

2015

ANNUAL REPORT



東方明珠石油有限公司
Pearl Oriental Oil Limited

Stock Code: 0632

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Corporate Information

DIRECTORS

Executive Directors:

Wong Yuk Kwan (alias: Wong Kwan) (*Chairman*)
Wong Hiu Tung
Zhou Li Yang

Independent Non-Executive Directors:

Lam Kwan
Chan Kwan Pak
Yuen Sau Ying, Christine

SOLICITORS

Anthony Siu & Co.
Hastings & Co.
Reed Smith Richards Butler

PRINCIPAL BANKERS

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

COMPANY SECRETARY

Yeung Man Chit

AUDITOR

Cheng & Cheng Limited

AUTHORISED REPRESENTATIVES

Wong Kwan
Zhou Li Yang

REGISTERED OFFICE:

Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

PRINCIPAL OFFICE:

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

BERMUDA RESIDENT REPRESENTATIVE

Codan Services Limited

BERMUDA PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Codan Services Limited
2 Church Street
Hamilton HM 11
Bermuda

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

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

WEBSITE AND OTHER INFORMATION

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

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

Financial Highlights

	<i>Notes</i>	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
For the year ended 31 December			
Revenue		889	97,367
Operating loss		(25,503)	(34,374)
Loss for the year		(1,486,200)	(123,981)
Net loss attributable to shareholders		(1,487,577)	(123,125)
Loss per share			
Basic (cents)			
— For loss for the year		(45.86)	(3.80)
Diluted (cents)			
— For loss for the year		(45.86)	(3.80)
Average shareholders' equity		1,157,856	1,962,345
Average capital employed		1,455,967	2,505,234
At 31 December			
Total indebtedness	1	—	—
Shareholders' equity		415,107	1,900,604
Capital employed	2	479,324	2,432,610
Ratio			
Return on average capital employed (%)	3	(102.1%)	(5.0%)
Return on average equity (%)	4	(128.5%)	(6.3%)
Total debt to total capital (%)	5	4.8%	0.2%

Notes:

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

Chairman's Statement

Dear Shareholders,

2015 was a challenging year. The severe fluctuation in the international oil and gas market with the continuous crash of crude oil and gas prices has placed a negative impact at Pearl Oriental Oil Limited (the "Company") and its subsidiaries (the "Group"). Although the huge decrease in fair value of the Utah Gas and Oil Field was non-cash expenses with no impact on the cash flow, and there would be a benefit generated from asset appreciation of the Utah Gas and Oil Field as oil and gas prices rise again in the future, it has caused a significant loss of the Group last year.

Under this circumstance, for the financial year ended 31 December 2015, after-tax loss of the Group was HK\$1,486 million, but overall financial operations remained sound. The operations and development of the Company will be continually supported by my family as long as I still hold office of Chairman and when necessary.

After continuous depression, the price of oil and natural gas in the international market rebounded from the bottom with a promising outlook at the first quarter of this year. We are currently negotiating with potential investors who are in strong financial force and looking for new funds injection as soon as possible to boost the development, output and income of the Utah Gas and Oil Field. Meanwhile, the Management is seeking new business opportunities and projects that can bring new growth engine to the Group.

I was unfortunately kidnapped and injured last year. Thanks to the high level of professionalism and expertise of Taiwan police, I was later rescued and escaped from danger. Over the past six months, I have had two cranial surgeries to drain the accumulated 1100 ml of blood clot in the head wounded by the kidnappers and I am still in treatment and rehabilitation. I would like to take this opportunity to express my sincere gratitude to all members of the community for their concern and encouragement, as well as to the Company's shareholders and colleagues for their unlimited support and help, for me to weather the storm of life, and the Company to march firmly forward in the face of adversity.

Facing the challenges, I will as always dedicate all my efforts to the Company and strive to bring the best returns for all shareholders with no fear. I wish the Group every success in 2016 and deeply believe that the Company will rise to a new higher level!

Chairman
Wong Kwan

31 March 2016

Profiles of Directors and Senior Management

PROFILES OF DIRECTORS

Executive Directors

MR. WONG KWAN (CHAIRMAN)

Aged 68, is currently the Chairman of the Company, Mr. Wong is a well known entrepreneur in Hong Kong. He is a veteran in the capital market, investment and property development fields and has over 30 years of experience in diversified investment, operation and management in Hong Kong, China and overseas. Mr. Wong is also well known in the Asian business world with extensive business connections in the Asia Pacific region. Mr. Wong is responsible for the overall strategic planning and business development of the Company.

MR. WONG HIU TUNG

Aged 47, has over 10 years of extensive experience in various sectors of the financial industry, including venture capital, direct investment, mergers & acquisitions, share financing and capital markets with focus on the mainland China and Hong Kong. Mr. Wong was an executive director, chief financial officer and an authorized representative of China Billion Resources Limited (stock code: 0274) during the period from 25 September 2009 to 31 December 2010, and held various management positions in WI Harper Group and JP Morgan Chase Bank before. Mr. Wong holds a Bachelor Degree in Laws and a Master Degree of Business Administration (Financial Management) from University of Exeter, U.K.

MR. ZHOU LI YANG

Aged 56, served as an executive director of the Company from 2004 to 2011. Prior to this, he also held managerial positions over ten years in several banks, investment fund and listed companies on stock exchanges of Hong Kong and U.S. involving in the businesses of energy, logistics, banking, infrastructure, e-commerce, and pharmaceuticals, including CITIC Ka Wah Bank and Tianjin Development Holdings Ltd.

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

Profiles of Directors and Senior Management

Independent Non-executive Directors (“INEDs”)

MR. LAM KWAN

Aged 47, obtained a bachelor degree in Accountancy from the Hong Kong Polytechnic University in 1991. He is a Certified Public Accountant (Practising) in Hong Kong, a member of the Hong Kong Institute of Certified Public Accountants and a fellow member of the Taxation Institute of Hong Kong.

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

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

MR. CHAN KWAN PAK

Aged 59, is a fellow member of the Association of Chartered Certified Accountants and a member of the Hong Kong Institute of Certified Public Accountants, the Institute of Chartered Secretaries and Administrators as well as the Hong Kong Institute of Chartered Secretaries. He holds a Master’s degree in Business Administration and a Bachelor of Laws degree. Mr. Chan is currently a consultant to a number of companies listed on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”), advising them on corporate governance issues. Mr. Chan was appointed by the Hong Kong SAR Government as an Adjudicator of the Registration of Persons Tribunal during the period from 2005 to 2011. He is the Honorary Secretary and a Council Member of the Energy Saving & Environment Concern Alliance. Mr. Chan is currently an independent non-executive director of Skyway Securities Group Limited, a Company listed on the main board of the Stock Exchange (Stock code: 1141). Mr. Chan was a non-executive director of Ruifeng Petroleum Chemical Holdings Limited (“Ruifeng”), a company listed on GEM Board of the Stock Exchange (Stock Code: 8096), during the period from 11 August 2008 to 9 October 2015. Ruifeng is in winding-up proceedings, which was commenced after Mr. Chan ceased to be its non-executive director.

MS. YUEN SAU YING, CHRISTINE

Aged 50, is a practising solicitor in Hong Kong. Ms. Yuen has over 20 years of extensive legal practice experience and is now the partner of Tse Yuen Ting Wong, Solicitors. Ms. Yuen graduated from the University of Hong Kong in 1989 with a Bachelor Degree in Laws, and was a part-time law lecturer for the City University of Hong Kong and the Open University of Hong Kong.

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

Profiles of Directors and Senior Management

PROFILES OF SENIOR MANAGEMENT

MR. ZHANG JIAYOU, SENIOR GEOLOGIST

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

MR. ZHANG KAI, PROJECT MANAGER

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

MR. YEUNG MAN CHIT, COMPANY SECRETARY

Mr. Yeung has over 19 years of experience in auditing, accounting & finance, taxation and corporate compliance. Mr. Yeung holds a Bachelor Degree in Accountancy from Hong Kong Polytechnic University. He is an associate member of the Hong Kong Institute of Certified Public Accountants and a fellow of the Association of Chartered Certified Accountants. Prior to joining the Group, he has served financial positions in other Hong Kong listed companies for over 10 years.

Management Discussion and Analysis

RESULTS AND REVIEW OF OPERATIONS

For the year ended 31 December 2015 (the “Year”), the Company and its subsidiaries (the “Group”) recorded a consolidated revenue of HK\$3,770,000 (2014: HK\$99,057,000) mainly contributed from the sales of oil and gas, and the decrease of revenue was mainly due to no revenue contribution from plastic recycling materials operations. Basic loss per share for the Year was HK\$45.86 cents (2014: HK\$3.80 cents). Loss per share was based on the weighted average of 3,244 million shares in issue in the Year.

