254,000) is recognised in the line item "other income and gains" in the consolidated statement of profit and loss.

The Group's finance department, including the financial controller, reviewed the valuation performed by the independent valuer for financial reporting purpose. At each financial year end, the finance department:

- Verifies all major inputs to the independent valuation report;
- Assesses property valuation movements when compared to the prior year valuation report; and
- Holds discussions with the independent valuer.

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

	Fair value measurement using			
	Quoted prices in active markets (Level 1) HK$'000	Significant observable inputs (Level 2) HK$'000	Significant unobservable inputs (Level 3) HK$'000	Total HK$'000
Recurring fair value measurement for:				
Investment property:				
31 December 2015	**–**	**–**	**13,007**	**13,007**
31 December 2014	–	11,992	–	11,992

14 INVESTMENT PROPERTY (continued)

During the year, there was a transfer in the fair value measurement of investment property from Level 2 to Level 3 due to the changes in valuation method from direct comparison method to investment method whereby the rentals receivable during the residual period of the existing tenancy is capitalised at appropriate capitalisation rate with due allowance for the reversionary interests after expiry of tenancy. In the opinion of the Directors, the change of valuation method would be more effectively reflect the fair value of the Group's investment property. The Group's policy is to recognise transfers between levels of fair value hierarchy as at the end of reporting period in which they occur.

The investment property is leased to a third party under an operating lease, details of which are included in note 37 to the financial statements.

Reconciliation of fair value measurements categorised within Level 3 of the fair value hierarchy:

	Residential property HK$'000
Carrying amount at 1 January 2015	–
Transferred from Level 2 hierarchy	11,992
Net gain from fair value adjustment recognised in other income and gains in profit or loss	1,015
Carrying amount at 31 December 2015	13,007

Below is a summary of the valuation techniques used and key inputs to the valuation of investment property as at 31 December 2015:

Description	Fair value at 31 December 2015	Valuation techniques	Unobservable inputs	Range of unobservable Inputs	Relationship of unobservable inputs to fair value
Residential property	HK$13,007,000 (RMB:10,900,000)	Investment method	(i) Annual rental	RMB100,000	The higher the monthly rental, the higher the fair value
			(ii) Reversionary yield per annum	4%	The higher the reversionary yield, the lower the fair value
			(iii) Market unit sale rate	RMB49,500/Sq m	The higher the market rate, the higher the fair value

15 PREPAID LAND PREMIUMS

	2015 HK$'000	2014 HK$'000
Cost:		
At 1 January	**41,902**	42,958
Exchange realignment	**(1,878)**	(1,056)
At 31 December	**40,024**	41,902
Accumulated amortisation:		
At 1 January	**6,271**	5,406
Charge for the year	**984**	1,004
Exchange realignment	**(312)**	(139)
At 31 December	**6,943**	6,271
Net carrying amount:		
At 31 December	**33,081**	35,631
Current portion	**(953)**	(998)
Non-current portion	**32,128**	34,633

16 INTERESTS IN ASSOCIATES

	2015 HK$'000	2014 HK$'000
Share of net assets	**147,442**	20,052
Goodwill on acquisition	**545,492**	4,684
	692,934	24,736
Less: Impairment	**(372,030)**	(18,365)
	320,904	6,371

16 INTERESTS IN ASSOCIATES (continued)

	Share of net assets HK$'000	Goodwill HK$'000	Impairment HK$'000	Net carrying value HK$'000
As at 1 January 2014	20,676	4,684	(18,828)	6,532
Exchange realignment	(624)	–	463	(161)
As at 31 December 2014 and 1 January 2015	20,052	4,684	(18,365)	6,371
Acquisitions:				
RockEast (note (i))	111,906	408,094	(354,488)	165,512
Mongolia Logistics (note (ii))	17,286	132,714	–	150,000
Share of loss during the year	(1,195)	–	–	(1,195)
Share of reserve	502	–	–	502
Exchange realignment	(1,109)	–	823	(286)
As at 31 December 2015	147,442	545,492	(372,030)	320,904

Particulars of the principal associates of the Group at 31 December 2015 are as follows:

Name	Place of establishment/ registration	Paid up capital	Equity interest attributable to the Group	Principal activities
Nan Tie Lou Jun Coke Transportation Co., Ltd. ("Nan Tie")*^	Shanxi Province, the PRC	RMB10,000,000	19%	Provision of loading storage and transportation service for coke, washed coals and raw coals
Shanxi Guo Xin Loujin New Resources Limited ("Guo Xin Loujun")*^	Shanxi Province, the PRC	RMB30,000,000	49%	Provision of coke oven gas compression, purification, methanation and separation process, and synthesizing coke oven gas into natural gas
RockEast Energy Corporation ("RockEast")* (note (i))	Canada	CAD30,364,992	30%	Exploration and production of oil
內蒙古亞歐大陸橋物流有限責任公司 ("Mongolia Logistics")*^ (note (ii))	Inner Mongolia Province, the PRC	RMB5,000,000	39%	Provision of logistics and warehousing services

16 INTERESTS IN ASSOCIATES (continued)

Notes:

(i) On 6 August 2015, the Group entered into a sale and purchase agreement ("RockEast Agreement") with an independent third party (the "RockEast Vendor"), pursuant to which, the Group acquired 100% of the issued share capital of Kai Sum International Limited ("Kai Sum") from the RockEast Vendor (the "Rockeast Acquisition"). Kai Sum, through its wholly-owned subsidiary, holds 30% equity interests in RockEast, which is principally engaged in exploration and production of oil and natural gas in Canada. The consideration for the Rockeast Acquisition is HK$510,000,000, which was settled by way of the allotment and issue of a total of 500,000,000 new ordinary shares (the "Kai Sum Consideration Share(s)") of the Company of HK$0.01 each, credited as fully paid, at an issue price of HK$1.02 per Kai Sum Consideration Share to the RockEast Vendor on completion. The Rockeast Acquisition was completed on 12 August 2015 (the "Kai Sum Completion Date"). The fair value of each Kai Sum Consideration Share was HK$1.04, being the closing market price of the Company's ordinary share on the Kai Sum Completion Date. As Kai Sum and its wholly-owned subsidiary are investment companies for holding the 30% equity interests in RockEast and the Group is in a position to exercise significant influence over RockEast, the RockEast Acquisition was treated as an acquisition of an associate and RockEast is classified as an associate of the Group.

The directors of the Company engaged Greater China Appraisal Limited, an independent firm of professional valuers, to conduct an assessment of the recoverable amount of the investment in RockEast. As a result of a dramatic decrease in crude oil price, the estimated business value of RockEast shared by the Group was approximately HK$165,512,000 on the Kai Sum Completion date, which was significantly lower than the fair value of the Kai Sum Consideration Shares. An impairment loss of investment in associate of approximately HK$354,488,000 was recognised immediately upon the completion of the RockEast Acquisition.

(ii) On 22 October 2015, the Group entered into the agreement with an independent third party (the "Mongolia Logistics Vendor"), pursuant to which, the Group acquired the entire issued share capital of Wealth Delight International Holdings Limited ("Wealth Delight") from the Mongolia Logistics Vendor (the "Mongolia Logistics Acquisition"). Wealth Delight, through its wholly-owned subsidiary, holds 39% equity interests in Mongolia Logistics, which is principally engaged in the provision of logistics and warehousing services. The Consideration for the Mongolia Logistics Acquisition is HK$150,000,000, which was paid by the Group to the Mongolia Logistics Vendor in cash at completion. The Mongolia Logistics Acquisition was completed on 26 October 2015. As Wealth Delight and its wholly-owned subsidiary are investment companies for holding the 39% equity interests in Mongolia Logistics and the Group is in a position to exercise significant influence over Mongolia Logistics, the Mongolia Logistics Acquisition was treated as an acquisition of an associate and Mongolia Logistics is classified as an associate of the Group.

