THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of this circular, you should consult your licensed securities dealer or registered institution in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in New Times Energy Corporation Limited, you should at once hand this circular and the accompanying forms of proxy to the purchaser or the transferee or to the bank, licensed securities dealer, registered institution in securities or other agent through whom the sale or transfer was effected for transmission to the purchaser or the transferee.

This circular appears for information purposes only and does not constitute an invitation or offer to acquire, purchase or subscribe for any securities of New Times Energy Corporation Limited.

NEW TIMES ENERGY CORPORATION LIMITED

新時代能源有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 00166)

(1) CONNECTED TRANSACTION RELATING TO THE SUBSCRIPTION OF NEW SHARES BY A SUBSTANTIAL SHAREHOLDER; (2) ISSUE OF THE SUBSCRIPTION SHARES UNDER SPECIFIC MANDATE; (3) APPLICATION FOR WHITEWASH WAIVER; AND (4) NOTICE OF SPECIAL GENERAL MEETING

Independent Financial Adviser to
the Independent Board Committee and the Independent Shareholders

Donvex
富域資本

Donvex Capital Limited
富域資本有限公司

Terms used in this cover shall have the same meanings as defined in this circular.

A letter from the Board is set out on pages 5 to 17 of this circular. A letter from the Independent Board Committee containing its recommendation to the Independent Shareholders is set out on pages 18 to 19 of this circular. A letter from the Independent Financial Adviser, containing its advice to the Independent Board Committee and the Independent Shareholders is set out on pages 20 to 34 of this circular.

A notice convening the SGM to be held at 23/F, Euro Trade Centre, 21–23 Des Voeux Road Central, Central, Hong Kong, on Thursday, 14 July 2016 at 11:00 a.m. is set out on pages SGM-I to SGM-II of this circular. Whether or not you are able to attend the SGM, you are requested to complete and sign the enclosed form of proxy in accordance with the instructions printed thereon, and to lodge them with the branch share registrars of the Company, Tricor Tengis Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong as soon as possible but in any event not later than 48 hours before the time appointed for the holding of the SGM or any adjourned meeting (as the case may be). Completion and return of the form of proxy will not preclude you from attending and voting in person at the SGM or any adjourned meeting should you so wish.

* *For identification purposes only*

28 June 2016

CONTENTS

In this circular, unless the context otherwise requires, the following expressions shall have the following meanings:

"Approvals"	has the meaning ascribed to it under the section headed "3. Reasons for the Subscription and use of proceeds and the intention of the Subscriber" in the letter from the Board contained in this circular
"associate(s)"	has the meaning ascribed to it under the Listing Rules
"Board"	the board of Directors
"Business Day"	any day (other than a Saturday, Sunday, or other public holidays in Hong Kong, or a day on which a tropical cyclone warning signal numbered 8 or above or a "black" rainstorm warning signal is hoisted in Hong Kong at any time between 9:00 a.m. and 4:00 p.m.) on which licensed banks in Hong Kong are open for business and the Stock Exchange is open for the business of dealing in securities
"Company"	New Times Energy Corporation Limited, a company incorporated in Bermuda with limited liability, the issued Shares of which are listed on the Main Board of the Stock Exchange
"Completion"	the completion of the Subscription pursuant to the terms and conditions of the Subscription Agreement
"Conditions"	the conditions precedent to the Completion, as more particularly set out under the paragraph headed "2. The Subscription Agreement — Conditions of the Subscription" in the letter from the Board contained in this circular
"connected person"	has the meaning ascribed thereto under the Listing Rules
"Director(s)"	the director(s) of the Company
"Executive"	the Executive Director of the Corporate Finance Division of the Securities and Futures Commission of Hong Kong or any of its delegates
"Group"	the Company and its subsidiaries
"HK$"	Hong Kong dollar(s), the lawful currency of Hong Kong
"Hong Kong"	the Hong Kong Special Administrative Region of the People's Republic of China

"Independent Board Committee"	an independent board committee of the Company, comprising all independent non-executive Directors, namely Mr. Wong Man Kong, Peter, Mr. Chan Chi Yuen, Mr. Yung Chun Fai, Dickie and Mr. Chiu Wai On, established by the Board for the purpose of advising the Independent Shareholders on the Subscription, the Specific Mandate and the Whitewash Waiver
"Independent Financial Adviser" or "Donvex"	Donvex Capital Limited, a corporation licensed to carry out type 6 (advising on corporate finance) regulated activities under the SFO, being the independent financial adviser appointed to advise the Independent Board Committee and the Independent Shareholders on the Subscription, the Specific Mandate and the Whitewash Waiver
"Independent Shareholders"	Shareholders other than (i) the Subscriber and its associates, (ii) the parties acting in concert with the Subscriber; and (iii) Shareholders involved or interested in the Subscription, the Specific Mandate or the Whitewash Waiver
"Last Trading Day"	17 May 2016, being the last trading day of the Shares on the Stock Exchange prior to the entering into of the Subscription Agreement
"Latest Practicable Day"	24 June 2016
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange
"Long Stop Date"	31 August 2016, or such later date as may be agreed in writing between the Company and the Subscriber
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
"SGM"	the special general meeting of the Company to be held at 23/F, Euro Trade Centre, 21–23 Des Voeux Road Central, Central, Hong Kong, on Thursday, 14 July 2016 at 11:00 a.m. for the purpose of considering, and if thought fit, approving, among others, the Subscription, the Specific Mandate and the Whitewash Waiver
"Share(s)"	ordinary shares of HK$0.01 each in the share capital of the Company
"Shareholder(s)"	holder(s) of the Shares

"Specific Mandate"	the specific mandate proposed to be obtained from the Independent Shareholders at the SGM to issue the Subscription Shares to the Subscriber
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Subscriber"	Max Sun Enterprises Limited, a company incorporated in the British Virgin Islands and a substantial Shareholder and connected person of the Company
"Subscription"	the subscription of the Subscription Shares by the Subscriber pursuant to the terms and conditions of the Subscription Agreement
"Subscription Agreement"	the conditional subscription agreement dated 17 May 2016 entered into between the Company and the Subscriber in relation to the Subscription
"Subscription Price"	HK$0.154 per Subscription Share
"Subscription Shares"	2,910,000,000 new Shares to be allotted and issued by the Company to the Subscriber pursuant to the terms and conditions of the Subscription Agreement
"T&M Concessions"	has the meaning ascribed to it under the section headed "3. Reasons for the Subscription and use of proceeds and the intention of the Subscriber" in the letter from the Board contained in this circular
"Takeovers Code"	the Hong Kong Code on Takeovers and Mergers
"US$"	United States dollar(s), the lawful currency of the United States of America
"Whitewash Waiver"	a waiver from the Executive pursuant to Note 1 on dispensations from Rule 26 of the Takeovers Code of the obligation on the part of the Subscriber to make a mandatory general offer for all securities of the Company (other than those already owned or agreed to be acquired by the Subscriber and the party acting in concert with it) as a result of the allotment and issue of the Subscription Shares under the Subscription Agreement
"Works"	has the meaning ascribed to it under the section headed "3. Reasons for the Subscription and use of proceeds and the intention of the Subscriber" in the letter from the Board contained in this circular

"%"	per cent.

For the purpose of this circular, unless otherwise indicated, the exchange rate of US$1.00 = HK$7.80 has been used, where applicable, for purpose of illustration only and it does not constitute any representation that any amount has been, could have been or may be exchanged at that rate or at any other rate.

NEW TIMES ENERGY CORPORATION LIMITED
新時代能源有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 00166)

Executive Directors:
Mr. CHENG Kam Chiu, Stewart *(Chairman)*
Mr. CHENG Ming Kit

Independent Non-executive Directors:
Mr. WONG Man Kong, Peter
Mr. CHAN Chi Yuen
Mr. YUNG Chun Fai, Dickie
Mr. CHIU Wai On

Registered office:
Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

Head office and principal place of business in Hong Kong:
Room 1402, 14/F
New World Tower I
16–18 Queen's Road Central
Hong Kong

Hong Kong, 28 June 2016

To the Shareholders

Dear Sir or Madam,

(1) CONNECTED TRANSACTION RELATING TO THE SUBSCRIPTION OF NEW SHARES BY A SUBSTANTIAL SHAREHOLDER; (2) ISSUE OF THE SUBSCRIPTION SHARES UNDER SPECIFIC MANDATE; (3) APPLICATION FOR WHITEWASH WAIVER; AND (4) NOTICE OF SPECIAL GENERAL MEETING

1. INTRODUCTION

Reference is made to the announcement of the Company dated 17 May 2016 in relation to, among other things, the Subscription Agreement and the transactions contemplated thereunder, the grant of the Specific Mandate and the Whitewash Waiver.

* *For identification purposes only*

On 17 May 2016 (after trading hours), the Company entered into the Subscription Agreement with the Subscriber, pursuant to which the Subscriber has conditionally agreed to subscribe for, and the Company has conditionally agreed to allot and issue, 2,910,000,000 new Shares at the Subscription Price of HK$0.154 per Subscription Share.

The Subscription Shares represent (i) approximately 116.39% of the issued share capital of the Company as at the Latest Practicable Date, and (ii) approximately 53.79% of the issued share capital of the Company as enlarged by the issue of the Subscription Shares, assuming that there will be no change in the issued share capital of the Company (other than the issue of the Subscription Shares) between the Latest Practicable Date and the Completion.

The purpose of this circular is to provide you with, among others, (i) further details of the Subscription, the Subscription Agreement, the Specific Mandate and the Whitewash Wavier, (ii) a letter of advice from the Independent Board Committee to the Independent Shareholders on the Subscription, the Specific Mandate and the Whitewash Waiver, (iii) a letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders on the Subscription, the Specific Mandate and the Whitewash Waiver, and (iv) a notice convening the SGM.

2. THE SUBSCRIPTION AGREEMENT

A summary of the principle terms of the Subscription Agreement is set out below:

Date

17 May 2016

Parties

Issuer: The Company

Subscriber: The Subscriber

As at the Latest Practicable Date, the Subscriber held 606,537,544 Shares, representing approximately 24.26% of the issued share capital of the Company and is a substantial Shareholder and connected person of the Company. The Subscriber is principally engaged in investment holding business.

The Subscription

Pursuant to the Subscription Agreement, the Subscriber has conditionally agreed to subscribe for, and the Company has conditionally agreed to allot and issue, 2,910,000,000 new Shares (with an aggregate nominal value of HK$29,100,000) at the Subscription Price of HK$0.154 per Subscription Share.

The Subscription Shares represent (i) approximately 116.39% of the issued share capital of the Company as at the Latest Practicable Date, and (ii) approximately 53.79% of the issued share capital of the Company as enlarged by the issue of the Subscription

Shares, assuming that there will be no change in the issued share capital of the Company (other than the issue of the Subscription Shares) between the Latest Practicable Date and the Completion.

Subscription Price

The Subscription Price of HK$0.154 per Subscription Share:

(i) represents a discount of approximately 3.14% to the closing price of HK$0.159 per Share as quoted on the Stock Exchange on the Last Trading Day;

(ii) represents a discount of approximately 1.28% to the average closing price of HK$0.156 per Share as quoted on the Stock Exchange for the last five consecutive trading days prior to but excluding the Last Trading Day;

(iii) represents a discount of approximately 3.75% to the average closing price of HK$0.160 per Share as quoted on the Stock Exchange for the last 10 consecutive trading days prior to but excluding the Last Trading Day ; and

(iv) represents a discount of approximately 3.75% to the closing price of HK$0.160 per Share as quoted on the Stock Exchange on the Latest Practicable Date.

The Subscription Price was determined after arm's length negotiations between the Company and the Subscriber with reference to the financial conditions of the Company, the prevailing market prices of the Shares and the recent market conditions.

The Subscriber has confirmed that the Subscription will be funded by its internal resources.

Ranking of the Subscription Shares

The Subscription Shares, when issued and fully paid-up, will rank pari passu in all respects among themselves and with all the Shares in issue as at the date of allotment and issue of the Subscription Shares.

Conditions of the Subscription

Completion is conditional upon fulfillment of the Conditions set out as follow:

(a) the Independent Shareholders having approved the Subscription, the Specific Mandate and the Whitewash Waiver at the SGM;

(b) the Company having obtained the approval from the Stock Exchange for the listing of, and permission to deal in, the Subscription Shares, and such approval not having been revoked or cancelled prior to the Completion;

(c) the Executive having granted the Whitewash Waiver; and

(d) all conditions attached to the Whitewash Waiver having been satisfied.