The gross profit turnaround from HK\$1,195,000 in 2014 to gross loss HK\$1,369,000 for the Year, which is mainly due to significantly decreased oil and gas prices and no revenue contribution from plastic recycling materials operations and the gross loss margin was 154% (2014: gross profit margin 1.2%).

The loss attributable to the owners of the Company for the Year was HK\$1,487,577,000 (2014: HK\$123,482,000), mainly attributable to the impairment loss on fair value in the Group’s intangible assets amount to HK\$1,909,456,000, which was resulted from significant decrease of oil and gas prices and lower production rate of oil and gas, and impairment loss on trade deposits paid amount to HK\$28,396,000.

In March 2013, settlement agreements have been entered into between the Company and certain debtors (the “Settlement Agreements”). Pursuant to the Settlement Agreements, the debtors have agreed to irrevocably surrender and deliver the pledged Shares to the Company. During the Year, 87,225,600 pledged Shares have been sold and the net proceeds of HK\$17.4 million have been applied towards the general working capital of the Group.

BUSINESS REVIEW

Plastic Recycling Business

Due to the slowing down of China’s economic growth, decrease of crude oil price and tightened environmental protection policy adopted by Chinese government, the demand in recycled plastic market is scaling back and the price of recycled plastics has also been driven down, which resulted in a persistent downturn of the plastic recycling business in recent years. During the Year, the Group has no transactions on plastic trading avoiding potential losses out of prudence. As the Management cannot see any major improvement of the above mentioned factors as well as difficult situation of the recycled plastic market in the foreseeable future, the Company is considering to terminate the plastic recycling business in 2016 as it thinks fit in order to deploy resources focusing on oil and gas business and other possible new business opportunities of profitability.

Oil and Gas Business

There are six (6) shale gas producing wells in the Utah Gas and Oil Field with gas sale of around 13,774 thousand cubic feet in 2015 which is being sold to Anadarko’s midstream operations and other purchasers. On the other hand, there are two (2) oil producing wells with oil sale of around 2,149 barrels during the Year. Plains All American Pipeline, L.P., USA is the purchaser to collect the Group’s crude oil produced in the Utah Gas and Oil Field.

OPERATIONAL REVIEW AND UPDATE ON RESERVES

During the Year, no exploration activity had taken place.

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

The expenditure incurred on the development and mining production activities during the Year were approximately US\$253,000 (equivalent to approximately HK\$1,973,340) in aggregate.

According to the independent technical expert report prepared in accordance with the definitions and guidelines set forth in the 2007 Petroleum Resources Management System approved by the Society of Petroleum Engineers the gross and total net proved and probable reserves of the Utah Gas and Oil Field as at 31 December 2015 (“the ITR”) were estimated to be:

	Oil/Condensate (Mbbbl)		Gas (MMCF)	
	Gross	Net	Gross	Net
Proved Developed Producing	15.5	8.2	11.5	5.9
Proved Developed Non-Producing	8.4	5.6	2,270.4	1,464.7
Proved Undeveloped	1,089.6	817.2	126,625.0	92,919.4
Total Proved (1P)	1,113.5	831.0	128,906.9	94,390.0
Probable Developed Non-Producing	134.3	76.0	218.3	120.8
Total Probable	134.3	76.0	218.3	120.8
Total Proved + Probable (2P)	1,247.8	906.9	129,125.1	94,510.8

Note: Mbbbl = Thousand Barrels
MMCF = Millions of cubic feet

The updated net 2P reserves are 906.9 Mbbbls for oil/condensate and 94,510.8 MMCF for gas, decreased from previous estimates of 1,137.6 Mbbbls for oil/condensate and 268,862.4 MMCF for gas, respectively, mainly due to certain previously estimated reserves having become non-economic for development based on the newly estimated much lower oil and gas prices and insufficient production rate of oil and gas and therefore not being categorized as 2P reserves, which, however, may be re-categorized in futures subject to change of the economic factors including but not limited to oil and gas prices and production rates.

PROSPECTS

The Company has focused its business on oil and gas exploration, production and field operations in the Utah Gas and Oil Field, which is mostly a gas field. Being cleaner and cheaper energy, gas has more advantages than other traditional energy like coal and oil and has therefore been given priority to develop by the government of the United States.

The Utah Gas and Oil Field is located in Uintah Basin of Utah, Midwestern of the United States which has very long history and good location for oil and gas business with matured infrastructure including water, electricity, roads and other logistic facilities around. The Company would like to develop the field by cooperating with investors of solid financial strength to increase production and income of gas and oil business.

Management Discussion and Analysis

Given the economy of the United States is recovering at a mediocre pace, the oil and gas market is still of good potential in futures. The oil and gas prices have rebounded from the bottom in the first quarter of 2016 with an outlook of promising. The Company will continue to strike the balance between prudence and aggressiveness when implementing its strategy in a pragmatic manner and actively looking for strategic partners and development opportunities, paving the way for expanding current businesses scale once the market environment improves. At the same time, the Company will explore and develop new business opportunities, bringing new growth engine for the Group.

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

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

Therefore the Company has already taken legal actions aiming to recover the Net Initial Consideration.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

The Group generally finances its operations with issue of new shares and internally generated resources. At the Year end date, the Group had HK\$20 million other borrowings repayable within one year (2014: HK\$4 million). The Group’s cash and bank balances as at 31 December 2015 have increased to approximately HK\$17 million from HK\$2.5 million as at 31 December 2014. The current ratio (calculated on the basis of the Group’s current assets over current liabilities) has decreased to 0.78 as at 31 December 2015 (31 December 2014: 2.74).

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

EMPLOYEES AND REMUNERATION POLICIES

As at 31 December 2015, the number of employees of the Group was about 20 (2014: 30). The remuneration packages of employees are maintained at competitive levels and include monthly salaries, mandatory provident fund, medical insurance and share option schemes; other employee benefits include meal and travelling allowances and discretionary bonuses.

Directors' Report

The directors present their annual report and the audited consolidated financial statements for the year ended 31 December 2015 (the “Year”).

PRINCIPAL ACTIVITIES

The Company is an investment holding company. The activities of its principal subsidiaries are set out in note 33 to the consolidated financial statements.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 December 2015 are set out in the consolidated statement of profit or loss and other comprehensive income on page 25.

The board of directors (the “Board” or the “Directors”) do not recommend the payment of final dividend for the Year (2014: Nil).

PROPERTY, PLANT AND EQUIPMENT

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

DISTRIBUTABLE RESERVES OF THE COMPANY

At 31 December 2015, HK\$29,829,000 distributable reserves were available for distribution to the equity shareholders of the Company.

SHARE CAPITAL

Details of the movements in the share capital of the Company during the year together with the reason therefor are set out in note 24 to the consolidated financial statements.

Directors' Report

DIRECTORS

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

Executive Directors:

Wong Kwan
Law Wing Tak, Jack (Resigned on 30 June 2015)
Wong Hiu Tung
Zhou Li Yang

Non-Executive Director:

Baiseitov Bakhytbek (Resigned on 6 August 2015)

Independent Non-Executive Directors:

Lam Kwan
Chan Kwan Pak
Yuen Sau Ying, Christine

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

DIRECTORS' AND SENIOR MANAGEMENT'S BIOGRAPHIES

Biographical details of the directors of the Company and the senior management of the Group are set out on pages 5 to 7 of the annual report.

DIRECTORS' SERVICE CONTRACTS

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

CONTRACT OF SIGNIFICANCE

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

DIRECTORS' INTERESTS IN SHARES AND UNDERLYING SHARES

At 31 December 2015, the interests of the Directors and their associates in the shares, underlying shares and convertible bonds of the Company and its associated corporations, as recorded in the register maintained by the Company pursuant to Section 352 of the Securities and Futures Ordinance, or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited pursuant to the Model Code for Securities Transactions by Directors of Listed Companies, were as follows:

Long Positions

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

Name of Directors	Number of Shares held in the Capacity of		Total number the of Shares held	Approximate percentage to the issued share capital of the Company
	Beneficial owner	Held by controlled corporation		
Wong Kwan (Note)	—	749,530,000	749,530,000	23.09%
Lam Kwan	1,045,000	—	1,045,000	0.03%
Chan Kwan Pak	1,000,000	—	1,000,000	0.03%

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

(B) Share Options

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

Save as disclosed above, none of the directors nor their associates had any interests or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporations as at 31 December 2015.