* Not audited by Ascenda Cachet CPA Limited.

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

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

16 INTERESTS IN ASSOCIATES (continued)

RockEast and Mongolia Logistics, which are considered as material associates of the Group, are accounted for using the equity method.

The following table illustrates the summarised financial information is respect of RockEast and Mongolia Logistics and reconciled to the carrying amount in the consolidated financial statements.

	2015	
	RockEast HK$'000	Mongolia Logistic HK$'000
Non-current assets, excluding goodwill	392,936	275,876
Current assets	72,624	16,915
Current liabilities	(85,655)	(360)
Non-current liabilities	(7,784)	(249,194)
Net assets	372,121	43,237
Reconciliation to the Group's interest in the associates:		
Proportion of the Group's ownership	30%	39%
Group's share of net assets of the associates, excluding goodwill	111,636	16,862
Goodwill on acquisition (less accumulated impairment)	53,606	132,714
Carrying amount of the investment	165,242	149,576
Revenue	6,043	–
Loss from continuing operation	(2,571)	(1,086)
Income tax	–	–
Loss for the year	(2,571)	(1,086)
Other comprehensive income	–	–
Total comprehensive income	(2,571)	(1,086)

The following table illustrates the aggregate financial information of the Group's associates that are not individually material:

	2015 HK$'000	2014 HK$'000
Share of the associates' profit/loss for the year	–	–
Share of associates' other comprehensive income	–	–
Aggregate carrying amount of the Group's investments in the associates	6,086	6,371

17 AVAILABLE-FOR-SALE INVESTMENTS

	2015 HK$'000	2014 HK$'000
Unlisted investments, at cost		
At 1 January	**11,900**	12,200
Impairment during the year (note 6)	**(3,944)**	–
Exchange realignment	**(408)**	(300)
At 31 December	**7,548**	11,900

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

As at 31 December 2015, all the unlisted equity investments were stated at cost because the range of reasonable fair value estimates cannot be measured reliably. The Group does not intend to dispose of them in the near future.

18 GOODWILL

	2015 HK$'000	2014 HK$'000
At 1 January		
Cost	**1,022,403**	901,222
Accumulated impairment	**(957,622)**	(901,222)
Net carrying amount	**64,781**	–
Net carrying amount at 1 January, net of accumulated impairment	**64,781**	–
Goodwill arising from acquisition of subsidiaries:		
EPI Acquisition (note 35(b))	**–**	121,181
Hai Hui Acquisition (note 35(a))	**50,959**	–
Impairment during the year (note 6)	**–**	(56,400)
Net carrying amount at 31 December	**115,740**	64,781
At 31 December		
Cost	**1,073,362**	1,022,403
Accumulated impairment	**(957,622)**	(957,622)
Net carrying amount	**115,740**	64,781

18 GOODWILL (continued)

Goodwill is further analysed as follows:

	Oil CGU HK$'000	Logistics CGU HK$'000	Total HK$'000
Net carrying amount at 1 January 2014	–	–	–
Goodwill arising from the EPI Acquisition (note 35(b))	121,181	–	121,181
Impairment during the year	(56,400)	–	(56,400)
Net carrying amount at 31 December 2014 and 1 January 2015	64,781	–	64,781
Goodwill arising from the Hai Hui Acquisition (note 35(a))	–	50,959	50,959
Net carrying amount at 31 December 2015	64,781	50,959	115,740

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

Oil CGU

Goodwill acquired through the business combination during the year ended 31 December 2014 had been allocated to the oil cash generating unit (the "Oil CGU").

Impairment test of goodwill for the year ended 31 December 2015

At 31 December 2015, the directors of the Company conducted assessments of the recoverable amounts of the Oil CGU with reference to the valuations conducted by Greater China Appraisal Limited, an independent firm of professional valuers with recognised qualifications and experiences, using the income approach methodology. The discount rate applied to the cash flow projections is 13.0% and the growth rate used to extrapolate the cash flows of the oil operations beyond the five-year period is 2.38%. Based on the assessments, in the opinion of the directors of the Company, the estimated recoverable amount of the Oil CGU was higher than its corresponding carrying amount after impairment of oil properties and therefore, no further impairment of the net carrying amount of goodwill in connection with the Oil CGU was required at 31 December 2015.

Impairment test of goodwill for the year ended 31 December 2014

A portion of the goodwill (amounting to approximately HK$56,400,000) in connection with the Oil CGU arose from the acquisition of Earning Power Inc. ("EPI", and together with its subsidiaries, the "EPI Group") (the "EPI Acquisition"), representing the difference between the contracted issue price of the Company's consideration shares (the "EPI Consideration Shares") as stipulated under the EPI Acquisition and the closing market price of the shares of the Company on the completion date of the EPI Acquisition (i.e. 18 December 2014, the "EPI Completion Date"). The closing market price per share of the Company on the EPI Completion Date (i.e. HK$0.62 per share) was used as the fair value of the issued shares of the Company for the purpose of calculating the fair value of the EPI Consideration Shares issued for the EPI Acquisition. The impairment loss of goodwill of approximately HK$56,400,000 was recognised immediately upon completion of the EPI Acquisition. In the opinion of the directors of the Company, the impairment loss was mainly attributable to the increase in the fair value of the EPI Consideration Shares of the Company at the EPI Completion Date. After recognition of impairment loss, the net carrying amount of goodwill in connection with the Oil CGU was approximately HK$64,781,000, which arose mainly by the benefit of expected synergies, diversify of business and income base.

18 GOODWILL (continued)

Oil CGU (continued)

Impairment test of goodwill for the year ended 31 December 2014 (continued)

At 31 December 2014, the directors of the Company conducted assessments of the recoverable amounts of the Oil CGU with reference to the value in use valuations conducted by Albeck Financial Services, Inc., an independent firm of professional valuers with recognised qualifications and experiences, using the income approach methodology on the cash flow projections based on financial budgets approved by senior management. The discount rate applied to the cash flow projections is 10.01% and the growth rate used to extrapolate the cash flows of the oil operations beyond the ten-year period is 1.5%. Based on the assessments, in the opinion of the directors of the Company, the estimated recoverable amount of the Oil CGU was higher than its corresponding carrying amount and therefore, no further impairment of the net carrying amount of goodwill in connection with the Oil CGU was required at 31 December 2014.

Logistics CGU

Goodwill acquired through the business combination during the year ended 31 December 2015 has been allocated to the Logistics cash generating unit (the "Logistics CGU") (note 35(a)).

Impairment test of goodwill for the year ended 31 December 2015

At 31 December 2015, the directors of the Company conducted assessments of the recoverable amounts of the Logistics CGU with reference to the valuations conducted by Greater China Appraisal Limited, an independent firm of professional valuers with recognised qualifications and experiences, using the income approach methodology. The discount rate applied to the cash flow projections is 18.16%. Based on the assessments, in the opinion of the directors of the Company, the estimated recoverable amount of the Logistics CGU was higher than its corresponding carrying amount and therefore, no impairment of the net carrying amount of goodwill in connection with the Logistics CGU was required at 31 December 2015.