None of the Conditions can be waived by either party to the Subscription Agreement.

In the event that not all the Conditions have been fulfilled on or before the Long Stop Date, the Subscription Agreement shall terminate and lapse.

As at the Latest Practicable Date, none of the Conditions had been fulfilled.

Completion

Completion shall take place within ten Business Days after the fulfillment of all the Conditions (or at such other date and time as the Company and the Subscriber may agree in writing).

Lock-up arrangement for the Subscription Shares

There is no lock-up arrangement for the Subscription Shares upon allotment and issue thereof under the Subscription Agreement.

Specific Mandate

The Subscription Shares will be allotted and issued under the Specific Mandate to be obtained from the Independent Shareholders at the SGM in due course.

Application for listing

An application will be made by the Company to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Subscription Shares in due course.

3. REASONS FOR THE SUBSCRIPTION AND USE OF PROCEEDS AND THE INTENTION OF THE SUBSCRIBER

The net proceeds to be raised from the Subscription will be approximately HK$446,900,000. The net subscription price per Subscription Share would be approximately HK$0.154.

The Company intends that the net proceeds of the Subscription will be used as follows:

(i) Works in the T&M Concessions

The Group is principally engaged in the exploration, development, production and sale of natural resources.

As disclosed in the 2015 annual report of the Company, the Tartagal Concession and Morillo Concession (being concessions of exploration permit, potential exploitation permit for exploration and development of hydrocarbons granted by the Government of the Province of Salta of Argentina in relation to the Tartagal Oriental Area and the Morillo Area, respectively, both located in the province of Salta in northern Argentina covering an aggregate surface area of approximately 10,583 square kilometres with net estimated

Prospective Resources of 269.7 MMBOE, collectively, the "**T&M Concessions**") are the core assets and business of the Group. As at the Latest Practicable Date, the Group has a 69.25% interest in the T&M Concessions. The said exploration permits granted were valid for an initial period of four years commencing on 29 December 2006. Subsequently, the Group obtained approvals (the "**Approvals**") from the Secretary of Energy of the Province of Salta, Argentina for the extension of such exploration permits to 13 September 2017.

Pursuant to the Approvals, the Group is required to fulfill certain work commitments with respect to the T&M Concessions (comprising, as at the Latest Practicable Date, approximately 4,500 outstanding work units at the official prescribed valuation by the government of the Salta Province of US$5,000 per work unit) prior to the expiry of the said exploration permits on 13 September 2017. Such work commitments include, among others, (1) the drilling of at least three exploration wells in the Tartagal Oriental Area and/or the Morillo Area for potential oil and/or gas discoveries, and (ii) a survey by 3D seismic in the Tartagal Oriental Area covering an area of approximately 195 square kilometres for the purpose of identifying new prospects and defining the exact location of drilling (together, the "**Works**"). It is intended that, based on the Group's work plan and geological studies, approximately 66.41% of the net proceeds from the Subscription will be used in carrying out the Works.

Up to the end of year 2015, the Group had invested an aggregate amount of approximately HK$3,850,000,000 with respect to its interest in the T&M Concessions and had performed significant exploratory works, including seismic survey and exploration drilling. The Directors believe that the completion of the Works pursuant to its commitment under the Approvals is vital to maintaining and continuing the exploration permits in the T&M Concessions, which is the Group's core business.

(ii) Repayment of short term loans

As at the Latest Practicable Date, the Group has, among others, the following outstanding short term loans which are repayable in 2016:

(1) an amount of approximately HK$16,800,000 to be repaid on 13 July 2016 pursuant to a loan agreement dated 14 July 2014;

(2) an amount of approximately HK$33,000,000 to be repaid on 10 August 2016 pursuant to a promissory note issued by the Company on 11 August 2014;

(3) an amount of approximately US$4,350,000 (equivalent to approximately HK$33,930,000) to be repaid on 19 December 2016 (being partial repayment of the loan pursuant to a loan agreement dated 19 December 2013 (as supplemented by the supplemental agreements dated 19 June 2014 and 10 December 2014, respectively)); and

(4) an amount of approximately HK$30,500,000 to be repaid on 26 August 2016 pursuant to a loan agreement dated 25 April 2016.

It is intended that approximately 25.56% of the net proceeds from the Subscription will be used in the repayment of the abovementioned debts. Insofar as the Company is aware, having made enquiries with the lenders of the abovementioned loans, none of them holds any Shares.

(iii) General working capital

The balance of the net proceeds from the Subscription (representing approximately 8.03% thereof) will be used as general working capital of the Group.

In view of the above, the net proceeds to be raised from the Subscription are necessary for the Group's ordinary and usual course of business and repayment of debts that will soon fall due. The Subscription would also enhance the general working capital of the Group without incurring additional interest burden. Accordingly, the Directors (including the independent non-executive Directors after considering the advice of the Independent Financial Adviser) consider that the terms and conditions of the Subscription Agreement are on normal commercial terms or better to the Group, fair and reasonable and in the interests of the Company and the Shareholders as a whole. The Company is not aware of any disadvantage of the Subscription to the Group.

Insofar as the Company is aware, it is the intention of the Subscriber to continue with the existing line of business of the Group following the Completion, and the Subscriber, being optimistic about the prospect of the business of the energy sector, has no intention to introduce any major changes to the existing nature of business or terminate the employment of the existing employees of the Group.

For the purpose of satisfying the above financial needs of the Group, the Directors had considered various means of fund raising, including both debt and equity financing. For equity financing, the Directors had considered various methods, including placement of new Shares to independent investors and rights issue or open offer. Among these means of fund raising, the Directors are of the following views:

(i) Debt financing

The Group had recorded losses consecutively in the past several years and, with the increasing gearing ratio, the Directors considered that it would not be practicable for the Company to obtain debt financing in a cost-effective manner, which would also lead to additional finance charges.

(ii) Placement of new Shares to independent investors

As set out in the section headed "4. Fund raising activities of the Company in the past 12 months" in this letter below, the Group carried out placing activity during the twelve months immediately prior to the Latest Practicable Date. The Directors believe that, given the current market volatility and the low trade volume of the Shares, independent investors would find the placement of new Shares with a reasonable discount less attractive.

(iii) Rights issue or open offer

The Directors note that a rights issue or open offer would give an opportunity to all Shareholders to participate in the subscription of new Shares to be issued by the Company. Given the loss position of the Company and low trading volume of the Shares, the Company would have difficulties engaging an underwriter with a reasonable underwriting fee and pricing the issue at a reasonable discount. Furthermore, due to the low trading volume of the Shares, Shareholders might not be interested in participating in a rights issue or an open offer. The time required to complete such an exercise and the uncertainty involved, even if it could be brought to fruition, would be lengthy and prohibitive, as the delay in cash injection into the Company would jeopardize the Group's chances of completing all commitments to the Government prior to the T&M Concessions expiring in September 2017.

Taking into account the above and the available terms for the Subscription, the Directors are of the view that equity financing by way of the Subscription is comparatively a more appropriate and viable means of financing for raising additional capital, and is in the interests of the Company and the Shareholders as a whole.

It is expected that the funding needs of the Group for the next 12 months will be mainly for the execution of the exploration plan to fulfill the work commitments with respect to the T&M Concessions and the repayment of the loans when they fall due, as set out above. On the basis of the exploration plan and the loan repayment schedule of the Group, to the best knowledge of the Directors under the existing circumstances, the Board estimated that the expected funding needs of the Company for the next 12 months from the Latest Practicable Date would be approximately HK$426,000,000. Therefore, the Board is of the view that the estimated net proceeds from the Subscription of approximately HK$446,900,000 would be sufficient to satisfy such expected funding needs. However, the Company may have additional funding needs in the future in circumstances such as where oil discoveries are identified in the concessions in which the Group has a participating interest and further development is required or appropriate for achieving oil production or when the right acquisition opportunity arises for the purpose of the expansion of the Group's business. The Company will comply with the requirements of the Listing Rules with respect to any further fund raising activities (if any) in the future as and when appropriate.

4. FUND RAISING ACTIVITIES OF THE COMPANY IN THE PAST 12 MONTHS

Save as disclosed below, the Company had not conducted any other equity fund raising activities in the past twelve months immediately preceding the Latest Practicable Date.

Date of announcement	Date of completion	Event	Net proceeds (approximately)	Then intended use of proceeds	Actual use of proceeds
23 June 2015	9 July 2015	Placing of new Shares under general mandate	HK$107.87 million	For general working capital, for financing the Group's future investment opportunities (if any) and for repayment of certain debts upon due	Fully utilised as intended (with approximately HK$47.8 million used as general working capital, including the payment of audit fee, staff salaries, consultancy fees and operation expenses in Argentina and the United States, and approximately HK$60.1 million for the repayment of two short-term loans)

5. CHANGES IN THE SHAREHOLDING STRUCTURE OF THE COMPANY

Assuming that there will be no change in the issued share capital of the Company (other than the issue of the Subscription Shares) between the Latest Practicable Date and the Completion, the shareholding structure of the Company and the interests of the Subscriber and the party acting in concert with it as at the Latest Practicable Date and immediately after the Completion are as follows:

Shareholders	As at the Latest Practicable Date		Immediately after the Completion	
	Number of issued Shares	*Approximate Percentage (%)*	*Number of issued Shares*	*Approximate Percentage (%)*
The Subscriber and its concert party				
The Subscriber*	606,537,544	24.26	3,516,537,544	65.00
Chow Tai Fook Enterprises Limited**	16,514,500	0.66	16,514,500	0.30
Sub-total of the Subscriber and its concert party	623,052,044	24.92	3,533,052,044	65.30
Director				
Mr. Cheng Ming Kit	1,000	0.00004	1,000	0.00002
Sub-total of Director	1,000	0.00004	1,000	0.00002
Other Shareholders	1,877,268,948	75.08	1,877,268,948	34.70
Total	**2,500,321,992**	**100**	**5,410,321,992**	**100**

Notes:

* As at the Latest Practicable Date, the Subscriber held certain warrants issued by the Company on 16 July 2012 in the aggregate principal amount of HK$105,000,000 (which warrants entitle their holder to subscribe for new Shares at HK$0.86 per Share and will expire on 15 July 2017).

The Subscriber is wholly-owned by Chow Tai Fook Nominee Limited, which is in turn held as to approximately 99.80% by Chow Tai Fook (Holding) Limited. Chow Tai Fook (Holding) Limited is held as to approximately 78.58% by Chow Tai Fook Capital Limited (which is in turn held by Cheng Yu Tung Family (Holdings) Limited and Cheng Yu Tung Family (Holdings II) Limited as to approximately 48.98% and 46.65%, respectively). Dr. Cheng Kar Shun, Henry, Mr. Cheng Kar Shing, Peter, Ms. Sun Cheng Lai Ha, Cecilia and Ms. Doo Cheng Sau Ha, Amy collectively hold a controlling interest in each of Cheng Yu Tung Family (Holdings) Limited and Cheng Yu Tung Family (Holdings II) Limited.

** Chow Tai Fook Enterprises Limited (being a wholly owned subsidiary of Chow Tai Fook (Holding) Limited, which holds 99.80% of the issued share capital of Chow Tai Fook Nominee Limited, which in turn holds the entire issued share capital of the Subscriber) held 16,514,500 Shares, representing approximately 0.66% of the issued share capital of the Company as at the Latest Practicable Date.

6. GENERAL

Implications under the Listing Rules and the Takeovers Code

As at the Latest Practicable Date, the Subscriber was a substantial Shareholder holding, together with the party acting in concert with it, 623,052,044 Shares, representing approximately 24.92% of the issued share capital of the Company. Accordingly, the Subscriber is a connected person of the Company under Rule 14A.07 of the Listing Rules. Therefore, the Subscription constitutes a connected transaction of the Company and is subject to the reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

Upon Completion, the Subscriber and the party acting in concert with it will hold 3,533,052,044 Shares in aggregate, representing approximately 65.30% of the issued share capital of the Company as enlarged by the issue of the Subscription Shares, assuming there will be no change in the issued share capital of the Company (other than the issue of the Subscription Shares) between the Latest Practicable Date and the Completion.