Directors' Report

SUBSTANTIAL SHAREHOLDERS

The register of substantial shareholders maintained by the Company pursuant to Section 336 of the Securities and Futures Ordinance shows that, as at 31 December 2015, other than the interests disclosed above in respect of certain Directors, the following shareholders had notified the Company of relevant interests in the issued share capital of the Company:

Long Positions

Name of substantial shareholders	Capacity	Number of shares/underlying shares held	Approximate percentage to the issued share capital of the Company
Charcon Assets Limited (<i>Note</i>)	Beneficial owner	739,530,000	22.79%
Ma Yueng Lin	Beneficial owner	672,000,000	20.71%

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

Save as disclosed above, the Company has not been notified of any other relevant interests or short positions in the issued share capital of the Company as at 31 December 2015.

APPOINTMENT OF INDEPENDENT NON-EXECUTIVE DIRECTORS

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

EMOLUMENT POLICY

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

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

The Company has adopted a share option scheme as an incentive to Directors and eligible employees, details of the scheme is set out in note 25 to the consolidated financial statements.

CONNECTED TRANSACTIONS AND RELATED PARTY TRANSACTIONS

Details of the significant related party transactions during the year are detailed in note 29 to the consolidated financial statements. Save as disclosed above, the Group did not have any connected transactions during the year.

PRE-EMPTIVE RIGHTS

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

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

During the Year, the Company has sold 87,225,600 shares pledged to the Company at HK\$0.20 per share.

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

MAJOR CUSTOMERS AND SUPPLIERS

During the year, the aggregate sales attributable to the Group's largest customer and three largest customers taken together accounted for 68% and 100% respectively of the Group's total sales for the year. The Group did not conduct any purchase during the year.

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

SUFFICIENCY OF PUBLIC FLOAT

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

AUDITORS

Cheng & Cheng Limited acted as auditor of the Group's consolidated financial statements for the financial year ended 31 December 2015.

The consolidated financial statements for the year ended 31 December 2015 have been audited by Cheng & Cheng Limited who retire and, being eligible, offer themselves for re-appointment at the forthcoming annual general meeting.

By order of the Board

Wong Hiu Tung
Executive Director

31 March 2016

Corporate Governance Report

SHAREHOLDERS' RIGHTS AND INVESTOR RELATIONS

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

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

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

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

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

The procedures for sending enquiries to the Board

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

The procedures for making proposals at Shareholders' Meetings

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

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

- At least 21 days' notice (the notice period must include not less than 20 clear business days) in writing if the proposal constitutes a resolution of the Company in AGM
- At least 21 days' notice (the notice period must include not less than 10 clear business days) in writing if the proposal constitutes a special resolution of the Company in SGM
- At least 14 days' notice (the notice period must include not less than 10 clear business days) in writing for all other SGM of the Company

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

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

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

CORPORATE GOVERNANCE PRACTICES

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

In the opinion of the Board, the Company has complied throughout the Year with the Corporate Governance Code as contained in Appendix 14 of the Listing Rules, save for the following:

- i) Code provision A.2.1 stipulates that the roles of chairman and chief executive should be separated and should not be performed by the same individual. The division of responsibilities between the chairman and the chief executive should be clearly established and set out in writing.

The Chief Executive Officer, Mr. Law Wing Tak, Jack, resigned from the post with effect from 30 June 2015 and the position was left vacant since his resignation. All duties of chief executive are shared between Mr. Zhou Li Yang and Mr. Wong Hiu Tung, the Executive Directors. The Company is in the process of identifying a suitable candidate to assume the role as chief executive officer of the Company.

- ii) Code provision A.2.7 of the Corporate Governance Code stipulates that the Chairman should at least annually hold meetings with the non-executive directors (including independent non-executive directors) without the executive directors present. Nevertheless, from time to time, non-executive director of the Company express his view directly to the Chairman via other means including correspondences and emails. The Company is of the view that there is efficient communication between non-executive directors and the Chairman; and
- iii) Code provision E.1.2 of the CG Code provides that the chairman of the board should attend the annual general meeting. He should invite the chairman of the audit, remuneration, nomination committee and any other committees (as appropriate) to attend. In their absence, he should invite another member of the committee or failing this his duly appointed delegate, to attend. Mr. Wong Kwan, the chairman of the Company and the chairman of the Nomination Committee of the Company, did not attend the 2014 AGM, due to he had his medical treatment oversea. Mr. Lam Kwan, the then chairman of each of the Audit Committee and the Remuneration Committee did not attend the 2014 AGM due to his own official engagement. However, arrangements including the attendance of another member of the Board had been in place to ensure the AGM was in order.

Corporate Governance Report

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted a code of conduct regarding securities transactions by Directors on terms no less exacting than the required standard set out in Appendix 10 to the Listing Rules (the "Model Code"). Having made specific enquiry of all Directors, all Directors confirmed they have complied with the required standard set out in the Model code and the code of conduct regarding securities transactions by directors adopted by the Company throughout the year ended 31 December 2015.

BOARD OF DIRECTORS

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

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

The independent non-executive Directors are not appointed for specific term, but are subject to retirement by rotation in accordance with the Bye-Laws.

DIRECTORS' TRAINING

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

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

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

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

COMMUNICATIONS WITH SHAREHOLDERS AND INVESTORS

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

COMPANY SECRETARY

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

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

BOARD MEETINGS

During the Year, 15 board meetings have been held, the attendance of each director, on named basis and by category at Board meetings, Audit Committee meetings, Remuneration Committee meetings and Nomination Committee meetings is set out below:

	Board Meetings	Meetings attended/held		
		Audit Committee Meetings	Remuneration Committee Meetings	Nomination Committee Meetings
Executive Directors:				
Wong Kwan (<i>Chairman of the Board and Nomination Committee</i>)	8/15	—	—	1/1
Law Wing Tak, Jack (Resigned on 30 June 2015)	2/15	—	—	—
Wong Hiu Tung	14/15	3/3	—	—
Zhou Li Yang	14/15	—	—	—
Non-executive Directors:				
Baiseitov Bakhytbek (Resigned on 6 August 2015)	0/15	—	—	—
Independent Non-executive Directors:				
Lam Kwan (Chairman of Audit Committee and Remuneration Committee; member of Nomination Committee)	11/15	3/3	1/1	—
Chan Kwan Pak (member of Audit Committee, Remuneration Committee and Nomination Committee)	10/15	2/3	0/1	0/1
Yuen Sau Ying, Christine (member of Audit Committee, Remuneration Committee and Nomination Committee)	10/15	2/3	1/1	1/1

Corporate Governance Report

To the best knowledge of the Board, there is no relationship (including financial, business, family or other relationship) among members of the Board as at 31 December 2015. All of them are free to exercise their individual judgments.

REMUNERATION OF DIRECTORS AND SENIOR MANAGEMENT

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

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

The remuneration of the senior management of the Company for the year ended 31 December 2015, by band is set out below:

Remuneration Band	Number of individuals
Nil to HK\$1,000,000	3

Further details of the Directors' remuneration for the year ended 31 December 2015 are disclosed in note 13 to the consolidated financial statements.

NOMINATION OF DIRECTORS

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

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

INTERNAL CONTROL

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

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

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

AUDITOR'S REMUNERATION

For the year ended 31 December 2015, Cheng & Cheng Limited, the existing external auditors provided the following services to the Group:

	<i>HK\$'000</i>
Annual audit services	1,080
Other assurance services	<u>100</u>
	<u>1,180</u>

Corporate Governance Report

AUDIT COMMITTEE

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

The Audit Committee held three (3) meetings during the Year. The Audit Committee is provided with sufficient resources to discharge its duties. The Audit Committee has clear terms of reference and its principal duties include the review of the financial reporting and internal control system of the Group, review of half-yearly and annual reports and accounts review and monitoring of the appointment of the auditors and their independence.

The Audit Committee has reviewed and is satisfied with the audited consolidated financial statements for the year ended 31 December 2015.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

The statement of the external auditors of the Company, Cheng & Cheng Limited, with regard to their reporting responsibilities on the Company's consolidated financial statements is set out in the Independent Auditor's Report on pages 23 and 24.

Independent Auditor's Report



10/F., Allied Kajima Building,
138 Gloucester Road, Wanchai, Hong Kong

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF PEARL ORIENTAL OIL LIMITED

(Incorporated in Bermuda with limited liability)

We have audited the consolidated financial statements of Pearl Oriental Oil Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 25 to 75, 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 and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

AUDITOR'S RESPONSIBILITY

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

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

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

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

Independent Auditor's Report

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Group as at 31 December 2015 and of the Group's 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.