19 OIL PROPERTIES

	2015 HK$'000	2014 HK$'000
At 1 January		
Cost	**292,382**	–
Accumulated amortisation	**(266)**	–
Net carrying amount	**292,116**	–
At 1 January, net of accumulated amortisation	**292,116**	–
Additions	**14,888**	–
Acquisition of subsidiaries (note 35(b))	**–**	292,382
Amortisation (note 6)	**(3,488)**	(192)
Impairment during the year (note 6)	**(72,145)**	–
Exchange realignment	**(110)**	(74)
At 31 December, net of accumulated amortisation and impairment	**231,261**	292,116
At 31 December		
Cost	**306,878**	292,382
Accumulated amortisation and impairment	**(75,617)**	(266)
Net carrying amount	**231,261**	292,116

19 OIL PROPERTIES (continued)

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

The additions to oil and gas properties of the Group for the year ended 31 December 2015 included estimated assets retirement obligations of approximately US$1,567,000 (equivalent to approximately HK$12,150,000) (note 30).

At 31 December 2015, the directors of the Company conducted assessments of the recoverable amounts of the oil properties with reference to the valuations conducted by Greater China Appraisal Limited, an independent firm of professional valuers with recognised qualifications and experiences, using the income approach methodology. Based on the assessments, the directors of the Company considered that an impairment loss of approximately HK$72,145,000, representing the shortfall of the estimated recoverable amount of the oil properties from the respective carrying amount at 31 December 2015, had been made during the year. In the opinion of the directors of the Company, the impairment loss was a result of dramatic decrease in crude oil price during the year.

At 31 December 2014, the directors of the Company conducted assessments of the recoverable amounts of the oil properties with reference to the valuations conducted by Albeck Financial Services, Inc., an independent firm of professional valuers with recognised qualifications and experiences, using the income approach methodology. Based on the assessments, in the opinion of the directors of the Company, the estimated recoverable amount of the oil properties was higher than the respective carrying amount and therefore, no impairment of the oil properties was required at 31 December 2014.

20 INVENTORIES

	2015 **HK$'000**	2014 HK$'000
Raw materials	**15,035**	41,880
Work in progress	**8,714**	18,768
Finished goods	**26,277**	62,834
Spare parts	**401**	–
	50,427	123,482

21 TRADE AND BILLS RECEIVABLES

	2015 HK$'000	2014 HK$'000
Trade receivables	**1,558,295**	1,275,201
Less: Impairment of trade receivable	**(673,874)**	(313,411)
	884,421	961,790
Bills receivables	**5,788**	1,111,881
	890,209	2,073,671

The Group's trading terms with its customers are mainly on credit, except for new customers, where payment in advance is normally required. The credit period is generally three months for the customers in the coke manufacturing segment and commodities trading segment; and 1 month for the customers in the oil segment. Overdue balances are reviewed regularly by senior management. The Group's customers are concentrated in the steel making industry and the commodities trading segments for the customers in the coke manufacturing segment and the commodities trading segment. Trade receivables are non-interest-bearing.

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

	2015 HK$'000	2014 HK$'000
Current	**24,516**	240,392
31-60 days	**161,597**	120,019
61-90 days	**63,812**	104,536
91-365 days	**430,832**	679,448
Over 1 year	**877,538**	130,806
	1,558,295	1,275,201

21 TRADE AND BILLS RECEIVABLES (continued)

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

	2015 HK$'000	2014 HK$'000
At 1 January	**313,411**	149,307
Acquisition of subsidiaries (note 35)	**34,175**	1,700
Impairment losses recognised (note 6)	**351,211**	167,046
Exchange realignment	**(24,923)**	(4,642)
At 31 December	**673,874**	313,411

The above provision for impairment of trade receivables as at 31 December 2015 was in relation to individually impaired trade receivables with a carrying amount of approximately HK$775,051,000 (2014: HK$451,293,000).

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

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

	2015 HK$'000	2014 HK$'000
Neither past due nor impaired	**90,141**	313,781
Less than 1 month past due	**162,203**	290,052
1 to 3 months past due	**133,022**	71,653
3 to 12 months past due	**207,616**	147,400
1 year past due	**190,262**	1,022
	783,244	823,908

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

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

22 PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2015 HK$'000	2014 HK$'000
Prepayments	**1,239,737**	612,949
Other receivables and deposits	**356,909**	218,747
Shanxi Loudong Deposit #	**–**	307,329
	1,596,646	1,139,025

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

On 30 June 2014, Shanxi Loudong and the vendor entered into a termination agreement to terminate the 30% Taiye Acquisition, with a total of RMB130 million (approximately HK$162 million) had been received during the year ended 31 December 2014, and the remaining amount of RMB246 million (equivalent to approximately HK$307 million) had been received by the Group in March 2015.

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

	2015 HK$'000	2014 HK$'000
Neither past due nor impaired	**1,360,124**	526,076

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

23 EQUITY INVESTMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2015 HK$'000	2014 HK$'000
Listed equity investments, at market value:		
PRC	**597**	14,892

The above equity investments at 31 December 2014 and 2015 were classified as held for trading and were, upon initial recognition, designated by the Group as financial assets at fair value through profit or loss.

24 CASH AND CASH EQUIVALENTS

	2015 HK$'000	2014 HK$'000
Cash and bank balances	**492,322**	278,968
Less: Pledged bank deposits with maturity period over three months	**(35,199)**	(256,447)
Cash and cash equivalents	**457,123**	22,521

At the end of the reporting period, the cash and bank balance of Group denominated in Renminbi ("RMB") amounted to approximately HK$40,557,000 (2014: HK$262,445,000). The RMB is not freely convertible into other currencies. However, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group was permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

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

25 TRADE AND BILLS PAYABLES

	2015 HK$'000	2014 HK$'000
Trade payables	**323,222**	344,500
Bills payables	**16,200**	342,312
	339,422	686,812

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

	2015 HK$'000	2014 HK$'000
Current	**14,506**	130,376
31-60 days	**166,689**	59,763
61-90 days	**5,664**	1,455
91-365 days	**62,996**	79,304
Over 1 year	**73,367**	73,602
	323,222	344,500

The trade payables are non-interest-bearing and are normally settled on 90-day terms. The bills payable are of original maturity term between 1 month to 6 months.

26 OTHER PAYABLES AND ACCRUALS

	2015 HK$'000	2014 HK$'000
Customer advances	**106,347**	72,833
Other payables	**127,856**	77,080
Accruals	**64,309**	21,701
	298,512	171,614

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

27 INTEREST-BEARING BANK AND OTHER BORROWINGS

	2015			2014		
	Effective interest rate (%)	Maturity	HK$'000	Effective interest rate (%)	Maturity	HK$'000
Current:						
Bank overdrafts – secured		On demand	7,964	–	–	–
Bank loans – secured	4.35% – 6.35%	2015 – 2016	933,720	5.32% – 9.00%	2015	1,411,668
Other borrowings:						
Loans from a local credit corporation – secured	4.75%	2016	163,979	6.15%	2015	56,370
			1,105,663			1,468,038
Non-current:						
Bank loans – secured	4.75%	2017-2018	687,348	6.15%	2016 – 2017	124,930
Other borrowings:						
Loans from a local credit corporation – secured	4.75%	2017	110,998	6.15%	2016	231,508
			798,346			356,438
			1,904,009			1,824,476