Pursuant to Rule 26.1 of the Takeovers Code, the Subscriber will be required to make a mandatory general offer for all the issued securities of the Company (other than those already owned or agreed to be acquired by the Subscriber and the party acting in concert with it) unless the Whitewash Waiver is obtained from the Executive. The Subscriber has made an application to the Executive for the Whitewash Waiver pursuant to Note 1 on dispensations from Rule 26 of the Takeovers Code in respect of the issue of the Subscription Shares pursuant to the Subscription and the Executive has indicated that it will grant the Whitewash Waiver, subject to, among others, the approval of the Independent Shareholders by way of poll at the SGM. The Executive may or may not grant the Whitewash Waiver and in the event that it is not granted, the Subscription Agreement shall lapse and the Subscription will not proceed.

The Subscription is subject to the Conditions that, among others, the Whitewash Waiver be granted by the Executive and approved by the Independent Shareholders by way of poll at the SGM. If the Whitewash Waiver is not granted by the Executive or not approved by the Independent Shareholders, the Subscription Agreement will not become unconditional and the Subscription will not proceed.

If the Whitewash Waiver is approved by the Independent Shareholders, the potential holding of voting rights of the Company held by the Subscriber and parties acting in concert with it resulting from the Subscription will exceed 50% of the voting rights of the Company. The Subscriber may further increase its holdings of voting rights of the Company without incurring any further obligations under Rule 26 of the Takeovers Code to make a general offer.

As at the Latest Practicable Date, other than 623,052,044 Shares held by the Subscriber and the party acting in concert with it and all the transactions contemplated under the Subscription Agreement and other than as disclosed in the section headed "5. Changes in the shareholding structure of the Company" in the letter from the Board contained in this circular, neither the Subscriber nor the parties acting in concert with it:

(i) held, owned, controlled or had direction over any Shares, convertible securities, warrants, options or derivatives in respect of the securities in the Company nor had entered into any outstanding derivatives in respect of the securities in the Company;

(ii) had secured any irrevocable commitment from any Independent Shareholder to vote in favour of or against the resolutions approving the Subscription, the Specific Mandate and/or the Whitewash Waiver;

(iii) had any arrangement as referred to in Note 8 to Rule 22 of the Takeovers Code (whether by way of option, indemnity or otherwise) or in relation to the relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Company or the Subscriber which might be material to the Subscription, the Specific Mandate and/or the Whitewash Waiver;

(iv) had any agreement or arrangement to which the Subscriber or any party acting in concert with it is a party which relates to the circumstances in which it may or may not invoke or seek to invoke a pre-condition or a condition to the Subscription, the Specific Mandate and/or the Whitewash Waiver; and

(v) had borrowed or lent any relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Company.

Other than the Subscription Agreement, neither the Subscriber nor any party acting in concert with it has acquired or disposed of any voting rights of the Company nor has dealt for value in any Shares, convertible securities, warrants, options or derivatives in respect of the securities of the Company in the six-month period prior to the date of the announcement of the Company dated 17 May 2016 in respect of the Subscription, the Specific Mandate and the Whitewash but subsequent to the discussions between the Subscriber and the Company (and its Directors) in relation to the Subscription. The Subscriber and the party acting in concert with it will not acquire or dispose of any voting rights of the Company after the Latest Practicable Date until the Completion.

7. SGM

The SGM will be held at 23/F, Euro Trade Centre, 21–23 Des Voeux Road Central, Central, Hong Kong, on Thursday, 14 July 2016 at 11:00 a.m. for the purpose of considering and, if thought fit, approving, among others, the Subscription, the Specific Mandate and the Whitewash Waiver.

In accordance with the Listing Rules and the Takeovers Code, (i) the Subscriber and its associates; (ii) the parties acting in concert with the Subscriber; and (iii) Shareholders involved or interested in the Subscription, the Specific Mandate or the Whitewash Waiver will be required to abstain from voting on the resolution(s) to approve the Subscription, the Specific Mandate and the Whitewash Waiver at the SGM. Accordingly, the Subscriber and the party acting in concert with it (which, together, held 623,052,044 Shares, representing approximately 24.92% of the issued share capital of the Company, as at the Latest Practicable Date), with a material interest in the Subscription, the Specific Mandate and the Whitewash Waiver, will abstain from voting on the relevant resolution(s) at the SGM. Save as set out above, no other Shareholder has a material interest or is involved or interested in the Subscription, the Specific Mandate and the Whitewash Waiver, and will be required to abstain from voting on the relevant resolution(s) at the SGM.

Furthermore, none of the Directors has a material interest in the Subscription, the Specific Mandate or the Whitewash Waiver, and accordingly, none of the Directors had abstained from voting on the Board resolution(s) approving the Subscription, the Specific Mandate and the Whitewash Waiver.

8. INDEPENDENT BOARD COMMITTEE AND APPOINTMENT OF INDEPENDENT FINANCIAL ADVISER

Pursuant to the Listing Rules and the Takeovers Code, the Independent Board Committee (comprising all the non-executive Directors (who are all independent non-executive Directors within the meaning of the Listing Rules)) has been formed to advise the Independent Shareholders on the Subscription, the Specific Mandate and the Whitewash Waiver. In this connection, Donvex has been appointed as the Independent Financial Adviser with the approval of the Independent Board Committee to advise the Independent Board Committee and the Independent Shareholders as to whether the terms of the Subscription, the Specific Mandate and the Whitewash Waiver are fair and reasonable and in the interests of the Company and the Shareholders as a whole, and make recommendations on voting.

9. RECOMMENDATION

The Directors (including the members of the Independent Board Committee after taking into account the advice of the Independent Financial Adviser) are of the view that the Subscription Agreement is on normal commercial terms and is fair and reasonable and the Subscription is in the interests of the Company and the Shareholders as a whole. Accordingly, the Directors (including the members of the Independent Board Committee after taking into account the advice of the Independent Financial Adviser) recommend the Independent Shareholders to vote in favor of the resolutions to be proposed at the SGM to approve the Subscription, the Specific Mandate and the Whitewash Waiver. You are advised to read the letter from the Independent Board Committee and the letter from the Independent Financial Adviser contained in this circular as mentioned above before deciding how to vote on the resolution(s) to be proposed at the SGM.

The Directors welcome the Subscriber's proposed further investment in the Company and believe that, through the extensive business connections, reputation and financial standing of the Chow Tai Fook group of companies (of which the Subscriber is a member), the Company will have access to more business opportunities in the future.

10. ADDITIONAL INFORMATION

Your attention is also drawn to the information set out in the appendices to this circular.

By Order of the Board
New Times Energy Corporation Limited
Cheng Kam Chiu, Stewart
Chairman

The following is the text of a letter from the Independent Board Committee setting out its recommendation to the Independent Shareholders in relation to the Subscription and the transactions contemplated thereunder, the grant of the Specific Mandate and the Whitewash Waiver and as to voting, which has been prepared for the purpose of inclusion in this circular.

NEW TIMES ENERGY CORPORATION LIMITED
新時代能源有限公司 *
(Incorporated in Bermuda with limited liability)
(Stock Code: 00166)

28 June 2016

To the Independent Shareholders

Dear Sir or Madam,

(1) CONNECTED TRANSACTION RELATING TO THE SUBSCRIPTION OF NEW SHARES BY A SUBSTANTIAL SHAREHOLDER;
(2) ISSUE OF THE SUBSCRIPTION SHARES UNDER SPECIFIC MANDATE;
AND
(3) APPLICATION FOR WHITEWASH WAIVER

We have been appointed to form an independent board committee to consider and advise you on the Subscription Agreement and the transactions contemplated thereunder, the grant of the Specific Mandate and the Whitewash Waiver, details of which are set out in the circular issued by the Company to the Shareholders dated 28 June 2016 (the "**Circular**"), of which this letter forms part. Terms defined in the Circular shall have the same meanings when used herein unless the context otherwise requires.

We wish to draw your attention to the letter from the Board and the letter from the Independent Financial Adviser set out on page 5 to 17 and pages 20 to 34 of the Circular, respectively, and the additional information set out in the appendices to the Circular.

Having taken into account the terms of the Subscription, and the principal factors and reasons considered by the Independent Financial Adviser, we concur with the view of the Independent Financial Adviser and consider that the Subscription Agreement is on normal commercial terms and in the ordinary and usual course of business of the Company and the

* *For identification purposes only*

Subscription, the Specific Mandate and the Whitewash Waiver are fair and reasonable so far as the Independent Shareholders are concerned and in the interests of the Company and the Independent Shareholders as a whole. Accordingly, we recommend you to vote in favour of the resolutions to be proposed at the SGM to approve the Subscription, the Specific Mandate and the Whitewash waiver.

Yours faithfully,
For and on behalf of the Independent Board Committee

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

The following is the full text of the letter from the Independent Financial Adviser setting out their advice to the Independent Board Committee and the Independent Shareholders, which has been prepared for the purpose of inclusion in this circular.

Donvex
富域資本
Donvex Capital Limited
富域資本有限公司

Unit 1305, 13th Floor,
Carpo Commercial Building
18–20 Lyndhurst Terrace
Central
Hong Kong

28 June 2016

The Independent Board Committee and the Independent Shareholders of
New Times Energy Corporation Limited

Dear Sirs,

(1) CONNECTED TRANSACTION RELATING TO THE SUBSCRIPTION OF NEW SHARES BY A SUBSTANTIAL SHAREHOLDER;
(2) ISSUE OF THE SUBSCRIPTION SHARES UNDER SPECIFIC MANDATE;
AND
(3) APPLICATION FOR WHITEWASH WAIVER

INTRODUCTION

We refer to our engagement as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in respect to the Subscription Agreement, the Specific Mandate and the Whitewash Waiver, details of which are set out in the Letter from the Board contained in the circular of the Company dated 28 June 2016 to the Shareholders (the "**Circular**") of which this letter forms part. Capitalised terms used herein have the same meanings as defined elsewhere in the Circular unless the context requires otherwise.

Reference is made to the Company's announcement dated 17 May 2016 in relation to, among other things, the Subscription Agreement, the Specific Mandate and the Whitewash Waiver.

On 17 May 2016, the Company and the Subscriber entered into the Subscription Agreement. Pursuant to the Subscription Agreement, the Subscriber conditionally agreed to subscribe for and the Company conditionally agreed to allot and issue 2,910,000,000 new Shares at the Subscription Price of HK$0.154 per Subscription Share. The Subscription is subject to the conditions set out in the Letter from the Board.

As at the Latest Practicable Date, the Subscriber is a substantial shareholder of the Company and is therefore a connected person of the Company. Accordingly, the Subscription constitutes a connected transaction of the Company and is subject to the reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

Upon the Completion, the Subscriber and the party acting in concert with it will be interested in 3,533,052,044 Shares, representing approximately 65.30% of the issued share capital of the Company as enlarged by the allotment and issue of the Subscription Shares, assuming there will be no change in the issued share capital of the Company (other than the issue of the Subscription Shares) between the Latest Practicable Date and the Completion.

Under Rule 26.1 of the Takeovers Code, upon Completion, the Subscriber will be required to make a mandatory general offer to the Shareholders for all the issued Shares and other securities of the Company not already owned or agreed to be acquired by the Subscriber, unless the Whitewash Waiver is obtained from the Executive. In this regard, the Subscriber has made an application to the Executive for the Whitewash Waiver pursuant to Note 1 on dispensations from Rule 26 of the Takeover Code in respect of the allotment and issue of the Subscription Shares. The Whitewash Waiver, if granted by the Executive, will be subject to, among other things, approval by the Independent Shareholders by way of a poll at the SGM. The Executive may or may not grant the Whitewash Waiver and in the event that it is not granted, the Subscription Agreement shall lapse and the Subscription will not proceed.

The Subscription is subject to the Conditions that, among others, the Whitewash Waiver be granted by the Executive and approved by the Independent Shareholders by way of poll at the SGM. If the Whitewash Waiver is not granted by the Executive or not approved by the Independent Shareholders, the Subscription Agreement will not become unconditional and the Subscription will not proceed.

In accordance with the Listing Rules and the Takeovers Code, (i) the Subscriber and its associates; (ii) the parties acting in concert with the Subscriber; and (iii) Shareholders involved or interested in the Subscription, Specific Mandate or the Whitewash Waiver will be required to abstain from voting on the resolution(s) to approve the Subscription, the Specific Mandate and the Whitewash Waiver at the SGM. Accordingly, the Subscriber and the party acting in concert with it, with a material interest in the Subscription, the Specific Mandate and the Whitewash Waiver, will abstain from voting on the relevant resolution(s) at the SGM.