EMPHASIS OF MATTER

Without qualifying our opinion, we draw attention to Note 2.1 which indicates that the Group incurred a loss of approximately HK\$1,486,200,000 during the year ended 31 December 2015 and, as of that date, the Group's current liabilities exceeded its current assets by approximately HK\$6,902,000. This condition indicates the existence of uncertainty which may cast doubt about the Group's ability to continue as a going concern.

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

Cheng & Cheng Limited

Certified Public Accountants

Chan Shek Chi

Practising Certificate Number P05540

31 March 2016

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2015

	<i>Notes</i>	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Revenue			
Sales of oil and natural gas	5	889	2,729
Sales of plastic recycling materials	5	–	94,638
Other income	6	2,881	1,690
		<u>3,770</u>	<u>99,057</u>
Expenses			
Cost of sales of plastic recycling materials		–	93,691
Exploration, repair and maintenance expenses of oil and natural gas		1,624	1,855
Depreciation, depletion and amortisation of oil and natural gas		634	626
Selling and distribution costs		54	208
Other operating expenses		475	1,526
Administrative expenses		26,486	35,525
		<u>29,273</u>	<u>133,431</u>
Loss from operations		(25,503)	(34,374)
Finance costs	7	(1,041)	–
Gain on deconsolidation of a subsidiary		–	423
Gain on disposal of property, plant and equipment		–	37
Written off of property, plant and equipment		(53)	–
Impairment loss on trade deposits paid		(28,396)	–
Impairment loss on loan receivables		–	(17,356)
Impairment loss on other receivables		–	(69,929)
Impairment loss on intangible assets		(1,909,456)	–
Reversal of impairment loss on loan receivables		10,000	–
Realised/unrealised loss on financial assets at fair value through profit or loss		(917)	(4,761)
		<u>(1,955,366)</u>	<u>(125,960)</u>
Loss before tax	8	(1,955,366)	(125,960)
Income tax credit	9	469,166	1,979
		<u>(1,486,200)</u>	<u>(123,981)</u>
Loss for the year		(1,486,200)	(123,981)
Other comprehensive loss			
Items that may be reclassified subsequently to profit or loss:			
Release of exchange difference upon deconsolidation of a subsidiary		–	(357)
		<u>(1,486,200)</u>	<u>(124,338)</u>
Total comprehensive loss for the year		(1,486,200)	(124,338)

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2015

	<i>Notes</i>	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Profit/(loss) attributable to:			
Owners of the Company		(1,487,577)	(123,125)
Non-controlling interests		1,377	(856)
		<u>(1,486,200)</u>	<u>(123,981)</u>
Total comprehensive income/(loss) attributable to:			
Owners of the Company		(1,487,577)	(123,482)
Non-controlling interests		1,377	(856)
		<u>(1,486,200)</u>	<u>(124,338)</u>
		<i>HK cents</i>	<i>HK cents</i>
Loss per share attributable to owners of the Company	11		
Basic		<u>(45.86)</u>	<u>(3.80)</u>
Diluted		<u>(45.86)</u>	<u>(3.80)</u>

Consolidated Statement of Financial Position

As at 31 December 2015

	<i>Notes</i>	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Non-current assets			
Property, plant and equipment	14	88,426	89,201
Intangible assets	15	397,800	2,307,664
Goodwill	16	–	–
		<u>486,226</u>	<u>2,396,865</u>
Current assets			
Financial assets at fair value through profit or loss	17	–	19,997
Prepayments, deposits and other receivables	18	7,339	33,736
Bank balances and cash	19	17,459	2,489
		<u>24,798</u>	<u>56,222</u>
Current liabilities			
Other payables and accruals	20	11,700	16,477
Other unsecured loan	21	20,000	4,000
		<u>31,700</u>	<u>20,477</u>
Net current (liabilities)/assets		<u>(6,902)</u>	<u>35,745</u>
Total assets less current liabilities		<u>479,324</u>	<u>2,432,610</u>
Non-current liabilities			
Deferred tax liabilities	22	82,986	552,152
Asset retirement obligations	23	3,579	3,579
		<u>86,565</u>	<u>555,731</u>
Net assets		<u>392,759</u>	<u>1,876,879</u>

Consolidated Statement of Financial Position

As at 31 December 2015

	<i>Notes</i>	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Equity			
Share capital	24	324,552	324,152
Reserves		90,555	1,576,452
Equity attributable to owners of the Company		415,107	1,900,604
Non-controlling interests		(22,348)	(23,725)
Total equity		392,759	1,876,879

The consolidated financial statements on page 25 to 75 were approved and authorised for issue by the Board of Directors on 31 March 2016 and are signed on its behalf by:

Wong Kwan
Chairman

Wong Hiu Tung
Executive Director

Consolidated Statement of Cash Flows

For the year ended 31 December 2015

	<i>Note</i>	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Cash flows from operating activities			
Loss before tax		(1,955,366)	(125,960)
Adjustments for:			
Finance costs		1,041	—
Gain on deconsolidation of a subsidiary		—	(423)
Written off of property, plant and equipment		53	—
Gain on disposal of property, plant and equipment		—	(37)
Interest income		(3)	(32)
Depreciation, depletion and amortisation		1,134	1,176
Impairment loss on intangible assets		1,909,456	—
Impairment loss on loan receivables		—	17,356
Impairment loss on other receivables		—	69,929
Impairment loss on trade deposit paid		28,396	—
Reversal of impairment loss on loan receivable		(10,000)	—
Waive of other payables and accruals		(2,571)	—
Realised/unrealised loss on financial assets at fair value through profit or loss		917	4,761
Operating loss before working capital changes		(26,943)	(33,230)
Decrease in prepayments, deposits and other receivables		9,681	10,732
Decrease in trade payables		—	(5)
Decrease in other payables and accruals		(2,206)	(3,146)
Cash used in operations and net cash used in operating activities		(19,468)	(25,649)
Cash flows from investing activities			
Interest received		3	32
Purchase of property, plant and equipment		(4)	(22)
Proceeds from disposal of financial assets at fair value through profit or loss		17,400	22,911
Proceeds from disposal of property, plant and equipment		—	37
Net cash generated from investing activities		17,399	22,958
Cash flows from financing activities			
Proceeds from issue of shares		2,080	—
Net proceeds from other unsecured loan		16,000	4,000
Interest paid		(1,041)	—
Net cash generated from financing activities		17,039	4,000
Net increase in cash and cash equivalents		14,970	1,309
Cash and cash equivalents at beginning of year		2,489	1,180
Cash and cash equivalents at end of year, represented by bank balances and cash	19	17,459	2,489

Consolidated Statement of Changes in Equity

For the year ended 31 December 2015

	Attributable to owners of the Company								Non-controlling interests	Total equity
	Share capital	Share premium	Treasury shares reserve	Capital reserve	Exchange reserve	Share option reserve	Accumulated losses	Total		
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i> <i>(note 26)</i>	<i>HK\$'000</i> <i>(note 26)</i>	<i>HK\$'000</i> <i>(note 26)</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
At 1 January 2014	324,152	2,219,923	(10,556)	403,851	357	58,333	(971,974)	2,024,086	(3,938)	2,020,148
Total comprehensive loss for the year	—	—	—	—	(357)	—	(123,125)	(123,482)	(856)	(124,338)
Share options lapsed	—	—	—	—	—	(2,458)	2,458	—	—	—
Distribution of assets to non-controlling interests	—	—	—	—	—	—	—	—	(18,931)	(18,931)
	<u>324,152</u>	<u>2,219,923</u>	<u>(10,556)</u>	<u>403,851</u>	<u>—</u>	<u>55,875</u>	<u>(1,092,641)</u>	<u>1,900,604</u>	<u>(23,725)</u>	<u>1,876,879</u>
At 31 December 2014 and 1 January 2015	324,152	2,219,923	(10,556)	403,851	—	55,875	(1,092,641)	1,900,604	(23,725)	1,876,879
Total comprehensive income/(loss) for the year	—	—	—	—	—	—	(1,487,577)	(1,487,577)	1,377	(1,486,200)
Shares options exercised	400	2,663	—	—	—	(983)	—	2,080	—	2,080
Share options lapsed	—	—	—	—	—	(12,850)	12,850	—	—	—
At 31 December 2015	<u>324,552</u>	<u>2,222,586</u>	<u>(10,556)</u>	<u>403,851</u>	<u>—</u>	<u>42,042</u>	<u>(2,567,368)</u>	<u>415,107</u>	<u>(22,348)</u>	<u>392,759</u>

Notes to the Financial Statements

For the year ended 31 December 2015

1. GENERAL INFORMATION

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

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

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

The consolidated financial statements for the year ended 31 December 2015 were approved for issue by the board of directors on 31 March 2016.