27 INTEREST-BEARING BANK AND OTHER BORROWINGS (continued)

	2015 HK$'000	2014 HK$'000
Analysed into:		
Bank loans and overdrafts repayable:		
Within one year or on demand	**941,684**	1,411,668
In the second year to fifth year	**687,348**	124,930
	1,629,032	1,536,598
Other borrowings repayable:		
Within one year	**163,979**	56,370
In the second year to fifth year	**110,998**	231,508
	274,977	287,878
Total borrowings	**1,904,009**	1,824,476
Less: Classified as non-current portion	**(798,346)**	(356,438)
Current portion	**1,105,663**	1,468,038

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

(a) the Group's land and buildings, which had an aggregate carrying value at the end of the reporting period of approximately HK$13,715,000 (2014: HK$14,059,000) (note 13(a));

(b) the Group's machinery, which had an aggregate carrying value before impairment at the end of the reporting period of approximately HK$346,914,000 (2014: HK$408,014,000) (note 13);

(c) pledge of certain of the Group's bank deposits of approximately HK$35,199,000 (2014: HK$256,447,000) (note 24);

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

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

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

28 CONVERTIBLE BONDS

CB I

On 19 August 2015, the Company issued a three-year convertible bonds with an aggregate principal amounts of HK$400,000,000 (the "CB I"). The CB I carries interest at rate of 6% per annum, which is payable annually in arrears on 19 August. The maturity date of the CB I is the third anniversary of the date of issue of the CB I (the "Maturity Date I"). The CB I is convertible into ordinary shares of the Company during the period from the date of issue of CB I to the day immediately prior to the Maturity Date I at the initial conversion price of HK$0.331 per share, subject to adjustments, and it was adjusted to HK$0.290 per share as a result of the issue of CBII (as defined below) during the year. Unless previously redeemed or converted or purchased or cancelled, the Company shall redeem the CB I at 100% of the principal amount at the Maturity Date I.

The CB I is secured by: (i) charges over 319,000,000 shares of the Company held by General Nice Resources (Hong Kong) Limited and (ii) personal guarantee provided by Mr. Cai Sui Xin, a director and the then substantial shareholder of the Company.

CB II

On 2 December 2015, the Company issued a three-year convertible bonds with an aggregate principal amounts of HK$300,000,000 (the "CB II"). The CB II carries interest at rate of 6% per annum, which is payable annually in arrears on 2 December. The maturity date of the CB II is the third anniversary of the date of issue of the CB II (the "Maturity Date II"). The CB II is convertible into shares at the conversion price of HK$0.376 per share, subject to adjustments. Unless previously redeemed or converted or purchased or cancelled, the Company shall redeem the outstanding CB II at 100% of the principal amount at the Maturity Date II.

The CB I and CB II have been split into the liability component at its fair value and attributing to the equity component by the residual amount. The liability component is subsequently carried at amortised cost.

28 CONVERTIBLE BONDS (continued)

The CB I and CB II issued during the year ended 31 December 2015 have been split into the liability and equity components as follows:

	CB I HK$'000	CB II HK$'000	Total HK$'000
Nominal value of convertible bonds issued during the year	**400,000**	**300,000**	**700,000**
Equity component	**(35,027)**	**(31,526)**	**(66,553)**
Direct transaction costs attributable to the liability component	**(1,080)**	**(795)**	**(1,875)**
Liability component at the issuance date	**363,893**	**267,679**	**631,572**
Interest expense	**12,895**	**2,277**	**15,172**
Included in accrued interest – current liabilities	**(8,877)**	**(1,479)**	**(10,356)**
Liability component at 31 December	**367,911**	**268,477**	**636,388**

29 PROMISSORY NOTES

	Note	2015 HK$'000	2014 HK$'000
At 1 January		**59,188**	25,520
Promissory note issued for EPI Acquisition (note (a)):			
Face value		**–**	60,000
Fair value changes on issuance of promissory note		**–**	(10,832)
Acquisition of subsidiaries (note b)		**–**	9,307
Interest expenses charged	7	**2,500**	1,655
Interest paid		**(208)**	–
Partial redemption (note a)		**(6,202)**	–
Early redemption of a promissory note (notes a & c)		**(6,638)**	(26,460)
Exchange realignment		**(2)**	(2)
At 31 December		**48,638**	59,188
Classified as current liabilities		**(3,100)**	(9,305)
Non-current liabilities		**45,538**	49,883

29 PROMISSORY NOTES (continued)

(a) On 18 December 2014, the Company issued to Wise Perfection Limited an unsecured promissory note with a principal value of HK$60,000,000 ("PN 2") as a partial consideration for the acquisition of 100% equity interest in Earning Power Inc. (the "EPI Acquisition") (note 35(b)). PN 2 bears no interest and is repayable in one lump sum on 18 December 2017 (the "Maturity Date"). The Company may at its sole discretion elect to repay all or any part of the amount outstanding under PN 2 at any time prior to the Maturity Date. PN 2 is not transferable or assignable to any third party unless with the consent of the Company. At the issue date, the present value of PN 2 was revalued by RHL at approximately HK$49,168,000 and this amount is carried as a non-current liability on the amortised cost, using an effective rate of 6.86%.

On 31 December 2015, the Company has early redeemed part of the PN 2 at principal amount of HK$8,000,000 and the Group has recognised a loss on early redemption of PN 2 of approximately 1,362,000 (note 6).

(b) On 7 August 2014 (prior to becoming a subsidiary of the Group), M&L Leasing Services Inc. ("M&L Leasing"), a wholly-owned subsidiary of the Group, issued a secured promissory note ("PN 3") of US$1,200,000 as partial consideration for the acquisition of certain property, plant and equipment and, termination of rights and interests in the working interest of the 6 wells to be drilled by or on behalf of M&L Leasing, including its subsidiaries. PN 3 bears interest at 4% per annum and was repayable on 31 July 2015. During the year, US$800,000 of PN 3 (equivalent to approximately HK$6,202,000) was repaid.

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

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

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

30 ASSETS RETIREMENT OBLIGATIONS

	2015 HK$'000	2014 HK$'000
At 1 January	**1,384**	–
Acquisition of subsidiaries (note 35(b))	**–**	1,359
Utilised for the year	**(2,046)**	–
Accretion expenses (note 6)	**698**	–
Provision for the year	**12,150**	–
Exchange realignment	**(3)**	25
At 31 December	**12,183**	1,384

31 DEFERRED TAX

Deferred tax assets

	Impairment of trade receivables HK$'000	Impairment of other receivables HK$'000	Total HK$'000
At 1 January 2014	7,514	3,738	11,252
Deferred tax charged to profit or loss	(7,539)	(3,723)	(11,262)
Exchange realignment	25	(15)	10
At 31 December 2014, 1 January 2015 and 31 December 2015	**–**	**–**	**–**

31 DEFERRED TAX (continued)

Deferred tax liabilities

	Fair value adjustments arising from business combination HK$'000	Capitalised interest HK$'000	Book value in excess of tax base of prepaid land premiums HK$'000	Others HK$'000	Book value in excess of tax base of property, plant and equipment HK$'000	Total HK$'000
At 1 January 2014	–	42,544	3,635	16,539	7,206	69,924
Deferred tax credit to profit or loss	(75)	(39,728)	272	(10,035)	(6,596)	(56,162)
Acquisition of subsidiaries (note 35(b))	94,385	–	–	–	9,181	103,566
Exchange realignment	(23)	191	(91)	(888)	309	(502)
At 31 December 2014 and 1 January 2015	**94,287**	**3,007**	**3,816**	**5,616**	**10,100**	**116,826**
Deferred tax credit to profit or loss (note 10)	**(25,766)**	**–**	**–**	**–**	**(3,386)**	**(29,152)**
Exchange realignment	**(31)**	**(135)**	**(171)**	**(252)**	**(3)**	**(592)**
At 31 December 2015	**68,490**	**2,872**	**3,645**	**5,364**	**6,711**	**87,082**

The Group has accumulative tax losses arising in Hong Kong of approximately HK$9,116,000 (2014: HK$8,365,000) that are available indefinitely for offsetting against future taxable profits of the companies in which the losses arose. Deferred tax assets have not been recognised in respect of these losses as they have arisen in subsidiaries that have been loss-making for some time and it is not considered probable that taxable profits will be available against which the tax losses can be utilised.