The Independent Board Committee, comprising Mr. Wong Man Kong, Peter, Mr. Chan Chi Yuen, Mr. Yung Chun Fai, Dickie and Mr. Chiu Wai On, all being the independent non-executive Directors, has been formed to consider whether (i) whether the Whitewash Waiver, and the terms of the Subscription Agreement are fair and reasonable so far as the Independent Shareholders are concerned; and (ii) whether the Subscription and the Whitewash Waiver are in the interests of the Company and the Shareholders as a whole, and to make recommendations to the Independent Shareholders in respect thereof. Being the Independent Financial Adviser, our role is to give an independent opinion to the Independent Board Committee and the Independent Shareholders in this regard.

We are independent from, and not connected with, the Company or any of its substantial shareholders, directors, chief executive, or any of their respective associates, and have sufficient expertise and resources to give an opinion on the transactions. As at the Latest Practicable Date, we did not have any relationship with or interest in the Company or any other parties that could reasonably be regarded as relevant to our independence. Apart from normal professional fees in connection with this appointment as the Independent Financial Adviser, no other arrangements exist whereby we had received or will receive any fees and/or benefits from the Company or any other parties that could reasonably be regarded as relevant to our independence.

BASIS OF OUR OPINION

In formulating our opinion to the Independent Board Committee and the Independent Shareholders, we have relied on the statements, information, opinions and representations contained in the Circular and the information and representations provided to us by the Directors and management of the Company. We have no reason to believe that any information and representations relied on by us in forming our opinion is untrue, inaccurate or misleading, nor are we aware of any material facts the omission of which would render the information provided and the representations made to us untrue, inaccurate or misleading. We have assumed that all statements, information, opinions and representations contained or referred to in the Circular, which have been provided by the Directors and management of the Company and for which they are solely and wholly responsible, were true and accurate at the time they were made and continue to be true up to the Latest Practicable Date. Under Rule 9.1 of the Takeovers Code, the Company must notify Shareholders of any material changes on the information as soon as possible.

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

This circular includes particulars given in compliance with the Takeovers Code for the purpose of giving information with regard to the Group. The Directors jointly and severally accept full responsibility for accuracy of the information contained in this circular and confirm, having made all reasonable enquiries, that to the best of their knowledge and opinions expressed in this circular have been arrived at after due and careful consideration and there are no other facts not contained in this circular, the omission of which would make any statement in this circular misleading.

We consider that we have reviewed sufficient information to reach an informed view, to justify reliance on the accuracy of the information contained in the Circular and to provide a reasonable basis for our recommendation. We have not, however, for the purpose of this exercise, conducted any form of independent in-depth investigation or audit into the businesses or affairs or future prospects of the Company, the Subscriber and their respective associates, nor have we carried out independent verification on the information supplied. Our opinion is necessarily based on the financial, economic, market and other conditions in effect and the information made available to us as at the Latest Practicable Date. Shareholders should note that subsequent developments, including any material change in market and economic conditions, may affect or change our opinion and we have no obligation to update this opinion to take into account events occurring after the Latest Practicable Date or to update, revise or reaffirm our opinion. Nothing contained in this letter should be construed as a recommendation to hold, sell or buy any Shares or any other securities of the Company.

This letter is issued for the information for the Independent Board Committee and the Independent Shareholders solely in connection with their consideration of the Subscription Agreement, the Specific Mandate and the Whitewash Waiver and, except for its inclusion in the Circular, is not to be quoted or referred to, in whole or in part, nor shall this letter be used for any other purposes, without our prior written consent.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving our opinion in respect of the Subscription and the Whitewash waiver, we have taken into consideration the following principal factors and reasons:

Information on the Group

The principal activity of the Company is investment holding, and its subsidiaries are mainly engaged in exploration, development, production and sale of natural resources.

The following is a summary of the consolidated financial information on the Group as extracted from the annual reports of the Company for the years ended 31 December 2014 and 2015:

Operating results of the Group

	For the year ended 31 December 2015	**For the year ended 31 December 2014**	**For the year ended 31 December 2013**
	HK$'000	*HK$'000*	*HK$'000*
	(Audited)	(Audited)	(Audited)
Revenue from continuing operations	67,603	81,105	321,770
Gross profit	3,104	18,305	2,563
Loss from continuing operations	(1,703,857)	(94,606)	(14,519)
Profit/(loss) from discontinued operation	16,323	(27,517)	(17,304)
Loss for the year	(1,687,534)	(122,123)	(31,823)
Profit/(loss) attributable to owners of the Company	(1,666,254)	(120,448)	3,771

Financial position of the Group

	As at 31 December 2015 *HK$'000* (Audited)	As at 31 December 2014 *HK$'000* (Audited)	As at 31 December 2013 *HK$'000* (Audited)
Cash and bank deposits	29,582	21,693	87,104
Bank and other borrowings — Current	95,583	73,410	175,731
Bank and other borrowings — Non-current	292,362	297,203	15,286
Promissory note payable	32,084	30,579	47,697
Total assets	2,740,697	4,507,116	4,411,958
Total liabilities	498,342	686,141	461,059
Net assets	2,242,355	3,820,975	3,950,899

For the year ended 31 December 2014

As shown in the table above, the revenue from continuing operation of the Group for the year ended 31 December 2014 was approximately HK$81.1 million (31 December 2013: HK$321.8 million), representing a decrease of approximately 74.8%, which was attributable to the absence of resources-related trading transactions as compared to the previous year. The Group recorded a loss attributable to shareholders of approximately HK$120.5 million (31 December 2013: profit attributable to shareholders of approximately HK$3.8 million). The adverse change was mainly due to (i) the one-off gain on disposal of oil properties and reversal of impairment losses during the year ended 31 December 2013; (ii) the increase in administrative expenses and finance costs of the Group; and (iii) the under-provision of Argentina corporate income tax for prior years.

For the year ended 31 December 2015

The revenue from continuing operation of the Group decreased by 16.6% to approximately HK$67.6 million for the year ended 31 December 2015, which was attributable to the decline in the local oil price in Argentina and the devaluation of the Argentina Peso. Due to the decline in international and local Argentine oil and gas prices, the Group recorded significant impairment losses of HK$1,641.2 million on its oil and gas assets for the year ended 31 December 2015. As such, the Group recorded a loss attributable to owners of the Company of HK$1,666.3 million (2014: HK$120.5 million).

As disclosed in the 2015 annual report of the Company, the Group's oil and gas participations are primarily in the Northwest Basin in Argentina and the Uinta Basin in the United States. The T&M Concessions located in Argentina are the core assets and business of the Group, which has a net estimated Prospective Resources of 269.7 MMBOE. Pursuant to the Approvals of the exploration permits of the T&M Concessions, the Group is required to fulfill certain work commitments as stated in the Letter from the Board. The Group intends to fulfill such commitments and expects to begin the commencement of drilling activities in the third quarter of 2016.

Industry overview of the oil industry

Crude oil is the raw material for the production of refined oil products. According to the Commodities Price Forecast published by the World Bank in April 2016, the global crude oil price had declined from US$104.1 per barrel in 2013 to US$50.8 per barrel in 2015. The crude oil price is forecasted to decline to a price of US$41.0 per barrel in 2016 and begin recovering to reach US$77.9 per barrel in 2024.

Nevertheless, the crude oil price in Argentina is comparatively higher than in the rest of the world, where the Group was operating the T&M Concessions. In December 2014, the Government of Argentina issued a resolution that the export duty to be charged at one percent of the selling price whenever the international crude oil price is below US$70.0 per barrel, which effectively increased the raw selling price of crude oil exporting from Argentina. As disclosed in the 2015 annual report of the Company, the average selling price of oil for the Group's operation in Palmar Largo Concession in Argentina was US$71.00 (2014: US$77.76) per barrel for the year ended 31 December 2015, which is substantially higher than the global crude oil price.

In an effort to preserve its depleted US$ currency reserves and to support its domestic oil and gas industry, the Government of Argentina has placed limitations on the the imports of foreign crude and refined oil by delaying the necessary administrative clearings, including but not limited to the transfer of foreign currencies out of Argentina for the payment of purchasing foreign crude and refined oil. According to the website of the Department of Energy of the United States, the refined oil consumption in Argentina has been increased despite there is a continuous decline in crude oil production in Argentina since 1998. As a result, the domestic demand of crude oil in Argentina cannot be satisfied for the production of refined oil products, and Argentina imported 91,813 barrels per day of refined oil products in 2015.

Setting a target to boost its domestic crude oil production to 653,000 barrels per day by 2025 (representing an increase of 23% from current level) for the production of refined oil products, the Government of Argentina establishes floor prices of between US$55.0 to US$67.5 per barrel for Argentine producers to sell in domestic crude oil market, prices that are substantially higher than that of the international crude oil price would attract oil producers to sell in domestic crude oil market. As such, the management of the Company is of the view and we concur that the prospect of the domestic oil producers in Argentina is generally optimistic.

The Subscription

1. Background of and reasons for the Subscription and use of proceeds

As set out in the Letter from the Board, the net proceeds from the Subscription will be approximately HK$446.9 million. The net subscription price per Subscription Share is estimated to be approximately HK$0.154. The Company intends to apply the net proceeds arising from the Subscription as to (i) approximately 66.41% of the net proceeds from the Subscription for carrying out the Works; (ii) approximately 25.56% of the net proceeds from the Subscription for the repayment of borrowings from independent third parties to the Company; and (iii) the remaining balance of approximately 8.03% of the net proceeds from the Subscription as general working capital of the Group.

The Directors are of the view, and we concur that it is in the interest of the Company to proceed with the Subscription due to the following reasons:

(a) as stated in the 2015 annual report of the Company, the Group considered raising funds from different sources to finance the exploratory drilling campaign in the T&M Concessions. The Directors is of the view that the Subscription can finance the Works pursuant to the Group's commitment under the Approvals, which can maintain and continue the exploration permits in the T&M Concessions. As discussed under the section "Industry overview of the oil industry" above, the crude oil price is expected to improve in the future, particularly in Argentina. As such, we are of the view that the Group's commitment in the Works for the T&M Concession is in the interest of the Company and the Shareholders as whole; and

(b) the Group has an unsecured cash and bank deposits of HK$29.6 million as at 31 December 2015, whilst the Group is required to repay borrowings with an aggregate amount of HK$114.2 million before 19 December 2016 as detailed in the Letter from the Board. The Directors are of the view, and we concur that the proceeds from the Subscription are necessary for the Group to meet its debt obligations.

2. *Principal terms of the Subscription Agreement*

The Subscription Agreement

Pursuant to the Subscription Agreement, the Subscriber has conditionally agreed to subscribe for, and the Company has conditionally agreed to allot and issue, 2,910,000,000 new Shares at the Subscription Price of HK$0.154 per Subscription Share.

The Subscription Shares represent (i) approximately 116.39% of the issued share capital of the Company as at the Latest Practicable Date; and (ii) approximately 53.79% of the issued share capital of the Company as enlarged by the issue of the Subscription Shares, assuming that there will be no change in the issued share capital of the Company (other than the issue of the Subscription Shares) between the Latest Practicable Date and the Completion.

The Subscription Price

The Subscription Price of HK$0.154 per Subscription Share represents:

(i) a discount of approximately 3.75% to the closing price of HK$0.160 per Share as quoted on the Stock Exchange on the Latest Practicable Date;

(ii) a discount of approximately 3.14% to the closing price of HK$0.159 per Share as quoted on the Stock Exchange on the Last Trading Day;

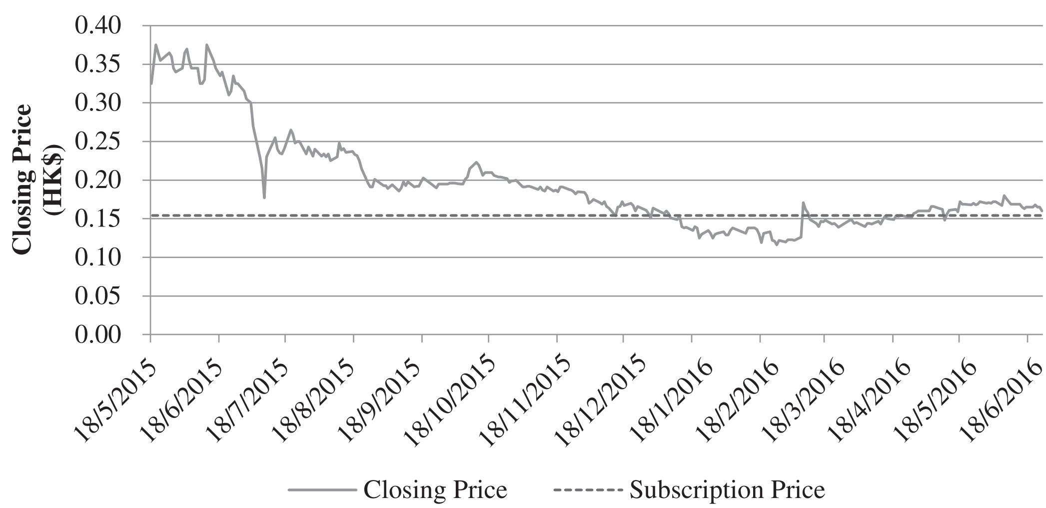
(iii) a discount of approximately 1.28% to the average closing price of HK$0.156 per Share as quoted on the Stock Exchange for the last five consecutive trading days prior to but excluding the Last Trading Day; and

(iv) a discount of approximately 3.75% to the average closing price of HK$0.160 per Share as quoted on the Stock Exchange for the last 10 consecutive trading days prior to but excluding the Last Trading Day.