2.1 BASIS OF PREPARATION

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

The Group incurred a loss of approximately HK\$1,486,200,000 for the year ended 31 December 2015 (2014: HK\$123,981,000) and, as of that date, the Group’s current liabilities exceeded its current assets by approximately HK\$6,902,000. The directors are taking steps to improve the Group’s liquidity and financial performance, they have also obtained financial support from a director’s wife.

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

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

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

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

Notes to the Financial Statements

For the year ended 31 December 2015

2.1 BASIS OF PREPARATION (Continued)

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

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

2.2 ADOPTION OF NEW OR AMENDED HKFRSs

In the current year, the Group has applied a number of new and revised HKFRSs issued by the HKICPA that are mandatorily effective for an accounting period that begins on or after 1 January 2015:

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

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

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

Amendments to HKFRSs	Annual Improvements to HKFRSs 2012-2014 Cycle ¹
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
Amendments to HKAS 27	Equity Method in Separate Financial Statements ¹
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ³
Amendments to HKFRS 10, HKFRS 12 and HKAS 28	Investment Entities: Applying the Consolidation Exemption ¹
Amendments to HKFRS 11	Accounting for Acquisitions of Interests in Joint Operations ¹
HKFRS 9	Financial Instruments ²
HKFRS 14	Regulatory Deferred Accounts ¹
HKFRS 15	Revenue from Contracts with Customers ²

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 Available for application – the mandatory effective date will be determined when the outstanding phases of amendments to HKFRS 10 and HKAS 28 are finalised

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

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of consolidation

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

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

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

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

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

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

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

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

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

Notes to the Financial Statements

For the year ended 31 December 2015

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Business combination

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

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

Foreign currency translation

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

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

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

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

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

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property, plant and equipment

Oil and gas properties

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

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

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

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

Other property, plant and equipment

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

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

Notes to the Financial Statements

For the year ended 31 December 2015

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property, plant and equipment (Continued)

Other property, plant and equipment (Continued)

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

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

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

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

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

Goodwill

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

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

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

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

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (*Continued*)

Intangible assets (other than goodwill)

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

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

Financial assets

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

- loans and receivables
- financial assets at fair value through profit or loss (“FVTPL”)

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

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

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

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

(i) Loans and receivables

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

Notes to the Financial Statements

For the year ended 31 December 2015

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial assets (Continued)

(ii) Financial assets at FVTPL

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

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

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

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial asset forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and HKAS 39 permits the entire combined contract (asset or liability) to be designated as at FVTPL.

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

Impairment of financial assets

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

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

- Significant financial difficulty of the debtor;
- A breach of contract, such as a default or delinquency in interest or principal payments;
- It becoming probable that the debtor will enter bankruptcy or other financial reorganisation;
- Significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor; and
- A significant or prolonged decline in the fair value of an investment in an equity instrument below its cost.

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial assets (Continued)

Impairment of financial assets (Continued)

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

Financial assets carried at amortised cost

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

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

Cash and cash equivalents

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

Notes to the Financial Statements

For the year ended 31 December 2015

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial liabilities

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

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

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

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

Trade and other payables

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

Leases

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

(i) Classification of assets leased to the Group

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

(ii) Operating lease charges as the lessee

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

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Provisions and contingent liabilities

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

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

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

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

Share capital

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

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

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

Notes to the Financial Statements

For the year ended 31 December 2015

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue recognition

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

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

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

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

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

Other income is recognised whenever it is received or receivable.

Impairment of non-financial assets

The following assets are subject to impairment testing:

- Goodwill arising on acquisition of subsidiaries;
- Intangible assets;
- Property, plant and equipment; and
- The Company's interests in subsidiaries

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

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

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Impairment of non-financial assets (Continued)

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

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

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

Employee benefits

Retirement benefits

Retirement benefits to employees are provided through defined contribution plans.

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

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

Share-based employee compensation

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

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

Notes to the Financial Statements

For the year ended 31 December 2015

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Employee benefits (Continued)

Share-based employee compensation (Continued)

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

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

Accounting for income taxes

Income tax comprises current tax and deferred tax.

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

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

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

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

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

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

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Accounting for income taxes (Continued)

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

- (a) the Group has the legally enforceable right to set off the recognised amounts; and
- (b) intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

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

- (a) the entity has a legally enforceable right to set off current tax assets against current tax liabilities; and
- (b) the deferred tax assets and the deferred tax liabilities relate to income taxes levied by the same taxation authority on either:
 - (i) the same taxable entity; or
 - (ii) different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

Segment reporting

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

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

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

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

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

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

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

Notes to the Financial Statements

For the year ended 31 December 2015

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Related parties

- (i) A person, or a close member of that person's family, is related to the Group if that person:
 - (a) has control or joint control over the Group;
 - (b) has significant influence over the Group; or
 - (c) is a member of the key management personnel of the Group or the Group's parent.
- (ii) An entity is related to the Group if any of the following conditions applies:
 - (a) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
 - (b) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
 - (c) Both entities are joint ventures of the same third party.
 - (d) One entity is a joint venture of a third party and the other entity is an associate of the third party.
 - (e) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group.
 - (f) The entity is controlled or jointly controlled by a person identified in (i).
 - (g) A person identified in (i)(a) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).
 - (h) The entity, or any member of a group of which it is a part, provide key management personnel services to the Group or to the Group's parent.

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

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

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

Estimation of oil and natural gas reserves

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

Estimation of impairment of oil and gas assets and intangible assets

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

Estimation of asset retirement obligations

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

Notes to the Financial Statements

For the year ended 31 December 2015

4. SEGMENT INFORMATION

The Group has identified the following reportable segments:

- (a) Plastic recycling materials – procuring, processing and sales of recycling materials; and
- (b) Oil and gas sales – exploring, exploiting, and sales of oil and natural gas.

2015

	Plastic recycling materials <i>HK\$'000</i>	Oil and gas sales <i>HK\$'000</i>	Total <i>HK\$'000</i>
Segment revenue	–	889	889
Segment loss	(25,954)	(1,911,965)	(1,937,919)
Realised loss on financial assets at fair value through profit or loss			(917)
Reversal of impairment loss on loan receivables			10,000
Unallocated income			154
Unallocated expenses			(25,643)
Finance costs			(1,041)
Loss before tax			(1,955,366)
Income tax credit			469,166
Loss for the year			(1,486,200)
Segment assets	785	490,021	490,806
Unallocated assets			20,218
Total assets			511,024
Segment liabilities	6,011	5,520	11,531
Deferred tax liabilities			82,986
Unallocated liabilities			23,748
Total liabilities			118,265
Depreciation, depletion and amortisation	45	634	
Written off of property, plant and equipment	53	–	
Impairment loss on trade deposits paid	28,396	–	
Impairment loss on intangible assets	–	1,909,456	

Notes to the Financial Statements

For the year ended 31 December 2015

4. SEGMENT INFORMATION (Continued)

2014

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

Notes to the Financial Statements

For the year ended 31 December 2015

4. SEGMENT INFORMATION (Continued)

The Group's revenue from external customers and its non-current assets are divided into the following geographical areas:

	Revenue from external customers		Specified non-current assets	
	2015 HK\$'000	2014 HK\$'000	2015 HK\$'000	2014 HK\$'000
Hong Kong (place of domicile)	–	94,638	101	649
United States of America (“USA”)	889	2,729	486,125	2,396,216
	889	97,367	486,226	2,396,865

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

The Group's customer base includes three (2014: three) customers with whom transactions have exceeded 10% of the Group's total revenue. Revenue from sales to these customers amounted to HK\$889,000 which related to oil and gas sales segment (2014: HK\$34,431,000 which related to plastic recycling materials segment).