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

31 DEFERRED TAX (continued)

At 31 December 2015, no deferred tax has been recognised for withholding taxes that would be payable on the unremitted earnings that are subject to withholding taxes of the Group's subsidiaries established in the PRC as there were no unremitted earnings in these subsidiaries (2014: Nil).

32 SHARE CAPITAL

	2015 HK$'000	2014 HK$'000
Authorised:		
200,000,000,000 ordinary shares of HK$0.01 each	**2,000,000**	2,000,000
Issued and fully paid:		
3,429,223,000 (2014: 2,859,222,370) ordinary shares of HK$0.01 each	**34,292**	28,592

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

	Number of shares '000	Issued capital HK$'000	Share premium account HK$'000	Total HK$'000
At 1 January 2014	2,389,223	23,892	626,634	650,526
New Shares issued as partial consideration for the acquisition of EPI (note 35(b))	470,000	4,700	286,700	291,400
At 31 December 2014 and 1 January 2015	2,859,223	28,592	913,334	941,926
New shares issued as consideration for the acquisition of Kai Sum (note 16(i))	500,000	5,000	515,000	520,000
New shares issued as consideration for the acquisition of Hai Hui (note 35(a))	70,000	700	49,700	50,400
Reduction of share premium (note 34(iii))	–	–	(913,334)	(913,334)
At 31 December 2015	3,429,223	34,292	564,700	598,992

33 SHARE OPTION SCHEME

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

(a) The maximum number of shares in respect of which share options may be granted under the Scheme must not exceed 10% of the number of shares of the Company in issue as at the Adoption Date. Subject to prior shareholders' approval, the Company may, at any time thereafter, refresh the scheme mandate limit to the extent not exceeding 10% of the shares in issue as at the date of the shareholders' approval. The shareholders approved the refreshment of the scheme limit at a special general meeting held on 15 October 2010. Following the refreshment, the maximum number of shares in respect of which options may be granted under the Scheme is 182,509,081 shares, representing 10% of the total number of shares in issue as at the date of refreshment of the scheme limit on 15 October 2010 and representing approximately 5.3% and 4.6% of the issued share capital of the Company as at 31 December 2015 and the date of this annual report respectively. The maximum number of shares to be issued under the share options granted to each Participant in the Scheme within any 12-month period is limited to 1% of the number of shares of the Company in issue at any time. Any further grant of share options in excess of this limit is subject to shareholders' approval in a general meeting.

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

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

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

33 SHARE OPTION SCHEME (continued)

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

Name or category of participants	At 1 January 2015 (Note 1)	Lapsed/ cancelled during the year	At 31 December 2015	Exercise period of the outstanding share options	Exercise price per share HK$ (Note 1)
Directors					
Ng Tze For	3,942,457	–	3,942,457	From 9 January 2010 to 24 June 2017	0.6517
Li Xiao Long	271,894	(271,894)	–		
Sub-total	4,214,351	(271,894)	3,942,457		
Other employees (in aggregate)	271,894	–	271,894	From 9 January 2010 to 24 June 2017	0.6517
Total	4,486,245	(271,894)	4,214,351		

Notes:

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

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

2. During the year, no share options were granted and exercised.

3. Mr. Li Xiao Long resigned as an independent non-executive director of the Company in February 2015. The 271,894 options granted to him were lapsed as a result of his resignation.

At the end of the reporting period and at the date of approval of these consolidated financial statements, the Company had 4,214,351 share options outstanding under the Scheme, exercisable at a price of HK$0.6517 per share, which represented approximately 0.12% of the Company's shares in issue as at the end of the reporting period. The exercise in full of the outstanding share options would, under the present capital structure of the Company, result in the issue of 4,214,351 additional ordinary shares of the Company and additional share capital of approximately HK$42,000 and share premium of approximately HK$2,704,000 (before issue expenses).

34 RESERVES

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

(i) Capital reserve

Capital reserve comprised of the followings:

Statutory surplus reserve ("SSR")

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

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

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

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

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

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

34 RESERVES (continued)

(i) Capital reserve (continued)

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

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

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

(ii) Contributed surplus

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

(iii) Reduction of share premium and contribution surplus

Pursuant to a special resolution passed at the special general meeting on 18 June 2015, the amount of approximately HK$969,436,000 standing to the credit of the contribution surplus account of the Company as at 31 December 2014 had been applied towards offsetting part of the accumulated losses of the Company as at 31 December 2014 in the amount of approximately HK$969,436,000 (the “Contribution Surplus Reduction”).

After the Contribution Surplus Reduction, the entire amount of share premium of the Company of approximately HK$913,334,000 as at 31 December 2014 had been reduced and the credit arising therefrom had been applied towards offsetting the remaining balance of the accumulated losses of the Company in the sum of approximately HK$913,334,000 (the “Share Premium Reduction”). Upon the Capital Contribution Reduction and the Share Premium Reduction, the accumulated losses of the Company as at 31 December 2014 had been reduced by approximately HK$1,882,770,000.

35 BUSINESS COMBINATION

For the year ended 31 December 2015

(a) Hai Hui Acquisition

On 11 August 2015, the Group and a number of independent third parties (the "Hai Hui Vendors") entered into a sale and purchase agreement, pursuant to which, the Group acquired from the Hai Hui Vendors the entire paid up capital of Hai Hui (the "Hai Hui Acquisition") for the aggregate consideration of HK$70,000,000 (the "Hai Hui Consideration"), which was satisfied by the way of allotment and issue a total of 70,000,000 new ordinary consideration shares (the "Hai Hui Consideration Shares") of the Company of HK$0.01 each, credited as fully paid, at an issue price of HK$1.00 per Hai Hui Consideration Share to the Hai Hui Vendors. The Hai Hui Acquisition was completed on 7 September 2015 (the "Hai Hui Completion Date"). The fair value of each Hai Hui Consideration Share was HK$0.72, being the closing market price of the Company's ordinary share on the Hai Hui Completion Date.

Hai Hui principally engaged in provision of logistics and warehousing services in the PRC.

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

	Notes	Fair value recognised on acquisition HK$'000
Property, plant and equipment	13	**22,020**
Cash and bank balances		**100**
Trade receivables		**23,384**
Prepayments and other receivables		**2,549**
Due from related companies		**38,519**
Trade payables		**(38,469)**
Accruals and other payables		**(7,548)**
Due to related companies		**(35,437)**
Tax payables		**(5,677)**
Total identifiable net liabilities at fair value		**(559)**
Goodwill on the Hai Hui Acquisition	18	**50,959**
		50,400
Satisfied by:		
Fair value of 70,000,000 Hai Hui Consideration Shares		**50,400**

The fair values of the trade receivables and other receivables as at the Hai Hui Completion Date amounted to HK$23,384,000 and HK$2,462,000, respectively. The gross contractual amounts of trade receivables and other receivables were HK$57,559,000 and HK$5,086,000, respectively, of which trade receivables and other receivables of approximately HK$34,175,000 (note 21) and HK$2,624,000, respectively, are expected to be uncollectible.