As stated in the Letter from the Board, the subscription price was determined after arm's length negotiation between the Company and the Subscriber with reference to the financial conditions of the Company, the prevailing market prices of the Shares and recent market conditions.

In assessing the reasonableness of the Subscription Price, we have reviewed the closing price level of the Shares traded on the Exchange during the last twelve months preceding the date of the Subscription Agreement and up to the Latest Practicable Date (the "**Review Period**").

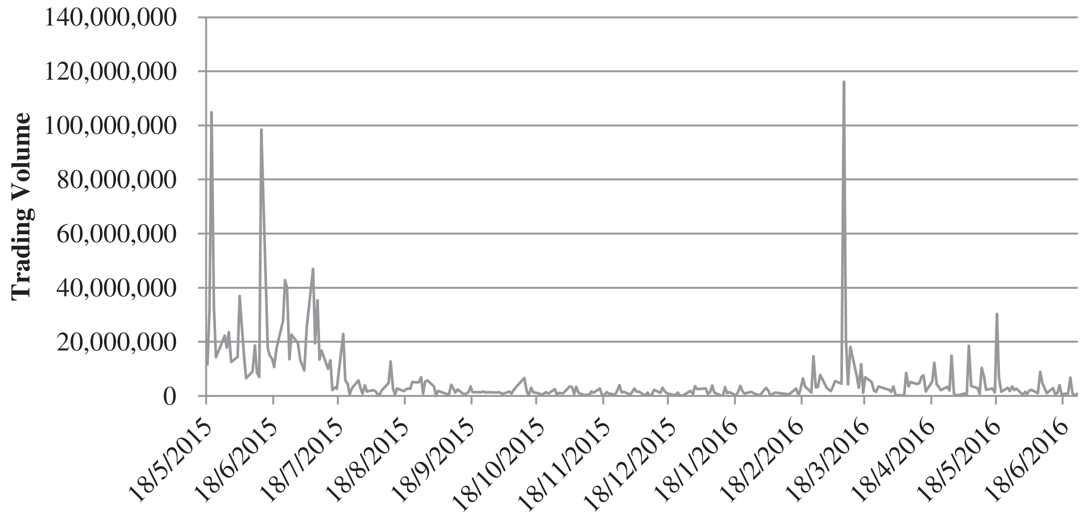
(a) Review on Share price performance



Source: The Stock Exchange

As shown in the above chart, the Share price is experiencing a downward trend. The lowest closing price was HK$0.116 per share on 25 February 2016 and the highest closing price was HK$0.375 per Share on 20 May 2015 and 12 June 2015. The Subscription Price is lower than the highest closing price of the Shares during the Review Period, representing a discount of approximately 58.93% and the Subscription Price is higher than the lowest closing price of the Shares during the Review Period, representing a premium of approximately 32.76%.

(b) Liquidity of the Shares



Source: The Stock Exchange

As illustrated in the chart above, the trading volume of the Shares during the Review period was low. During the Review Period, the average daily trading volume was approximately 6,416,998 Shares, representing 0.26% of the total issued Shares of 2,500,321,992 Shares as at the Last Practicable Date, and the highest daily trading volume was 116,116,600 Shares, representing approximately 4.64% of the total issued Shares as at the Latest Practicable Date.

(c) Comparison of Subscription Price

Based on the information available from the Stock Exchange's website, we have identified 11 share issue transactions (the "**Comparable Issues**") announced 12 months immediately before the date of the Subscription Agreement by companies listed on the Stock Exchange involving (a) subscription of new shares of the listed companies by subscribers for cash; (b) the application of whitewash waivers by the subscribers; and (c) increase of the issued share capital by over 100% upon completion of the share subscription. We have excluded subscriptions (i) announced by listed companies which were under prolonged suspension as at the date of announcement; (ii) involving any convertible securities with or without premium, which were issued using a different pricing mechanism; and (iii) transactions involving open offers or right issues of new shares, which are usually made at discounts under open offers or rights issue.

To the best of our endeavor, the Comparable Issues are exhaustive lists and we consider the Comparable Issues are fair, sufficient and representative samples to illustrate the recent trend and terms of the issuance of listed shares transactions under common market practice.

Date of announcement	Company	Stock code	Discount to the closing price of the shares on the last trading day or the date of the corresponding agreement *(%)*	Increase of the existing issued share capital on the last trading day or the date of the corresponding agreement upon the completion of the subscription *(%)*	Potential dilution of shareholding to the existing public shareholders upon the subscription *(%)*
29/2/2016	Hang Fat Ginseng Holdings Company Limited	911	85.1	155.87	67.3
19/2/2016	Sino Credit Holding Limited	628	55.5	325.52	72.2
3/2/2016	Varitronix International Limited	710	3.5	120.76	54.7
5/1/2016	Addchance Holdings Limited	3344	49.6	102.75	50.7
15/12/2015	Huscoke Resources Holdings Limited	704	63.0	154.59	60.7
10/12/2015	China Jiuhao Health Industry Corporation Limited	419	86.2	284.81	74.0
12/10/2015	SRE Group Limited	1207	74.4	263.03	72.5
27/8/2015	China Minsheng Financial Holding Corporation Limited	245	89.9	1061.33	91.4
31/7/2015	Heng Ten Networks Group Limited	136	97.9	300.00	75.0
4/6/2015	China Goldjoy Gorup Limited	1282	41.0	635.85	86.4
29/5/2015	Reorient Group Limited	376	51.3	294.64	81.0
	Maximum		97.9	1061.33	91.4
	Minimum		3.5	102.75	50.7
	Average		63.4	336.29	71.4
17/5/2016	**The Company**		**3.14**	**116.39**	**53.8**

Source: The Stock Exchange

As illustrated in the table above, the subscription price of all the Comparable Issues ranged from a discount of approximately 3.5% to 97.9% with an average discount of approximately 63.4%.

In addition to the downward trend of the Share price and the low trading volume of the Shares as discussed above, taking into account that the discount of the Subscription Price to the closing price of the Shares on the date of the Subscription Agreement is representing a lower discount than the discount of all Comparable Issues, we consider that the Subscription Price is fair and reasonable so far as the Independent Shareholders are concerned.

3. Alternative financing method

The Board had considered various other means of fund raising, including debt financing, placement of new Shares to independent investors and rights issue (or open offer) as described below:

(i) Debt financing

The Group has recorded losses consecutively in the past several years and, with the increasing gearing ratio, the Board considered that it would not be practicable for the Company to obtain debt financing in a cost-effective manner, which would also lead to additional finance charges.

(ii) Placement of new Shares to independent investors

As stated in the Letter from the Board, the Group carried out placing activity during the twelve months immediately prior to the Latest Practicable Date. The Directors advised that, given the current market volatility and the low trading volume of the Shares, independent investors may find the placement of new Shares with a reasonable discount less attractive.

(iii) Rights issue or open offer

The Directors note that a rights issue or open offer would give an opportunity to all Shareholders to participate in the subscription of new Shares to be issued by the Company. Given the loss position of the Company and low trading volume of the Shares, the Company would have difficulties engaging an underwriter with a reasonable underwriting fee and pricing the issue at a reasonable discount. Furthermore, due to the low trading volume of the Shares, Shareholders may not be interested in participating in a rights issue or an open offer. The time required to complete such an exercise and the uncertainty involved, even if it could be brought to fruition, would be lengthy and prohibitive, as the delay in cash injection into the Company would jeopardize the Group's chances of completing all commitments to the Government prior to the T&M Concessions expiring in September 2017.

Taking into account the above, we concur with the Directors' view that equity financing by way of the Subscription is comparatively a more appropriate and viable means of raising additional capital.

4. Financial effects of the Subscription to the Group

(i) Cashflow

As stated under the section headed "Information on the Group" above, the Group had cash and cash equivalents of approximately HK$29.6 million as at 31 December 2015. Upon the Completion, the liquidity and cash position of the Group will be improved as the Subscription will facilitate the Company to raise net proceeds to approximately HK$446.9 million. Accordingly, the cash position, net current assets and current ratio of the Company are expected to be improved upon the Completion.

(ii) Earnings

Save for the expenses relating to the Subscription, the Completion will not have any immediate material impact to the earnings of the Company. However, as set out in the Letter from the Board, 25.56% of the net proceeds from the Subscription will be used to repay unsecured and interest-bearing borrowings, while 8.03% of the net proceeds from the Subscriptions will be used as general working capital of the Group. As such, the Group may save finance cost from the borrowings.

(iii) Net assets value

As stated under the section headed "Information on the Group" above, the net asset value of the Group as at 31 December 2015 was approximately HK$2,242.4 million. Upon the Completion, the net asset value of the Company will be improved as the Subscription would increase the share capital of the Company. Accordingly, the Subscription will have a positive impact on the net asset value of the Group.

As at the Latest Practicable Date, the number of Shares in issue was 2,500,321,992 Shares. The net asset value per Share based on the net asset value of the Group as at 31 December 2015 was approximately HK$0.9 per Share. Immediately after the Completion, the number of Shares in issue will be increased to 5,410,321,992 Shares. Assuming no changes to the Group's net asset value as at 31 December 2015 other than the Subscription, the net asset value will be increased by approximately HK$446.9 million from the proceeds of Subscription to approximately HK$2,689.3 million, representing a net asset value per Share of approximately HK$0.5 per Share. As such, the net asset value per Share may decrease by approximately HK$0.4 per Share or 55.6% upon the Completion.

(iv) Gearing ratio

According to the 2015 annual report of the Company, the gearing ratio (defined as total bank and other borrowings over total equity, including non-controlling interests) of the Group as at 31 December 2015 was approximately 18.73%, as derived by dividing the total interest-bearing liabilities of the Group as at 31 December 2015 of approximately HK$420.0 million by the net asset value of approximately HK$2,242.4 million as at 31 December 2015. Upon completion of Subscription, the net asset value of the Group would be improved as a result of the Subscription. Assuming no additional interest bearing liabilities to be raised by the Group, the Group's interest bearing liabilities would decrease given 25.56% of the net proceeds from the Subscription will be used to repay unsecured and interest-bearing borrowings as set out in the Letter from the Board. Accordingly, the gearing level of the Group will be improved upon the Completion.

Based on the above, the Subscription may have an overall positive effect on the Group's financial position. We consider that the Subscription is in the interests of the Company and the Shareholders as a whole.

5. Potential dilution effect on the interests of the Independent Shareholders

The following table summarises the effect of the Subscription on the shareholding structure of the Company as at (a) the Latest Practicable Date; and (b) immediately after the Completion assuming there is no change to the share capital of the Company other than the issue of the Subscription Shares.

Shareholders	**As at the Latest Practicable Date**		**Immediately after the Completion**	
	Number of issued Shares	*Approximate Percentage (%)*	*Number of issued Shares*	*Approximate Percentage (%)*
The Subscriber and its concert party				
The Subscriber*	606,537,544	24.26	3,516,537,544	65.00
Chow Tai Fook Enterprises Limited**	16,514,500	0.66	16,514,500	0.30
Sub-total of the Subscriber and its concert party	623,052,044	24.92	3,533,052,044	65.30
Director				
Mr. Cheng Ming Kit	1,000	0.00004	1,000	0.00002
Sub-total of Director	1,000	0.00004	1,000	0.0002
Other Shareholders	1,877,268,948	75.08	1,877,268,948	34.70
Total	2,500,321,992	100.00	5,410,321,992	100.00

Notes:

* As at the Latest Practicable Date, the Subscriber holds certain warrants issued by the Company on 16 July 2012 in the aggregate principal amount of HK$105,000,000 (which warrants entitle their holder to subscribe for new Shares at HK$0.86 per Share and will expire on 15 July 2017).