5. REVENUE

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

	2015 HK\$'000	2014 HK\$'000
Sales of oil and natural gas	889	2,729
Sales of plastic recycling materials	–	94,638
Total revenue	889	97,367

Notes to the Financial Statements

For the year ended 31 December 2015

6. OTHER INCOME

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Bank interest income	3	32
Others	2,878	1,658
Total other income	2,881	1,690

7. FINANCE COSTS

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Interest expenses on other unsecured loans	1,041	-

8. LOSS BEFORE TAX

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

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Cost of sales of plastic recycling materials	-	93,691
Depreciation, depletion and amortisation	1,134	1,176
Operating lease charges in respect of land and buildings	3,942	4,643
Auditors' remuneration:		
– Annual audit	1,080	1,080
– Other assurance services	100	100
Impairment loss on intangible assets	1,909,456	-
Impairment loss on trade deposits paid	28,396	-
Impairment loss on loan receivables	-	17,356
Impairment loss on other receivables	-	69,929
Reversal of impairment loss on loan receivables	(10,000)	-
Realised/unrealised loss on financial assets at fair value through profit or loss	917	4,761
Employee benefit expense, including director emoluments:		
– Salaries and allowances	12,478	16,914
– Retirement scheme contributions	224	350

Notes to the Financial Statements

For the year ended 31 December 2015

9. INCOME TAX CREDIT

No provision for Hong Kong Profits Tax has been made as the Group has no assessable profits for the year (2014: Nil). Taxation on overseas profits has been calculated on the estimated assessable profit for the year at the rates of taxation prevailing in the countries in which the Group operates.

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Deferred tax – current year	<u>(469,166)</u>	<u>(1,979)</u>

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

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Loss before tax	<u>(1,955,366)</u>	<u>(125,960)</u>
Notional tax on profit before tax, calculated at the rates applicable to profits in the tax jurisdiction concerned	(476,047)	(21,614)
Tax effect of non-taxable revenue	(403)	(407)
Tax effect of non-deductible expenses	7,284	19,519
Tax effect of tax losses not recognised	<u>—</u>	<u>523</u>
Income tax credit	<u>(469,166)</u>	<u>(1,979)</u>

10. DIVIDENDS

The Directors did not recommend the payment of a final dividend for the year ended 31 December 2015 (2014: Nil).

Notes to the Financial Statements

For the year ended 31 December 2015

11. LOSS PER SHARE

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

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Loss		
Loss for the year attributable to owners of the Company	<u>(1,487,577)</u>	<u>(123,125)</u>
	2015	2014
Number of shares		
Weighted average number of ordinary shares in issue used in basic loss per share calculation (in thousands)	<u>3,243,755</u>	<u>3,241,520</u>
Basic loss per share (HK cents)	<u>(45.86)</u>	<u>(3.80)</u>

During the year ended 31 December 2015, diluted loss per share equals to basic loss per share as the potential ordinary shares were not included in the calculation of diluted loss per share because they are anti-dilutive.

12. EMPLOYEE BENEFIT EXPENSE (INCLUDING DIRECTORS' EMOLUMENTS)

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Salaries, and allowances	12,478	16,914
Retirement scheme contributions	<u>224</u>	<u>350</u>
	<u>12,702</u>	<u>17,264</u>

Notes to the Financial Statements

For the year ended 31 December 2015

13. DIRECTORS' REMUNERATION AND SENIOR MANAGEMENT'S EMOLUMENTS

(a) Directors' emoluments

2015

	Directors' fees <i>HK\$'000</i>	Salaries, allowances and benefits in kind <i>HK\$'000</i>	Pension scheme contributions <i>HK\$'000</i>	Total <i>HK\$'000</i>
Executive directors:				
Wong Kwan	2,592	—	—	2,592
Law Wing Tak, Jack (Resigned on 30 June 2015)	—	900	9	909
Wong Hui Tung	—	1,200	18	1,218
Zhou Li Yang	—	1,560	18	1,578
Non-executive directors:				
Baiseitov Bakhytbek (Resigned on 6 August 2015)	—	—	—	—
Independent non-executive directors				
Lam Kwan	300	—	—	300
Chan Kwan Pak	300	—	—	300
Yuen Sau Ying, Christine	300	—	—	300
	3,492	3,660	45	7,197

Notes to the Financial Statements

For the year ended 31 December 2015

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

(a) Directors' emoluments (Continued)

2014

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

Note:

No emoluments were paid by the Group to any directors as inducement to join or upon joining the Group or as compensation for loss of office during the years ended 31 December 2015 and 2014.

(b) Five highest paid individuals

Out of the five individuals with the highest emoluments in the Group, four (2014: four) were directors of the Company whose emoluments, details are set out in note (a) above.

The emoluments of the remaining one (2014: one) individual for the year ended 31 December 2015 were as follows:

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Salaries, and other benefits	816	816
Retirement benefits scheme contributions	18	17
	<u>834</u>	<u>833</u>

Notes to the Financial Statements

For the year ended 31 December 2015

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

(b) Five highest paid individuals (Continued)

	Number of Individuals	
	2015	2014
Emoluments bands HK\$Nil – HK\$1,000,000	1	1

14. PROPERTY, PLANT AND EQUIPMENT

	Oil and gas properties HK\$'000	Leasehold improvement HK\$'000	Furniture, fixtures and equipment HK\$'000	Motor vehicles HK\$'000	Total HK\$'000
Cost					
At 1 January 2014	89,519	913	12,449	2,086	104,967
Additions	—	—	22	—	22
Disposal/written off	—	—	—	(262)	(262)
At 31 December 2014 and 1 January 2015	89,519	913	12,471	1,824	104,727
Additions	—	—	4	—	4
Written off	—	(828)	(312)	—	(1,140)
At 31 December 2015	89,519	85	12,163	1,824	103,591
Accumulated depreciation					
At 1 January 2014	752	911	12,069	1,280	15,012
Charge for the year	226	2	134	414	776
Eliminated on disposal and written off	—	—	—	(262)	(262)
At 31 December 2014 and 1 January 2015	978	913	12,203	1,432	15,526
Charge for the year	226	—	108	392	726
Eliminated on written off	—	(828)	(259)	—	(1,087)
At 31 December 2015	1,204	85	12,052	1,824	15,165
Net book value					
At 31 December 2015	88,315	—	111	—	88,426
At 31 December 2014	88,541	—	268	392	89,201

15. INTANGIBLE ASSETS

	Oil and gas processing rights <i>HK\$'000</i>
Cost	
At 1 January 2014, at 31 December 2014, at 1 January 2015 and at 31 December 2015	<u>2,818,920</u>
Accumulated amortisation and impairment	
At 1 January 2014	510,856
Amortisation for the year	<u>400</u>
At 31 December 2014 and at 1 January 2015	511,256
Amortisation for the year	408
Impairment for the year	<u>1,909,456</u>
At 31 December 2015	<u>2,421,120</u>
Net carrying amounts	
At 31 December 2015	<u>397,800</u>
At 31 December 2014	<u>2,307,664</u>

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

The carrying amount of intangible assets, net of any impairment loss, is allocated to the cash generating unit of oil and gas sales business.

The recoverable amount for the oil and gas processing rights was determined based on value-in-use calculation with reference to a valuation performed by an independent valuer, BMI Appraisals Limited. The value-in-use calculations use cash flow projections of 34 years, which is the expected period of time estimated by the management to fully utilize the reserve as per the latest competent person report, and a discount rate of 10%. The management determined the key assumptions based on past performance and expectation on market development by reference to market information such as forecast to future oil and gas prices, historical growth rate of oil and gas prices and expectation on oil and gas consumption.

After assessing the information, in view of significant decrease in forecast future prices of oil and natural gas as compared with forecast in previous years, the management of the Company is of the opinion that the recoverable amount is less than its carrying amount as at 31 December 2015, accordingly an impairment loss of approximately HK\$1,909,456,000 (2014: Nil) was recognised.

Notes to the Financial Statements

For the year ended 31 December 2015

16. GOODWILL

	<i>HK\$'000</i>
Cost	
At 1 January 2014, at 31 December 2014, at 1 January 2015 and at 31 December 2015	62,039
Accumulated impairment	
At 1 January 2014, at 31 December 2014, at 1 January 2015 and at 31 December 2015	<u>62,039</u>
Net carrying amounts	
At 31 December 2015	<u>—</u>
At 31 December 2014	<u>—</u>

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

Notes to the Financial Statements

For the year ended 31 December 2015

17. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
At fair value:		
Listed securities held for trading		
– Listed in Hong Kong	—	19,997

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

18. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Prepayments	3,737	3,082
Rental and other deposits paid	1,163	1,469
Deposit paid for acquiring Russia oil fields (<i>note (a)</i>)	69,929	69,929
Trade deposits paid (<i>note (b)</i>)	28,396	28,396
Other receivables	2,439	789
Loan receivables (<i>note (c)</i>)	—	17,356
	105,664	121,021
Less: impairment loss on other receivables (<i>note (a)</i>)	(69,929)	(69,929)
Less: impairment loss on trade deposits paid (<i>note (b)</i>)	(28,396)	—
Less: impairment loss on loan receivables (<i>note (c)</i>)	—	(17,356)
	7,339	33,736

Notes:

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

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

To date, the Company has received US\$500,000 out of the initial consideration paid under the S & P Agreement. In 2014, the Company considered the remaining balance should be fully impaired.