35 BUSINESS COMBINATION (continued)

For the year ended 31 December 2015 (continued)

(a) Hai Hui Acquisition (continued)

Included in the goodwill of approximately HK$50,959,000 recognised above is the benefit of expected synergies, diversity in business and income base.

An analysis of the cash flows in respect of the Hai Hui Acquisition is as follows:

	HK$'000
Cash and bank balances acquired and included in cash flows from investing activities	100
Net cash inflows in relation to the Hai Hui Acquisition	100

Since the Hai Hui Completion, Hai Hui contributed approximately HK$2,169,000 to the Group's turnover and contributed profit of approximately HK$1,007,000 to the consolidated result for the year ended 31 December 2015.

Had the combination taken place at the beginning of the year ended 31 December 2015, the Group's revenue and loss for the year ended 31 December 2015 would have been approximately HK$1,596,206,000 and approximately HK$1,374,131,000, respectively.

For the year ended 31 December 2014

(b) EPI Acquisition

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

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

35 BUSINESS COMBINATION (continued)

For the year ended 31 December 2014 (continued)

(b) EPI Acquisition (continued)

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

	Notes	Fair value recognised on acquisition HK$'000
Oil properties	19	292,382
Property, plant and equipment	13	34,407
Cash and bank balances		511
Inventories		2,327
Trade receivables		3,002
Prepayments and other receivables		6,321
Trade payables		(1,979)
Accruals and other payables		(3,352)
Promissory note	29	(9,307)
Asset retirement obligation	30	(1,359)
Deferred tax liabilities	31	(103,566)
Total identifiable net assets at fair value		219,387
Goodwill on the EPI Acquisition	18	121,181
		340,568
Satisfied by:		
Fair value of PN 2 issued	29	49,168
Fair value of 470,000,000 EPI Consideration Shares		291,400
		340,568

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

35 BUSINESS COMBINATION (continued)

For the year ended 31 December 2014 (continued)

(b) EPI Acquisition (continued)

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

An analysis of the cash flows in respect of the EPI Acquisition is as follows:

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

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

Had the combination taken place at the beginning of the year ended 31 December 2014, the revenue of the Group and the loss of the Group for the year ended 31 December 2014 would have been approximately HK$5,859,349,000 and approximately HK$398,437,000, respectively.

36 CONTINGENT LIABILITIES

There were no significant contingent liabilities of the Group as at 31 December 2014 and 2015.

37 OPERATING LEASE ARRANGEMENTS

(a) As lessor

The Group lease its investment property (note 14) under operating lease arrangements, with the lease negotiated for original terms for 10 years.

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

	2015	2014
	HK$'000	HK$'000
Within the first year	**123**	126
In the second to fifth years, inclusive	**339**	468
	462	594

(b) As lessee

The Group lease a piece of land and a 1,000 tons pier from an independent third party under operating lease arrangements. Lease for the land and pier is negotiated for a term of 30 years.

At 31 December 2015, the Group had total future minimum lease payments under non-cancellable operating leases with its tenant falling due as follows:

	2015	2014
	HK$'000	HK$'000
Within one year	**999**	–
In the second to fifth years, inclusive	**5,288**	–
After five years	**21,545**	–
	27,832	–

38 CAPITAL COMMITMENTS

	2015 HK$'000	2014 HK$'000
Contracted, but not provided for, in respect of:		
Capital expenditure in respect to the construction in progress	–	7,558
Acquisition of subsidiaries (note (a))	640,000	–
	640,000	7,558

Note (a): As detailed in note 43(i) to the consolidated financial statements, as at 31 December 2015, the Company has capital commitment of HK$640,000,000, among which, (i) as to HK$190,000,000 is settled by cash; and (ii) the balance of HK$450,000,000 is settled by way of allotment and issue a total of 562,500,000 new shares of the Company of HK$0.01 each in respect of the acquisition of 100% issued share capital of Pride Logic Limited.

39 RELATED PARTY TRANSACTIONS

(a) Transactions with related parties

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

	Note	2015 HK$'000	2014 HK$'000
Related company:			
Public relation fee	(i)	95	380

Note:

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

39 RELATED PARTY TRANSACTIONS (continued)

(b) Outstanding balances with related parties

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

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

Outstanding balances with related parties:

(i) Current portion

	At 31 December 2015 HK$'000	Maximum amount outstanding during the year HK$'000	31 December 2014 and 1 January 2015 HK$'000
Due from related companies:			
General Nice Resources (Hong Kong) Limited ("GNR") (note (i))	–	637	637
General Nice (Tianjin) Industry Company Limited ("GNT")	29,564	29,564	29,564
山西平型關鐵礦有限公司 (literally translated as "Shanxi Ping Xing Guan Iron Ore Company Limited") (note (v))	535	16,906	–
山西新海峰能源有限公司 (literally translated as "Shanxi Xin Energy Company Limited") (note (iv))	5,700	5,700	–
深圳市新海能投資有限公司 (literally translated as "Shenzhen Xin Hai Neng Investment Company Limited") (note (iv))	11,656	32,110	–
	47,455		30,201

	2015 HK$'000	2014 HK$'000
Due to related companies:		
GNR (note (i))	–	16,656
General Nice Development Limited ("GND") (note (ii))	–	584
Hing Lou Resources Limited (note (iv))	17	17
Tianjin General Nice Coke & Chemicals Co. Ltd.	–	997
繁峙縣平型關鐵礦有限公司 (literally translated as "Fan Zhi Xian Ping Xing Guan Iron Ore Company Limited") (note (v))	17,885	–
	17,902	18,254
Loans from related companies:		
GND (note (ii))	–	138,795
GNT	–	80,118
GNR (note (i))	873	914
	873	219,827

39 RELATED PARTY TRANSACTIONS (continued)

Notes:

(i) GNR directly held the Company's equity interest of 9.74% as at 31 December 2015.
(ii) GND indirectly held the Company's equity interest of 9.74% as at 31 December 2015.
(iii) The English names of these companies are directly translated from their Chinese names as no English names have been registered.
(iv) A director of the Company is also the director of the related companies.
(v) These related companies are controlled by the companies, in which, a director of the Company is also a director.

(c) Compensation of key management personnel of the Group

	2015 HK$'000	2014 HK$'000
Short term employee benefits	**3,508**	3,900
Post-employment benefits	**72**	67
Total compensation paid to key management personnel	**3,580**	3,967

40 FINANCIAL INSTRUMENTS BY CATEGORY

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

31 December 2015

Financial assets

	Financial assets at fair value through profit or loss – held for trading HK$'000	Loan and receivables HK$'000	Available-for-sale financial assets HK$'000	Total HK$'000
Available-for-sale investments	–	–	7,548	7,548
Trade and bills receivables	–	890,209	–	890,209
Financial assets included in prepayments, deposits and other receivables	–	1,360,124	–	1,360,124
Due from related companies	–	47,455	–	47,455
Equity investments at fair value through profit or loss	597	–	–	597
Pledged deposits	–	35,199	–	35,199
Cash and cash equivalents	–	457,123	–	457,123
	597	2,790,110	7,548	2,798,555

40 FINANCIAL INSTRUMENTS BY CATEGORY (continued)

31 December 2015

Financial liabilities

	Financial liabilities at amortised cost HK$'000
Financial liabilities included in other payables and accruals	**192,165**
Interest-bearing bank and other borrowings	**1,904,009**
Due to related companies	**17,902**
Loans from related companies	**873**
Trade and bills payables	**339,422**
Promissory notes	**48,638**
Convertible bonds	**636,388**
	3,139,397