The Subscriber is wholly-owned by Chow Tai Fook Nominee Limited, which is in turn held as to approximately 99.80% by Chow Tai Fook (Holding) Limited. Chow Tai Fook (Holding) Limited is held as to approximately 78.58% by Chow Tai Fook Capital Limited (which is in turn held by Cheng Yu Tung Family (Holdings) Limited and Cheng Yu Tung Family (Holdings II) Limited as to approximately 48.98% and 46.65%, respectively). Dr. Cheng Kar Shun, Henry, Mr. Cheng Kar Shing, Peter, Ms. Sun Cheng Lai Ha, Cecilia and Ms. Doo Cheng Sau Ha, Amy collectively hold a controlling interest in each of Cheng Yu Tung Family (Holdings) Limited and Cheng Yu Tung Family (Holdings II) Limited.

** Chow Tai Fook Enterprises Limited (being a wholly owned subsidiary of Chow Tai Fook (Holding) Limited, which holds 99.80% of the issued share capital of Chow Tai Fook Nominee Limited, which in turn holds the entire issued share capital of the Subscriber) holds 16,514,500 Shares, representing approximately 0.66% of the issued share capital of the Company as at the Latest Practicable Date.

As illustrated above, the shareholding of the existing public Shareholders would be reduced from approximately 75.08% as at the Latest Practicable Date to approximately 34.70% upon Completion, representing a dilution effect of approximately 53.8%.

There will be substantial dilution to the shareholding interest of the existing public Shareholders as a result of the Subscription. However, as illustrated in the table under the subsection headed "Comparison of Subscription Price", the potential dilution impact of shareholding to the existing public shareholders upon the subscriptions of the Comparable Issues was ranged from 50.7% to 91.4% with an average dilution effect of 71.4%. As such, the dilution impact of the Subscription is within the range of the dilution impact and is lower than the average dilution impact of the Comparable Issues.

Having taken into account (i) the benefits to be derived by the Group from the Subscription as set out in the section above headed "Background of and reasons for the Subscription and use of proceeds"; (ii) that the Subscription Price is considered to be fair and reasonable as set out in this letter above; and (iii) the dilution impact of the Subscription is within the range of the dilution impact and is lower than the average dilution impact of the Comparable Issues, we consider that the dilution effect to the shareholding interest of the existing public Shareholders as a result of the Subscription is acceptable.

6. Whitewash waiver

As stated in the Letter from the Board, upon Completion, the Subscriber and the party acting in concert with it will be interested in approximately 65.30% of the issued share capital of the Company as enlarged by the allotment and issue of the Subscription Shares (assuming there is no change in the issued share capital of the Company other than the issue of the Subscription Shares).

Under Rule 26.1 of the Takeovers Code, upon Completion, the Subscriber will be required to make a mandatory general offer to the Shareholders for all the issued Shares and other securities of the Company not already owned or agreed to be acquired by the Subscriber, unless the Whitewash Waiver is obtained from the Executive. In this regard, the Subscriber has made an application to the Executive for the Whitewash Waiver pursuant to Note 1 on dispensations from Rule 26 of the Takeover Code in respect of the allotment and issue of the Subscription Shares. The Whitewash Waiver, if granted by the Executive, will be subject to, among other things, approval by the Independent Shareholders by way of a poll at the SGM. The Executive may or may not grant the Whitewash Waiver and in the event that it is not granted, the Subscription Agreement shall lapse and the Subscription will not proceed.

The Subscription is subject to the Conditions that, among others, the Whitewash Waiver be granted by the Executive and approved by the Independent Shareholders by way of poll at the SGM. If the Whitewash Waiver is not granted by the Executive or not approved by the Independent Shareholders, the Subscription Agreement will not become unconditional and the Subscription will not proceed.

Based on our analysis of the terms of the Subscription Agreement, we consider that the Subscription is in the interest of the Company and the Shareholders as a whole. We are of the view that for the purpose of implementing the Subscription, the approval of the Whitewash Waiver by the Independent Shareholders at the SGM is in the interest of the Company and the Shareholders as a whole.

RECOMMENDATION

Having considered the abovementioned principal factors and reasons, we are of the view that (i) the Whitewash Waiver and the terms of the Subscription Agreement are fair and reasonable so far as the Independent Shareholders are concerned; and (ii) the Subscription and the Whitewash Waiver are in the interests of the Company and the Shareholders as a whole. Accordingly, we advise the Independent Board Committee to recommend the Independent Shareholders, and we also recommend the Independent Shareholders, to vote in favour of the ordinary resolution(s) to be proposed at the SGM to approve the Subscription Agreement, the Specific Mandate and the Whitewash waiver.

Yours faithfully,
For and on behalf of
Donvex Capital Limited
Doris Sy
President

1. FINANCIAL INFORMATION OF THE GROUP

(a) Summary

The following is a summary of the consolidated financial information of the Group for the three years ended 31 December 2013, 2014 and 2015, details of which were extracted from the annual reports of the Company for each of the three financial years ended 31 December 2013, 2014 and 2015:

	For the year ended 31 December		
	2015	**2014**	**2013**
	(audited)	(audited)	(audited)
	HK$'000	*HK$'000*	*HK$'000*
RESULTS			
Revenue	69,307	88,738	322,855
Assets impairment (losses)/reversal	(1,641,167)	(934)	10,220
Loss before taxation	(1,747,721)	(117,911)	(31,423)
Income tax credit/(expense)	42,027	(4,212)	(400)
Profit/(loss) for the year attributable to:			
Owners of the Company	(1,666,254)	(120,448)	3,771
Non-controlling interest	(21,280)	(1,675)	(35,594)
	(1,687,534)	(122,123)	(31,823)
(Loss)/earnings per share attributable to equity holders of the Company: (2014: restated)			
Basic (HK cent)	(74.66)	(9.21)	0.43
Diluted (HK cent)	(74.66)	(9.21)	0.43
Dividends	—	—	—
Dividends per share	—	—	—

The auditors of the Company did not issue any qualified opinion on the financial statements of the Group for the years ended 31 December 2013, 2014 and 2015. Save as disclosed above, the Company had no other items which are exceptional or extraordinary because of size, nature or incidence for the same financial years.

(b) Audited consolidated financial statements

Set out below are the consolidated financial statements of the Group for the financial year ended 31 December 2015 extracted from the annual report of the Company for the year ended 31 December 2015.

Consolidated Statement of Profit or Loss
For the year ended 31 December 2015
(Expressed in Hong Kong dollars)

	Note	**2015** *HK$'000*	**2014** *HK$'000*
Continuing operations:			
Revenue	*4*	67,603	81,105
Cost of sales		(64,499)	(62,800)
Gross profit		3,104	18,305
Other income	*6*	22,100	58,491
Administrative expenses		(89,007)	(135,497)
Assets impairment losses	*7(c)*	(1,641,167)	(934)
Other net operating expenses		(1,689)	(1,313)
Loss from operations		(1,706,659)	(60,948)
Finance costs	*7(a)*	(29,008)	(26,346)
Share of losses of joint ventures		(10,217)	(960)
Loss before taxation from continuing operations	*7*	(1,745,884)	(88,254)
Income tax	*8*	42,027	(6,352)
Loss from continuing operations		(1,703,857)	(94,606)
Discontinued operation:			
Profit/(loss) from discontinued operation, net of tax	*5(a)*	16,323	(27,517)
Loss for the year		(1,687,534)	(122,123)

Consolidated Statement of Profit or Loss
For the year ended 31 December 2015
(Expressed in Hong Kong dollars)

	Note	2015 HK$'000	2014 HK$'000
Attributable to:			
Owners of the Company:			
Loss for the year from continuing operations		(1,682,604)	(94,268)
Profit/(loss) for the year from discontinued operation		16,350	(26,180)
Loss for the year attributable to owners of the Company		(1,666,254)	(120,448)
Non-controlling interests:			
Loss for the year from continuing operations		(21,253)	(338)
Loss for the year from discontinued operation		(27)	(1,337)
Loss for the year attributable to non-controlling interests		(21,280)	(1,675)
Loss for the year		(1,687,534)	(122,123)
Loss per share (2014: restated)	*12*		
Basic (HK cent)		(74.66)	(9.21)
Diluted (HK cent)		(74.66)	(9.21)
Loss per share — continuing operations (2014: restated)	*12*		
Basic (HK cent)		(75.40)	(7.21)
Diluted (HK cent)		(75.40)	(7.21)

Consolidated Statement of Profit or Loss and Other Comprehensive Income
For the year ended 31 December 2015
(Expressed in Hong Kong dollars)

	Note	2015 HK$'000	2014 HK$'000
Loss for the year		(1,687,534)	(122,123)
Other comprehensive income for the year (after tax and reclassification adjustments):	11		
Item that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of financial statements of overseas and PRC subsidiaries		(106,409)	(87,429)
Available-for-sale investments: net movement in the fair value reserve		(7,897)	726
Other comprehensive income for the year		(114,306)	(86,703)
Total comprehensive income for the year		(1,801,840)	(208,826)
Attributable to:			
Owners of the Company		(1,780,539)	(219,627)
Non-controlling interests		(21,301)	10,801
Total comprehensive income for the year		(1,801,840)	(208,826)

Consolidated Statement of Financial Position
At 31 December 2015
(Expressed in Hong Kong dollars)

	Note	2015 HK$'000	2014 HK$'000
Non-current assets			
Exploration and evaluation assets	14	2,159,006	3,474,804
Property, plant and equipment	15	27,508	96,982
Intangible assets	16	67,656	211,015
Goodwill	17	335	512
Interest in joint ventures	20	37,253	55,419
Convertible notes receivables	22	—	9,395
Available-for-sale investments	23	26,933	110,476
Prepayments, deposits and other receivables	26	81,830	56,034
Deferred tax assets	34(b)	3,626	1,301
Total non-current assets		2,404,147	4,015,938
Current assets			
Trading securities	24	96,538	—
Inventories	25	7,392	9,282
Trade and other receivables	26	69,909	97,304
Convertible notes receivables	22	—	53,688
Current tax recoverable	34(a)	2,176	6,153
Cash and cash equivalents	27	29,582	21,693
Assets held for sale	5	130,953	303,058
Total current assets		336,550	491,178
Current liabilities			
Trade and other payables	28	58,748	58,774
Other borrowings	29	95,583	73,410
Promissory note payable	30	32,084	—
Convertible notes payables	31	—	82,774
Liabilities held for sale	5	—	83,726
Total current liabilities		186,415	298,684
Net current assets		150,135	192,494
Total assets less current liabilities		2,554,282	4,208,432

	Note	2015 HK$'000	2014 HK$'000
Non-current liabilities			
Other borrowings	29	292,362	297,203
Promissory note payable	30	—	30,579
Deferred tax liabilities	34(b)	8,665	47,322
Provisions	35	10,900	12,353
Total non-current liabilities		311,927	387,457
NET ASSETS		2,242,355	3,820,975
CAPITAL AND RESERVES			
Share capital	36(c)	24,970	13,850
Reserves		2,266,523	3,831,171
Total equity attributable to owners of the Company		2,291,493	3,845,021
Non-controlling interests		(49,138)	(24,046)
TOTAL EQUITY		2,242,355	3,820,975

Consolidated Statement of Changes in Equity

For the year ended 31 December 2015
(Expressed in Hong Kong dollars)