Notes to the Financial Statements

For the year ended 31 December 2015

18. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES (Continued)

- (b) During the year, plastic recycling business has experienced a significant downturn and no sales transactions were made to avoid potential losses. In view of the overall environment for this business segment, the Group decided to provide full impairment on the related trade deposits.
- (c) According to the settlement agreement signed in March 2013, the pledged listed securities of these debtors were taken over to set-off their loan receivables. As the loan has expired, the Company provided full impairment on the balance for the year ended 31 December 2014. During the year, settlement was agreed between both parties and HK\$10,000,000 was retrieved as a full and final settlement of the loan. Reversal of impairment was credited to consolidated statement of profit or loss and other comprehensive income accordingly.

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

19. BANK BALANCES AND CASH

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Bank balances and cash	17,459	2,489
Cash and cash equivalents	17,459	2,489

Cash and cash equivalents in the consolidated statement of cash flows as at 31 December 2015 and 2014 were HK\$17,459,000 and HK\$2,489,000 respectively.

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

20. OTHER PAYABLES AND ACCRUALS

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Other payables	2,843	2,918
Accruals	2,845	7,535
Amount due to a former shareholder of subsidiaries (<i>note</i>)	6,012	6,012
Trade deposit received	—	12
	11,700	16,477

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

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

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21. OTHER UNSECURED LOAN

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Other unsecured loan	20,000	4,000

The other unsecured loan was carried interest at 1% per month calculated on daily basis and repayable on 15 June 2016 (2014: carried interest at Hong Kong Prime Lending Rate quoted by Hong Kong and Shanghai Bank Corporation time to time (rate as at 31 December 2014 is 5.25% per annum) and repayable on 28 June 2015).

22. DEFERRED TAX

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

	Fair value adjustment on intangible assets <i>HK\$'000</i>	Tax losses <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1 January 2014	565,476	(11,345)	554,131
Recognised in profit or loss	(279)	(1,700)	(1,979)
At 31 December 2014	565,197	(13,045)	552,152
Recognised in profit or loss	(467,736)	(1,430)	(469,166)
At 31 December 2015	97,461	(14,475)	82,986

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

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Deferred tax assets	(14,475)	(13,045)
Deferred tax liabilities	97,461	565,197
Net deferred tax liabilities	82,986	552,152

At the end of the reporting period, the Group has unused tax losses of approximately HK\$5,013,000 (2014: HK\$5,013,000) available for offset against future profits. However, no deferred tax asset in respect of them had been recognised due to the unpredictability of future profit streams even through those tax losses may be carried forward indefinitely.

Notes to the Financial Statements

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23. ASSET RETIREMENT OBLIGATIONS

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
At 1 January 2014, at 31 December 2014, at 1 January 2015 and at 31 December 2015	3,579	3,579

24. SHARE CAPITAL

	2015		2014	
	Number of shares '000	<i>HK\$'000</i>	Number of shares '000	<i>HK\$'000</i>
Authorised:				
Ordinary shares of HK\$0.1 each	200,000,000	20,000,000	200,000,000	20,000,000
Issued and fully paid:				
At 1 January	3,241,520	324,152	3,241,520	324,152
Share options exercised (<i>note</i>)	4,000	400	–	–
At 31 December	3,245,520	324,552	3,241,520	324,152

Note:

During the year ended 31 December 2015, 4,000,000 share options (which have been issued pursuant to the Company's share option scheme) have been exercised at an exercise price of HK\$0.52 per share, resulting in the issue of a total of 4,000,000 new ordinary shares in the Company with an aggregate gross proceeds of HK\$3,063,000 (including an amount transferred from share option reserve of approximately HK\$983,000). The net proceeds from the exercise of the share options were HK\$2,080,000.

25. SHARE OPTION SCHEME

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

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

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

Share options and weighted average exercise price are as follows:

	2015		2014	
	Number '000	Weighted average exercise price HK\$	Number '000	Weighted average exercise price HK\$
Outstanding at 1 January	189,970	0.7533	199,970	0.7417
Exercised	(4,000)	0.52	—	—
Lapsed	(35,760)	0.967	(10,000)	0.5200
Outstanding at 31 December	150,210	0.7087	189,970	0.7533
Exercisable at 31 December	150,210	0.7087	189,970	0.7533

The weighted average share price at the date of exercise during the year was approximately HK\$0.55.

Notes to the Financial Statements

For the year ended 31 December 2015

25. SHARE OPTION SCHEME (Continued)

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

Grantee	Date of grant	Period during which options are exercisable	Outstanding as at 1 January 2015	Granted during the year	Exercised during the year	Lapsed during the year	Outstanding as at 31 December 2015	Exercise price per share option HK\$
Directors								
Wong Kwan	5 August 2009	5 August 2009–14 July 2019	3,600,000	—	—	—	3,600,000	0.4666
	9 June 2010	9 June 2010–14 July 2019	6,000,000	—	—	—	6,000,000	0.9416
	10 April 2013	1 September 2013–14 July 2019	9,500,000	—	—	—	9,500,000	0.52
Zhou Li Yang	9 June 2010	9 June 2010–14 July 2019	6,000,000	—	—	—	6,000,000	0.9416
	10 April 2013	1 September 2013–14 July 2019	10,000,000	—	—	—	10,000,000	0.52
Baiseitov Bakhytbek	5 October 2010	5 October 2010–14 July 2019	18,000,000	—	—	(18,000,000)	—	1.3366
Law Wing Tak Jack	10 April 2013	1 September 2013–14 July 2019	10,000,000	—	—	(10,000,000)	—	0.52
Wong Hiu Tung	10 April 2013	1 September 2013–14 July 2019	10,000,000	—	—	—	10,000,000	0.52
Lam Kwan	10 April 2013	1 September 2013–14 July 2019	7,000,000	—	(2,000,000)	—	5,000,000	0.52
Chan Kwan Pak	10 April 2013	1 September 2013–14 July 2019	5,000,000	—	(2,000,000)	—	3,000,000	0.52
Yuen Sau Ying Christine	10 April 2013	1 September 2013–14 July 2019	5,000,000	—	—	—	5,000,000	0.52
			<u>90,100,000</u>	<u>—</u>	<u>(4,000,000)</u>	<u>(28,000,000)</u>	<u>58,100,000</u>	
Consultants								
	9 June 2010	9 June 2010–14 July 2019	22,200,000	—	—	—	22,200,000	0.9416
	10 April 2013	1 September 2013–14 July 2019	6,000,000	—	—	—	6,000,000	0.52
Employees								
	9 June 2010	9 June 2010–14 July 2019	27,870,000	—	—	(3,060,000)	24,810,000	0.9416
	27 June 2011	27 June 2011–14 July 2019	6,000,000	—	—	—	6,000,000	0.9416
	1 September 2011	1 September 2011–14 July 2019	2,200,000	—	—	—	2,200,000	1.03
	10 April 2013	1 September 2013–14 July 2019	35,600,000	—	—	(4,700,000)	30,900,000	0.52
			<u>99,870,000</u>	<u>—</u>	<u>—</u>	<u>(7,760,000)</u>	<u>92,110,000</u>	
			<u>189,970,000</u>	<u>—</u>	<u>(4,000,000)</u>	<u>(35,760,000)</u>	<u>150,210,000</u>	

The share options outstanding at 31 December 2015 had a weighted average remaining contractual life of 3.56 years (2014: 4.56 years).

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

26. RESERVES

Group

Capital reserve

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

Exchange reserve

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

Treasury shares reserve

The reserve for the Company's own shares comprises the cost of the Company's shares held by the Group. At 31 December 2015 the Group held 4,060,000 ordinary shares of the Company (31 December 2014: 4,060,000 ordinary shares).