31 December 2014

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

40 FINANCIAL INSTRUMENTS BY CATEGORY (continued)

31 December 2014

Financial liabilities

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

41 FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

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

Assets measured at fair value

	Fair value measurement using			
	Quoted prices in active markets (level 1) HK$'000	Significant observable inputs (level 2) HK$'000	Significant unobservable inputs (level 3) HK$'000	HK$'000
Equity investments at fair value through profit or loss				
31 December 2015	**597**	**–**	**–**	**597**
31 December 2014	14,892	–	–	14,892

42 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

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

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

Interest rate risk

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

	Increase/ (decrease) in interest rate %	(Increase)/ decrease in loss before tax HK$'000
2015		
Renminbi	**1%**	**(7,994)**
	(1%)	**7,994**
Hong Kong Dollar	**1%**	**(80)**
	(1%)	**80**
2014		
Renminbi	1%	(10,874)
	(1%)	10,874

Foreign currency risk

The Group has transactional currency exposures as the sales and purchases of the Group were mainly transacted in Renminbi ("RMB") and United States Dollars ("USD"). The Group manages its transactional currency exposures by matching as far as possible, its receipts and payments in each individual currency. The Group monitors the foreign currency exchange rates closely so as to minimise any potential material adverse effects from these exposure in a timely manner.

42 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Foreign currency risk (continued)

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

	Increase/ (decrease) in exchange rate %	(Increase)/ decrease in loss before tax HK$'000
31 December 2015		
If HK$ weakens against RMB	**5%**	**16**
If HK$ strengthens against RMB	**(5%)**	**(16)**
If HK$ weakens against USD	**0.5%**	**608**
If HK$ strengthens against USD	**(0.5%)**	**(608)**
31 December 2014		
If HK$ weakens against RMB	5%	42
If HK$ strengthens against RMB	(5%)	(42)
If HK$ weakens against USD	0.5%	11
If HK$ strengthens against USD	(0.5%)	(11)

Credit risk

The Group trades only with recognised third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an on-going basis and the Group's exposure to bad debts is significant.

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

Concentrations of credit risk are managed by customer, by geographical region and by industry sector. At the end of the reporting period, the Group had certain concentration of credit risk as 10% and 39% of the Group's trade receivables, before impairment, were due from the Group's largest trade debtors and the five largest trade debtors, respectively.

42 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Liquidity risk

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

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

Group

	Within 1 year, on demand or no fixed repayment terms HK$'000	1 to 5 years HK$'000	Total HK$'000
31 December 2015			
Interest-bearing bank and other borrowings	**1,105,663**	**798,346**	**1,904,009**
Due to related companies	**17,902**	**–**	**17,902**
Trade and bills payables	**339,422**	**–**	**339,422**
Loans from related companies	**–**	**873**	**873**
Financial liabilities included in other payables and accruals	**192,165**	**–**	**192,165**
Promissory notes	**3,100**	**52,000**	**55,100**
Convertible bonds	**42,000**	**773,644**	**815,644**
	1,700,252	**1,624,863**	**3,325,115**
31 December 2014			
Interest-bearing bank and other borrowings	1,468,038	356,438	1,824,476
Due to related companies	18,254	–	18,254
Trade and bills payables	686,812	–	686,812
Loans from related companies	–	219,827	219,827
Financial liabilities included in other payables and accruals	98,781	–	98,781
Promissory notes	9,522	60,000	69,522
	2,281,407	636,265	2,917,672

42 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Oil price risk

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

Capital management

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

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

	2015 **HK$'000**	2014 HK$'000
Interest-bearing bank and other borrowings, secured	**1,904,009**	1,824,476
Loans from related companies	**873**	219,827
Promissory notes	**48,638**	59,188
Less: Cash and bank balances	**(457,123)**	(22,521)
Net debt	**1,496,397**	2,080,970
Convertible bonds, the liability component	**636,388**	–
Equity attributable to owners of the Company	**301,504**	987,139
Total equity and net debt	**2,434,289**	3,068,109
Gearing ratio	**61%**	68%

43 EVENT AFTER REPORTING PERIOD

Subsequently to the end of the reporting period:

(i) On 30 December 2015, the Group entered into a sale and purchase agreement with an independent third party (the "WILP Vendor"), pursuant to which the Group agreed to purchase 100% of the issued share capital of Pride Logic Limited from the WILP Vendor. Pride Logic Limited, through its wholly-owned subsidiary, holds 40% equity interests in Wulanchabu Integrated Logistics Park Company Limited ("WILP"), which is principally engaged in railway construction investment and coal storage in the PRC (the "WILP Acquisition"). The consideration for the WILP Acquisition is HK$640,000,000 (the "WILP Consideration"), among which, (i) as to HK$190,000,000 was settled by cash; and (ii) the balance of HK$450,000,000 was settled by way of allotment and issue a total of 562,500,000 new shares (the "WILP Consideration Share(s)") of the Company of HK$0.01 each, credited at fully paid, at an issue price of HK$0.80 per each WILP Consideration Share to the WILP Vendor at completion. The WILP Acquisition was completed on 13 January 2016. The fair value of each WILP Consideration Share was calculated at HK$0.68, being the closing market price of the Company's ordinary share on the date of completion.

(ii) On 29 March 2016, Guang'an Tianjin Enterprise Management Company Limited (廣安(天津)企業管理有限公司, "Guang'an"), a wholly owned subsidiary of the Company, made a submission of an irrevocable bid in an open tender process at Tianjin Property Rights Exchange for the acquisition of 70% equity interests of Tianjin Ruiqi Enterprise Management Company Limited (天津瑞琪企業管理有限公司, "Ruiqi") for a consideration of RMB200 million (the "Ruiqi Acquisition"). Tianjin Property Rights Exchange is expected to notify Guang'an as to whether it has succeeded in the bidding on or around 6 April 2016. Tewoo Import and Export Trade Co., Ltd. (天津物產進出口貿易有限公司, "Tewoo Import and Export"), the vendor, has agreed to undertake Guang'an that the net profit after taxation of Tianjin Property Qian'an Logistics Company Limited (天津物產遷安物流有限公司, "Qian'an Logistics") for each of the four years ending 31 December 2019 shall not be less than RMB25 million. At the date of submission of the bid, Ruiqi holds 70% equity interests of Qian'an Logistics. Tewoo Import and Export undertook that upon completion of the Ruiqi Acquisition, Guang'an will hold 70% interests in Qian'an Logistics. Qian'an Logistics is principally engaged in warehousing services, general cargo, trading of minerals, coal and coke. Completion of the Ruiqi Acquisition has not been taken place.

Apart from the events stated above, no other significant events occurred after the reporting period.

44 COMPARATIVE AMOUNTS

As further explained in note 2.2 to the financial statements, due to the implementation of the Hong Kong Companies Ordinance (Cap. 622) during the current year, the presentation and disclosure of certain items and balances in the financial statements have been revised to comply with the new requirements. Accordingly, certain comparative amounts have been restated to conform with the current year's presentation and disclosures.