	Attributable to owners of the Company											
	Share capital	Share premium	Share-based compensation reserve	Capital reserve	Exchange reserve	Fair value reserve	Contributed surplus	Warrants reserve	Accumulated losses	Total	Non-controlling interests	Total equity
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Balance at 1 January 2014	584,999	3,361,961	10,112	9,591	(153,611)	7,171	444,747	1,801	(281,025)	3,985,746	(34,847)	3,950,899
Loss for the year	—	—	—	—	—	—	—	—	(120,448)	(120,448)	(1,675)	(122,123)
Other comprehensive income	—	—	—	—	(99,905)	726	—	—	—	(99,179)	12,476	(86,703)
Total comprehensive income for the year	—	—	—	—	(99,905)	726	—	—	(120,448)	(219,627)	10,801	(208,826)
Shares issued under share option scheme *(note 36(c)(iv))*	622	675	(10)	—	—	—	—	—	—	1,287	—	1,287
Lapse of share options granted under share option scheme	—	—	(7,865)	—	—	—	—	—	7,865	—	—	—
Issue of consideration shares *(note 36(c)(v))*	4,704	48,319	—	—	—	—	—	—	—	53,023	—	53,023
Capital reduction *(note 36(c)(vi))*	(577,158)	—	—	—	—	—	296,133	—	281,025	—	—	—
Shares issued for acquisition of a joint venture *(note 20)*	683	23,909	—	—	—	—	—	—	—	24,592	—	24,592
Balance at 31 December 2014	13,850	3,434,864	2,237	9,591	(253,516)	7,897	740,880	1,801	(112,583)	3,845,021	(24,046)	3,820,975
Balance at 1 January 2015	13,850	3,434,864	2,237	9,591	(253,516)	7,897	740,880	1,801	(112,583)	3,845,021	(24,046)	3,820,975
Loss for the year	—	—	—	—	—	—	—	—	(1,666,254)	(1,666,254)	(21,280)	(1,687,534)
Other comprehensive income	—	—	—	—	(106,388)	(7,897)	—	—	—	(114,285)	(21)	(114,306)
Total comprehensive income for the year	—	—	—	—	(106,388)	(7,897)	—	—	(1,666,254)	(1,780,539)	(21,301)	(1,801,840)
Equity settled share-based payments	—	—	1,553	—	—	—	—	—	—	1,553	—	1,553
Shares issued under open offer *(note 36(c)(ii))*	6,925	108,114	—	—	—	—	—	—	—	115,039	—	115,039
Shares issued under placements *(note 36(c)(iii))*	4,150	103,725	—	—	—	—	—	—	—	107,875	—	107,875
Shares issued under share option scheme *(note 36(c)(iv))*	45	2,511	(872)	—	—	—	—	—	—	1,684	—	1,684
Lapse of share options granted under share option scheme	—	—	(2,075)	—	—	—	—	—	2,075	—	—	—
Transaction with non-controlling interest *(note 5)*	—	—	—	—	—	—	—	—	1,920	1,920	35,880	37,800
Disposal of subsidiaries	—	—	—	—	(1,060)	—	—	—	—	(1,060)	(39,671)	(40,731)
Balance at 31 December 2015	24,970	3,649,214	843	9,591	(360,964)	—	740,880	1,801	(1,774,842)	2,291,493	(49,138)	2,242,355

Consolidated Statement of Cash Flows
For the year ended 31 December 2015
(Expressed in Hong Kong dollars)

	Note	2015 HK$'000	2014 HK$'000
Operating activities			
Loss before taxation from continuing operations		(1,745,884)	(88,254)
Profit/(loss) before taxation from discontinued operation		16,323	(29,657)
		(1,729,561)	(117,911)
Adjustments for:			
Depreciation		6,891	12,189
Amortisation of intangible assets		5,568	14,910
Amortisation of lease prepayments		15	230
Assets impairment losses		1,641,167	934
Interest income		(7,155)	(6,104)
Interest expense		29,011	33,246
Foreign exchange loss/(gain), net		2,395	(21,601)
Gain on disposal of property, plant and equipment		(178)	(35)
Gain on disposal of subsidiaries	13(a)	(18,160)	—
Gain on bargain purchase		—	(16,861)
Net fair value gain on derivative financial instruments		(3,170)	(8,328)
Share-based payment expenses/(income)		1,553	(1,655)
Share of loss of associates		—	2,773
Share of loss of joint ventures		10,217	960
Changes in working capital:			
Decrease in inventories		1,890	302
Increase in trading securities		(5,743)	—
Decrease/(increase) in trade and other receivables		1,786	(48,877)
(Decrease)/increase in trade and other payables		(21,967)	47,377
Cash used in operations		(85,441)	(108,451)
Interest paid		(20,699)	(25,871)
Interest received		45	900
Income tax paid		(9)	(16,031)
Net cash used in operating activities		(106,104)	(149,453)

	Note	2015 HK$'000	2014 HK$'000
Investing activities			
Payment for purchase of exploration and evaluation assets		(39,723)	(1,663)
Payment for purchase of property, plant and equipment		(1,605)	(40,567)
Payment for purchase of lease prepayments		—	(2,343)
Net cash outflows from acquisition of Palmar Largo	*13(b)*	—	(44,690)
Convertible notes receivables acquired		—	(775)
Net cash outflows from disposal of subsidiaries	*13(a)*	(3,095)	—
Proceeds from disposal of property, plant and equipment		2,195	42
Net cash used in investing activities		(42,228)	(89,996)
Financing activities			
Proceeds from other borrowings		109,499	251,681
Repayment of other borrowings		(98,263)	(70,499)
Repayment of promissory notes payables		—	(20,811)
Repayment of convertible notes payables		(83,475)	—
Capital element of finance lease rentals paid		—	(99)
Interest element of finance lease rentals paid		—	(20)
Proceeds from issue of new shares, net of transaction costs		224,598	1,287
Decrease in pledged deposits		—	19,031
Net cash generated from financing activities		152,359	180,570
Net increase/(decrease) in cash and cash equivalents		4,027	(58,879)
Cash and cash equivalents at 1 January		25,559	87,104
Effect of foreign exchange rate changes		(4)	(2,666)
		29,582	25,559
Cash and cash equivalents reclassified as assets held for sale		—	(3,866)
Cash and cash equivalents at 31 December	*27*	29,582	21,693

Notes to the Financial Statements

(Expressed in Hong Kong dollars unless otherwise indicated)

1 BACKGROUND INFORMATION

New Times Energy Corporation Limited ("the Company") is a limited liability company incorporated in Bermuda and its registered office and principal place of business are Clarendon House, 2 Church Street, Hamilton HM11, Bermuda and Room 1402, 14/F., New World Tower I, 16–18 Queen's Road Central, Hong Kong respectively. The Company is listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The Company is an investment holding company and its subsidiaries (hereinafter collectively referred to as "the Group") are principally engaged in: (i) exploration, development, production and sale of natural resources; and (ii) distribution of natural gas (partially disposed and lost control on 24 February 2015).

2 SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of compliance

These financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards (HKFRSs), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (HKASs) and Interpretations issued by the Hong Kong Institute of Certified Public Accountants (HKICPA), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Listing Rules"). A summary of the significant accounting policies adopted by the Group is set out below.

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

(b) Basis of preparation of the financial statements

The consolidated financial statements for the year ended 31 December 2015 comprise the Company and its subsidiaries and the Group's interest in associates and joint ventures.

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

— Financial instruments classified as available-for-sale or as trading securities (see note 2(h)); and

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

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

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

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

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

For the year ended 31 December 2015, the Group incurred a net loss of HK$62,690,000 from continuing operations before assets impairment losses. As at 31 December 2015, the Group had net current assets of HK$150,135,000 (2014: HK$192,494,000), which include assets held for sales of HK$130,953,000 (2014: net assets from disposal group held for sale of HK$219,332,000) (see note 5). The liquidity of the Group is primarily dependent on its ability to maintain adequate cash inflows from operations and sufficient financing to meet its financial obligations as and when they fall due and to meet its committed future capital expenditures.

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

(i) Transaction II relating to the disposal of Shine Great Investments Limited (see note 5) is expected to be completed in the second quarter of 2016. Upon completion, the Group will receive convertible notes issued by Blue Sky Power Holdings Limited for a principal amount of not less than HK$132,535,000;

(ii) The Group has received confirmations from several lenders of the Group in aggregate principal of HK$118,181,000 to provide undertaking in relation to extension of certain debts, which to be matured within the next twelve months from the reporting period end date, for a period of not less than twelve months upon request by the Company;

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

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

(c) Changes in accounting policies

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

- Amendments to HKAS 19, *Employee benefits: Defined benefit plans: Employee contributions*
- Annual Improvements to HKFRSs 2010–2012 Cycle
- Annual Improvements to HKFRSs 2011–2013 Cycle

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period. Impacts of the adoption of the amended HKFRSs are discussed below:

Amendments to HKAS 19, Employee benefits: Defined benefit plans: Employee contributions

The amendments introduce a relief to reduce the complexity of accounting for certain contributions from employees or third parties under defined benefit plans. When the contributions are eligible for the practical expedient provided by the amendments, a company is allowed to recognise the contributions as a reduction of the service cost in the period in which the related service is rendered, instead of including them in calculating the defined benefit obligation. The amendments do not have an impact on these financial statements as the Group does not operate defined benefit plans.

Annual Improvements to HKFRSs 2010–2012 Cycle and 2011–2013 Cycle

These two cycles of annual improvements contain amendments to nine standards with consequential amendments to other standards. Among them, HKAS 24, Related party disclosures has been amended to expand the definition of a "related party" to include a management entity that provides key management personnel services to the reporting entity, and to require the disclosure of the amounts incurred for obtaining the key management personnel services provided by the management entity. These amendments do not have an impact on the Group's related party disclosures as the Group does not obtain key management personnel services from management entities.

(d) Subsidiaries and non-controlling interests

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

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

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

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

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

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

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

(e) Joint arrangement and associates

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

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

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

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

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

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

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

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

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

(f) Business combinations

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

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

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

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

(g) Goodwill

Goodwill represents the excess of:

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

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

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

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

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

(h) Other investments in debt and equity securities

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

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

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

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

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

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

(i) Derivative financial instruments

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

(j) Exploration and evaluation assets

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

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

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

(k) Property, plant and equipment

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

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

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

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

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

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

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

(l) Intangible assets (other than goodwill)

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

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

Operation rights	30 years

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

Both the period and method of amortisation are reviewed annually.

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

(m) Leased assets

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

(i) Classification of assets leased to the Group

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

(ii) Assets acquired under finance leases

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

(iii) Operating lease charges

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

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

(n) Impairment of assets

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

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

— significant financial difficulty of the debtor;

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

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

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

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

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

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

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

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

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

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

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

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

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

(ii) Impairment of exploration and evaluation assets

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

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

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

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

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

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

(iii) Impairment of other assets

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

— property, plant and equipment;

— lease prepayments;

— intangible assets;

— goodwill; and

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

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

— *Calculation of recoverable amount*

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

— *Recognition of impairment losses*

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

— *Reversals of impairment losses*

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

(iv) Interim financial reporting and impairment

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

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

(o) Inventories

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

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

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

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

(p) Trade and other receivables

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

(q) Convertible notes

(i) Convertible notes that contain an equity component

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

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

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

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

(ii) Other convertible notes

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

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

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

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

(r) Interest-bearing borrowings

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

(s) Trade and other payables

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

(t) Cash and cash equivalents

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

(u) Employee benefits

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

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

(ii) Share-based payments

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

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

(iii) Termination benefits

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

(v) Income tax

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

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

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

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

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

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

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

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

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

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

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

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

(w) Financial guarantees issued, provisions and contingent liabilities

(i) Financial guarantees issued

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

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

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

(ii) Contingent liabilities assumed in business combinations

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

(iii) Other provisions and contingent liabilities

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

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

(x) Revenue recognition

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

(i) Sale of goods

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

(ii) Dividends

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

(iii) Interest income

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

(y) Translation of foreign currencies

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

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

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

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

(z) Borrowing costs

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

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

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

(i) Non-current assets held for sale

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

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

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

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

(ii) Discontinued operations

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

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

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

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

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

(bb) Related parties

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

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

(ii) has significant influence over the Group; or

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

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

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

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

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

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

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

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

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

(viii) The entity, or any member of a group of which it is a part, provides 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.

(cc) Segment reporting

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

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

3 ACCOUNTING JUDGEMENTS AND ESTIMATES

Notes 22, 23 and 31 contain information about the assumptions and their risk factors relating to valuation of convertible notes receivables, available-for-sale investments and convertible notes payables. Other key sources of estimation uncertainty are as follows:

(i) Oil and gas properties and reserves

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

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

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

(ii) Impairment losses of non-current assets

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

(iii) Impairment losses of available-for-sale financial investments

The Group classifies certain assets as available-for-sale and recognises movements of their fair values in equity. When the fair value declines, management makes assumptions about the decline in value to determine whether there is an impairment that should be recognised in the consolidated statement of profit or loss.

(iv) Impairment losses for bad and doubtful debts

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

(v) Depreciation and amortisation

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

(vi) Income tax

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

4 REVENUE AND SEGMENT REPORTING

(a) Revenue

Continuing operations

The principal activities of the Group are exploration, development, production and sale of natural resources.