Company

	Share premium <i>HK\$'000</i>	Contributed surplus <i>HK\$'000</i>	Share option reserve <i>HK\$'000</i>	Accumulated losses <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1 January 2014	2,220,823	45,348	58,333	(343,401)	1,981,103
Total comprehensive loss for the year	—	—	—	(102,349)	(102,349)
Share options lapsed	—	—	(2,458)	2,458	—
At 31 December 2014 and 1 January 2015	2,220,823	45,348	55,875	(443,292)	1,878,754
Total comprehensive loss for the year	—	—	—	(1,808,563)	(1,808,563)
Share option exercised	2,663	—	(983)	—	1,680
Share options lapsed	—	—	(12,850)	12,850	—
At 31 December 2015	<u>2,223,486</u>	<u>45,348</u>	<u>42,042</u>	<u>(2,239,005)</u>	<u>71,871</u>

Notes to the Financial Statements

For the year ended 31 December 2015

26. RESERVES (Continued)

Notes:

Contributed surplus

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

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

- (a) it is, or would after the payment be, unable to pay its liabilities as they become due; or
- (b) the realisable value of its assets would thereby be less than the aggregate of its liabilities and its issued share capital and share premium.

Share premium

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

In the opinion of the directors, the Company's reserves available for distribution to shareholders as at 31 December 2015 are approximately HK\$29,829,000 (2014: HK\$1,822,879,000).

27. DECONSOLIDATION OF A SUBSIDIARY

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

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

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

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

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

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For the year ended 31 December 2015

28. OPERATING LEASE COMMITMENT

The Group leases certain office properties under operating leases. The leases are negotiated for terms of one to three years. At 31 December 2015, the total future minimum lease payments payable by the Group under non-cancellable operating leases in respect of land and buildings are as follows:

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Within one year	3,247	119
In the second to fifth years	112	—
	<u>3,359</u>	<u>119</u>

29. RELATED PARTY TRANSACTIONS

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

(a) Key management personnel remuneration

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Key management personnel:		
— Short term employee benefits	<u>7,197</u>	<u>8,103</u>

(b) Financing arrangement

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Loan from a related party (<i>note</i>)	<u>—</u>	<u>4,000</u>

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

(c) Related party transactions

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Interest expenses paid to related parties	<u>95</u>	<u>—</u>

Notes to the Financial Statements

For the year ended 31 December 2015

30. FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENTS

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

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

30.1 Categories of financial assets and liabilities

(i) Financial assets

	2015 HK\$'000	2014 HK\$'000
Financial assets at FVTPL	—	19,997
Loans and receivables:		
— Deposits and other receivables	3,602	30,654
— Bank balances and cash	17,459	2,489
	<u>21,061</u>	<u>53,140</u>

(ii) Financial liabilities

	2015 HK\$'000	2014 HK\$'000
At amortised cost:		
— Other payables and accruals	11,700	16,477
— Other unsecured loan	20,000	4,000
	<u>31,700</u>	<u>20,477</u>

30.2 Foreign currency risk

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

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

30. FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENTS (Continued)

30.3 Interest rate risk

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

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

30.4 Price risk

The Group is exposed to price risk of oil and gas products. Prices of oil and gas products are affected by a wide range of global and economic factors which are beyond the control of the Group. The fluctuations in such prices may have favourable and unfavourable impacts on the Group. The Group did not enter into any material hedging arrangements of its price risk during the year ended 31 December 2015 and 2014.

30.5 Credit risk

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

The maximum exposure to credit risk on recognised financial assets is limited to the carrying amount of loans and receivables at the reporting date as summarised in note 30.1(i).

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

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

Significant concentration of credit risk primarily arises when the Group has significant exposure to individual customers. At the reporting date, there was no trade receivable (2014: Nil).

Notes to the Financial Statements

For the year ended 31 December 2015

30. FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENTS (Continued)

30.6 Liquidity risk

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

As at 31 December 2015 and 2014, the Group's remaining contractual maturities for their financial liabilities will be either on demand or within one year. The carrying amounts of its financial liabilities approximate their contractual undiscounted cash flow.

The directors are taking steps to improve the Group's liquidity and financial performance, they have also obtained financial support from a director's wife. In the opinion of the Directors, the Group should have adequate resources to meet its obligation in the forthcoming year on the basis set out in note 2.3 to the consolidated financial statements.

30.7 Fair value measurements

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

- Level 1 valuations: Fair value measured using only Level 1 inputs i.e. unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date.
- Level 2 valuations: Fair value measured using Level 2 inputs i.e. observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available.
- Level 3 valuations: Fair value measured using significant unobservable inputs.

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

During the years ended 31 December 2015 and 2014, there were no transfers between Level 1 and Level 2, or transfers into or out of Level 3. The Group's policy is to recognise transfers between levels of fair value hierarchy as at the end of the reporting period in which they occur.

Notes to the Financial Statements

For the year ended 31 December 2015

31. CAPITAL MANAGEMENT

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

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

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Other unsecured loan	20,000	4,000
Less: Cash and cash equivalents	(17,459)	(2,489)
Net debt	2,541	1,511
Total equity	392,759	1,876,879
Net debt to equity ratio	0.6%	0.1%

Notes to the Financial Statements

For the year ended 31 December 2015

32. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Non-current assets		
Interests in subsidiaries	455,488	2,245,826
Current assets		
Financial assets at fair value through profit or loss	—	19,997
Prepayment, deposits and other receivables	2,279	—
Bank balances and cash	16,372	35
	18,651	20,032
Current liabilities		
Other payables and accruals	2,048	3,284
Other unsecured loan	20,000	4,000
	22,048	7,284
Net current (liabilities)/assets	(3,397)	12,748
Total assets less current liabilities	452,091	2,258,574
Non-current liabilities		
Amounts due to subsidiaries	55,668	55,668
Net assets	396,423	2,202,906
Equity		
Share capital	324,552	324,152
Reserves	71,871	1,878,754
Total equity	396,423	2,202,906

33. PRINCIPAL SUBSIDIARIES

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

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

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

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For the year ended 31 December 2015

33. PRINCIPAL SUBSIDIARIES (Continued)

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

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

Name of subsidiary	Place of incorporation and principal place of business	Proportion of ownership interests and voting rights held by non-controlling interests		Profit/(loss) allocated to non-controlling interests		Accumulated non-controlling interest	
		2015	2014	2015	2014	2015	2014
				HK\$'000	HK\$'000	HK\$'000	HK\$'000
China Environmental Resources Limited	Hong Kong	40%	40%	977	(1,269)	(26,522)	(27,499)
Individually immaterial subsidiaries with non-controlling interests						4,174	3,774
						(22,348)	(23,725)

Notes to the Financial Statements

For the year ended 31 December 2015

33. PRINCIPAL SUBSIDIARIES (Continued)

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

China Environmental Resources Limited	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Non-current assets	—	98
Current assets	71,096	29,513
Current liabilities	(6,058)	(8,936)
Revenue	—	94,638
Cost of income	—	(93,691)
Other income	2,571	—
Expenses	(129)	(4,118)
Profit/(loss) for the year	2,442	(3,171)
Profit/(loss) attributable to owners of the Company	1,465	(1,902)
Profit/(loss) attributable to non-controlling interests	977	(1,269)
	2,442	(3,171)
Total comprehensive income/(loss) for the year	2,442	(3,171)
Total comprehensive income/(loss) attributable to owners of the Company	1,465	(1,902)
Total comprehensive income/(loss) attributable to non-controlling interests	977	(1,269)
	2,442	(3,171)
Dividends paid to non-controlling interests	—	18,931
Net cash inflow/(outflow) from operating activities	14	(212)
Net cash inflow from investing activities	—	—
Net cash inflow from financing activities	—	—
Net cash inflow/(outflow)	14	(212)

Five Year Financial Summary

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

RESULTS

	Year ended 31 December 2015 <i>HK\$'000</i>	Year ended 31 December 2014 <i>HK\$'000</i>	Year ended 31 December 2013 <i>HK\$'000</i>	Year ended 31 December 2012 <i>HK\$'000</i>	Year ended 31 December 2011 <i>HK\$'000</i>
Turnover	889	97,367	408,413	444,176	495,401
Loss before tax	(1,955,366)	(125,960)	(166,597)	(401,447)	(91,272)
Income tax credit	469,166	1,979	3,983	97,576	25,109
Loss for the year	(1,486,200)	(123,981)	(162,614)	(303,871)	(66,163)
Profit/(loss) for the year attributable to:					
Owners of the Company	(1,487,577)	(123,125)	(161,427)	(303,321)	(59,204)
Non-controlling interests	1,377	(856)	(1,187)	(550)	(6,959)
	(1,486,200)	(123,981)	(162,614)	(303,871)	(66,163)
Total assets	511,024	2,453,087	2,597,555	2,824,390	3,218,109
Total liabilities	(118,265)	(576,208)	(577,407)	(582,922)	(679,054)
Net assets	392,759	1,876,879	2,020,148	2,241,468	2,539,055