45 STATEMENT OF FINANCIAL POSITION OF THE COMPANY

Information about the statement of financial position of the Company at the end of the reporting period is as follows:

	2015 HK$'000	2014 HK$'000
NON-CURRENT ASSETS		
Property, plant and equipment	**–**	–
Investments in subsidiaries	**–**	–
Due from subsidiaries	**419,714**	340,568
Total non-current assets	**419,714**	340,568
CURRENT ASSETS		
Prepayments, deposits and other receivables	**351**	348
Due from a related company	**29,564**	29,564
Due from subsidiaries	**115,000**	652,260
Cash and cash equivalents	**430,463**	10,239
Total current assets	**575,378**	692,411
CURRENT LIABILITIES		
Other payables and accruals	**15,413**	3,232
Due to related companies	**–**	14,240
Due to subsidiaries	**1,740**	1,740
Total current liabilities	**17,153**	19,212
NET CURRENT ASSETS	**558,225**	673,199
TOTAL ASSETS LESS CURRENT LIABILITIES	**977,939**	1,013,767
NON-CURRENT LIABILITIES		
Promissory notes	**45,538**	49,883
Convertible bonds	**636,388**	–
	681,926	49,883
Net assets	**296,013**	963,884
EQUITY		
Issued capital	**34,292**	28,592
Reserves	**261,721**	935,292
TOTAL EQUITY	**296,013**	963,884

Approved and authorised for issue by the board of directors on 31 March 2016.

Cai Sui Xin *Director*	**Zhao Cheng Shu** *Director*

45 STATEMENT OF FINANCIAL POSITION OF THE COMPANY (continued)

A summary of the Company's reserves is as follows:

	Share premium account HK$'000	Capital reserve HK$'000	Contributed surplus HK$'000	Share option reserve HK$'000	Equity component of convertible bonds HK$'000	Accumulated losses HK$'000 (Note (i))	Total HK$'000 (Note 34)
At 1 January 2014	626,634	160,670	1,742,526	1,534	–	(1,593,193)	938,171
Fair value of new shares issued as partial consideration for the acquisition of EPI	286,700	–	–	–	–	–	286,700
Loss for the year and total comprehensive income for the year	–	–	–	–	–	(289,579)	(289,579)
At 31 December 2014 and at 1 January 2015	**913,334**	**160,670**	**1,742,526**	**1,534**	**–**	**(1,882,772)**	**935,292**
Loss for the year and total comprehensive income for the year	**–**	**–**	**–**	**–**	**–**	**(1,304,627)**	**(1,304,627)**
Reduction in contributed surplus and share premium (note 34(iii))	**(913,334)**	**–**	**(969,436)**	**–**	**–**	**1,882,770**	**–**
Fair value of new shares issued as partial consideration for the acquisition of Kai Sum and Hai Hui	**564,700**	**–**	**–**	**–**	**–**	**–**	**564,700**
Transfer of share option reserve upon lapsing of share options	**–**	**–**	**–**	**(95)**	**–**	**95**	**–**
Issue of convertible bonds, net of transaction costs	**–**	**–**	**–**	**–**	**66,356**	**–**	**66,356**
At 31 December 2015	**564,700**	**160,670**	**773,090**	**1,439**	**66,356**	**(1,304,534)**	**261,721**

46 APPROVAL OF THE FINANCIAL STATEMENTS

These consolidated financial statements were authorised for issue by the Company's board of directors on 31 March 2016.

Supplemental Information on Oil Exploring and Producing Activities (Unaudited)

31 December 2015

On 18 December 2014, the Company completed to acquire a group engaged in exploration and production of oil as well as provision of well services in the States of Illinois and Indiana in the USA at a consideration of HK$295,000,000. The Group's estimated net oil reserves for the year ended 31 December 2015 and 2014 are shown in the following table.

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

Probable reserves are those additional reserves that are less certain to be recovered than proved reserves but which, together with proved reserves, are as likely as not to be recovered. Net reserves exclude royalties and interests owned by others.

Reserve summary

Location	**2015 Light and Medium Oil MSTB**	2014 Light and Medium Oil MSTB
In the State of Illinois		
Proved	**708**	730
Probable	**1,080**	1,080
	1,788	1,810
In the State of Indiana		
Prove	**79**	80
Probable	**439**	439
	518	519
Total proved and probable	**2,306**	2,329

MSTB represents thousand of stock tank barrels of oil.

Particulars of Properties

31 December 2015

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

Five Year Financial Summary

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

	Year ended 31 December				
	2015	2014	2013	2012	2011
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
RESULTS					
CONTINUING OPERATIONS					
Revenue	**1,569,903**	5,825,864	3,105,949	2,233,316	2,559,575
Cost of sales	**(1,495,216)**	(5,186,775)	(2,457,945)	(1,786,160)	(1,776,024)
Gross profit	**74,687**	639,089	648,004	447,156	783,551
Other income	**29,620**	65,874	99,691	33,156	18,269
Selling and distribution costs	**(118,887)**	(170,015)	(69,827)	(69,279)	(131,566)
Administration expenses	**(85,818)**	(70,155)	(193,394)	(129,108)	(87,113)
Other operating expenses	**(4,185)**	(39,965)	(10,444)	(20,521)	(16,420)
Impairment of trade receivables	**(351,211)**	(167,046)	(116,907)	–	–
Impairment of prepayment and other receivables	**(39,825)**	(177,336)	(299,714)	–	–
Impairment of investment in an associate and amount due from an associate	**(354,488)**	–	(75,731)	–	–
Impairment of property, plant and equipment	**–**	–	(1,956,745)	–	–
Impairment of goodwill	**–**	(56,400)	(330,083)	–	–
Impairment of oil properties	**(72,145)**	–	–	–	–
Share of profit and losses of associates	**(1,195)**	–	–	–	–
Finance costs	**(191,572)**	(88,411)	(87,377)	(67,736)	(75,703)
(LOSS)/PROFIT BEFORE TAX	**(1,115,019)**	(64,365)	(2,392,527)	193,668	491,018
Income tax expense	**(222,844)**	(332,478)	(320,034)	(46,260)	(181,700)
(LOSS)/PROFIT FOR THE YEAR	**(1,337,863)**	(396,843)	(2,712,561)	147,408	309,318

Five Year Financial Summary

	Year ended 31 December				
	2015	2014	2013	2012	2011
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
(LOSS)/PROFIT FOR THE YEAR	**(1,337,863)**	(396,843)	(2,712,561)	147,408	309,318
OTHER COMPREHENSIVE INCOME					
To reclassified to profit or loss in subsequent periods:					
Exchange differences on translation of foreign operations	**14,970**	(26,179)	(108,859)	32,605	127,434
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX					
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**(1,322,893)**	(423,022)	(2,821,420)	180,013	436,752
(Loss)/profit attributable to:					
Owners of the Company	**(1,291,990)**	(376,988)	(2,581,507)	138,478	291,152
Non-controlling interests	**(45,873)**	(19,855)	(131,054)	8,930	18,166
	(1,337,863)	(396,843)	(2,712,561)	147,408	309,318
Total comprehensive income attributable to:					
Owners of the Company	**(1,277,851)**	(402,412)	(2,682,584)	168,562	412,179
Non-controlling interests	**(45,042)**	(20,610)	(138,836)	11,451	24,573
	(1,322,893)	(423,022)	(2,821,420)	180,013	436,752
ASSETS, LIABILITIES AND NON-CONTROLLING INTERESTS					
TOTAL ASSETS	**4,049,987**	4,341,782	4,148,376	6,603,433	5,883,736
TOTAL LIABILITIES	**(3,748,483)**	(3,354,643)	(3,029,615)	(2,663,252)	(2,146,213)
NON-CONTROLLING INTERESTS	**31,213**	(13,829)	(34,439)	(173,275)	(161,824)
	332,717	973,310	1,084,322	3,766,906	3,575,699