Revenue represents the sales value of goods supplied to customers.

	2015	2014
	HK$'000	*HK$'000*
Sale of oil products under oil exploration and production	67,603	81,105

The Group's customer base includes three (2014: three) customers with whom transactions have exceeded 10% of the Group's revenues. The amounts of individual customer are disclosed as follows:

	2015	2014
	HK$'000	*HK$'000*
Customer 1	44,127	42,487
Customer 2	14,846	19,471
Customer 3	7,751	11,339

Details of concentrations of credit risk arising from these customers are set out in note 37(a).

(b) Segment reporting

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

Details of the Group's reportable segments as follows:

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

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

(i) Segment results, assets and liabilities

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

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

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

Segment profit/loss represents the profit/loss resulted by each segment without allocation of provision for impairment losses on trade and other receivables, impairment of non-current assets, share of losses of associates and joint ventures, unallocated interest expense and other net expense in corporate head office. This is the measure reported to the Group's most senior executive management for the purpose of resources allocation and assessment of segment performance.

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

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

	Upstream									
	Argentina		US		Sub-total		Distribution of natural gas (discontinued operation)		Total	
	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Reportable segment revenue *(note)*	66,725	80,040	878	1,065	67,603	81,105	1,704	7,633	69,307	88,738
Reportable segment (loss)/ profit	(22,347)	2,444	(13,049)	(18,438)	(35,396)	(15,994)	(1,837)	(26,884)	(37,233)	(42,878)
Depreciation and amortisation	11,571	17,078	344	221	11,915	17,299	—	9,866	11,915	27,165
Interest income	26	169	1,866	4,924	1,892	5,093	—	57	1,892	5,150
Interest expense	187	55	—	—	187	55	3	6,900	190	6,955
Assets impairment losses										
— exploration and evaluation assets	1,325,794	—	—	—	1,325,794	—	—	—	1,325,794	—
— property, plant and equipment	—	—	56,989	—	56,989	—	—	—	56,989	—
— intangible assets	—	—	120,128	—	120,128	—	—	—	120,128	—
— convertible notes receivables	—	—	55,157	—	55,157	—	—	—	55,157	—
Reportable segment assets	2,309,823	3,658,020	70,749	310,083	2,380,572	3,968,103	—	290,703	2,380,572	4,258,806
Additions to non-current segment assets during the year	94,663	3,244	—	68,889	94,663	72,133	—	49,609	94,663	121,742
Reportable segment liabilities	(54,024)	(35,240)	(19,568)	(58,083)	(73,592)	(93,323)	—	(83,465)	(73,592)	(176,788)

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

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

	2015	2014
	HK$'000	*HK$'000*
Revenue		
Reportable segment revenue	69,307	88,738
Less: discontinued operation	(1,704)	(7,633)
Consolidated revenue	67,603	81,105
Loss		
Reportable segment loss	(37,233)	(42,878)
Unallocated interest expense	(28,821)	(26,291)
Assets impairment losses	(1,641,167)	—
Other net expenses in corporate head office	(12,123)	(45,009)
Share of post-tax losses of joint ventures	(10,217)	(960)
Gain on disposal of Shine Great Group	(18,160)	—
Less: reportable segment loss from discontinued operation	1,837	26,884
Consolidated loss before taxation from continuing operations	(1,745,884)	(88,254)

	2015	2014
	HK$'000	*HK$'000*
Assets		
Reportable segment assets	2,380,572	4,258,806
Interest in joint ventures	37,253	55,419
Interest in associates	—	12,355
Available-for-sale investments	26,933	110,476
Deferred tax assets	3,626	1,301
Assets held for sale	130,953	—
Unallocated corporate assets		
— Cash and cash equivalents	17,076	8,306
— Trading securities	96,538	—
— Other receivables	47,184	49,916
— Convertible notes receivables	—	9,729
— Others	562	808
Consolidated total assets	2,740,697	4,507,116

	2015	2014
	HK$'000	*HK$'000*
Liabilities		
Reportable segment liabilities	(73,592)	(176,788)
Convertible notes payables	—	(82,774)
Promissory note payable	(32,084)	(30,579)
Obligations under finance leases	—	(261)
Unallocated corporate liabilities		
— Other borrowings	(387,945)	(370,614)
— Others	(4,721)	(25,125)
Consolidated total liabilities	(498,342)	(686,141)

(iii) Geographical information

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

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

	Revenues from external customers		**Specified non-current assets**	
	2015	**2014**	**2015**	**2014**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Hong Kong	—	—	9,013	17,764
Mainland China	1,704	7,633	35,875	53,489
Argentina	66,725	80,040	2,268,702	3,584,068
US	878	1,065	59,998	237,470
Australia	—	—	—	1,975
	69,307	88,738	2,373,588	3,894,766

5 DISCONTINUED OPERATION AND DISPOSAL GROUP/ASSETS HELD FOR SALE

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

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

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

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

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

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

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

The Subscription and Transaction I were completed on 24 February 2015. Upon completion of the Subscription, 1,453,790 subscription shares of Shine Great have been subscribed by Goldlink at a consideration of HK$37,800,000, of which HK$35,880,000 was credited to non-controlling interests and the balance of HK$1,920,000 was credited to the accumulated losses account. Shine Great and its subsidiaries ("Shine Great Group") carried out the Group's operation in distribution of natural gas business segment. On 22 December 2014, the Disposal was approved by the shareholders of the Company. Accordingly, the Shine Great Group has been presented as a discontinued operation in the consolidated statement of profit or loss.

(a) Results of discontinued operation

	2015	**2014**
	HK$'000	*HK$'000*
Revenue	1,704	7,633
Expenses	(3,541)	(34,517)
Share of losses of associates	—	(2,773)
Loss before taxation	(1,837)	(29,657)
Income tax	—	2,140
Loss for the year	(1,837)	(27,517)
Gain on disposal of Shine Great Group	18,160	—
Profit/(loss) from discontinued operation, net of tax	16,323	(27,517)
Attributable to:		
Owners of the Company	16,350	(26,180)
Non-controlling interests	(27)	(1,337)
	16,323	(27,517)
Earnings/(loss) per share (2014: restated)		
Basic (HK cent)	0.74	(2.00)
Diluted (HK cent)	0.74	(2.00)

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

	2015	2014
	HK$'000	*HK$'000*
Net cash generated from operating activities	574	77,426
Net cash used in investing activities	(62)	(48,126)
Net cash used in financing activities	(1,283)	(27,038)
Net cash (outflow)/inflow for the year	(771)	2,262

(c) Disposal group held for sale

On 22 December 2014, the Disposal was approved by the shareholders of the Company. Accordingly, Shine Great Group has been presented as a discontinued operation in the consolidated statement of profit or loss and the assets and liabilities in connection with the Shine Great Group have been classified as a disposal group held for sale since 22 December 2014.

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

(d) Assets held for sale

Upon completion of the Subscription and Transaction I on 24 February 2015, the Group's 49% retained interest in Shine Great Group is accounted for as an associate. The fair value of the 49% retained interest in Shine Great Group assumed at 24 February 2015 was determined by the directors of the Company with reference to a valuation report issued by an independent appraisal firm, ROMA Appraisal Limited and has been classified as assets held for sale since 24 February 2015.

6 OTHER INCOME

Continuing operations

	2015	2014
	HK$'000	*HK$'000*
Bank interest income	27	170
Other interest income	18	503
Interest income on convertible notes receivables	7,110	5,431
Total interest income on financial assets not at fair value through profit or loss	7,155	6,104
Consultancy service income*	—	4,696
Net foreign exchange (loss)/gain	(2,395)	22,414
Gain on bargain purchase	—	16,861
Realised and unrealised gains on trading securities	12,597	—
Net fair value gain on derivative financial instruments	3,170	8,328
Gain on disposal of property, plant and equipment	178	35
Others	1,395	53
	22,100	58,491

* Consultancy service income during the year ended 31 December 2014 represented the income from provision of consultancy service to BCM Energy Partners, Inc ("BCM"), which was satisfied by the issue of 566,000 shares of BCM, equivalent to 3.81% equity interest of the enlarged share capital of BCM, to the Company (see note 23(b)).

7 LOSS BEFORE TAXATION

Loss before taxation is arrived at after charging:

(a) Finance costs

Continuing operations

	2015	2014
	HK$'000	*HK$'000*
Interest on other borrowings	22,793	12,257
Interest on promissory notes payables	1,504	1,928
Interest on convertible notes payables	4,711	12,161
Total interest expenses on financial liabilities not at fair value through profit or loss	29,008	26,346

(b) Staff costs (including directors' remuneration)

Continuing operations

	2015	**2014**
	HK$'000	*HK$'000*
Salaries, wages and other benefits	19,852	29,846
Contributions to defined contribution retirement plan	3,248	3,333
	23,100	33,179

(c) Assets impairment losses

Continuing operations

		2015	**2014**
	Note	*HK$'000*	*HK$'000*
Impairment losses			
— exploration and evaluation assets	*14*	1,325,794	—
— property, plant and equipment	*15*	56,989	—
— intangible assets	*16*	120,128	—
— convertible notes receivables	*22*	62,610	—
— available-for-sale investments	*23*	75,646	934
		1,641,167	934

(d) Other items

Continuing operations

	2015	**2014**
	HK$'000	*HK$'000*
Amortisation of intangible assets	5,568	7,320
Depreciation of property, plant and equipment	6,891	10,143
Operating leases charges:		
minimum lease payments		
— leasehold land and buildings	2,440	2,518
Auditor's remuneration		
— audit services	3,950	4,300
— other services	270	240
Cost of inventories *(note)*	64,499	62,800

Note: Cost of inventories includes HK$10,088,000 (2014: HK$16,539,000) relating to staff costs, depreciation and amortisation expenses, which amount is also included in the respective total amounts disclosed separately above or in note 7(b) for each of these types of expenses.

8 INCOME TAX IN THE CONSOLIDATED STATEMENT OF PROFIT OR LOSS

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

Continuing operations

	2015	**2014**
	HK$'000	*HK$'000*
Current tax — Hong Kong Profits Tax		
Over-provision in respect of prior years	—	(10)
Current tax — overseas		
Provision for the year	9	1
Under-provision in respect of prior years	1,417	11,261
	1,426	11,262
Deferred tax		
Origination and reversal of temporary differences	(43,453)	(4,900)
	(42,027)	6,352

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

Provision for Hong Kong profits fax for 2015 is calculated at 16.5% (2014: 16.5%) of the estimated assessable profits for the year.

Subsidiaries of the Group in the PRC are subject to PRC enterprise income tax at 25% (2014: 25%).

Subsidiaries of the Group in Argentina are subject to Argentina corporate income tax ("CIT") at 35% (2014: 35%) and minimum presumed income tax ("MPIT"). MPIT is supplementary to CIT and is chargeable at the applicable tax rate of 1% on the tax basis of certain assets. The tax liabilities of subsidiaries of the Group in Argentina are the higher of CIT and MPIT.

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

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

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

Continuing operations

	2015	**2014**
	HK$'000	*HK$'000*
Loss before taxation	(1,745,884)	(88,254)
Notional tax on loss before taxation, calculated at the rates applicable to loss in the jurisdictions concerned	(107,163)	(18,014)
Tax effect of non-taxable income	(4,363)	(6,929)
Tax effect of non-deductible expenses	19,793	13,699
Tax effect of tax losses not recognised	5,347	7,375
Tax effect of temporary differences not recognised	42,942	(1,030)
Under-provision in respect of prior years	1,417	11,251
Actual tax (credit)/expense	(42,027)	6,352

9 DIRECTORS' REMUNERATION

Directors' emoluments disclosed pursuant to section 383(1) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation are as follows:

	2015				
	Directors' fees	**Salaries, allowances and benefits in kind**	**Discretionary bonuses**	**Retirement scheme contributions**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Chairman					
Mr. Cheng Kam Chiu, Stewart	—	1,800	150	18	1,968
Executive director					
Mr. Cheng Ming Kit *(note)*	—	2,789	280	18	3,087
Non-executive director					
Mr. Heffner, Paul Lincoln (resigned on 4 March 2016)	200	—	—	—	200
Independent non-executive directors					
Mr. Chan Chi Yuen	200	—	—	—	200
Mr. Chiu Wai On	200	—	—	—	200
Mr. Wong Man Kong, Peter	200	—	—	—	200
Mr. Yung Chun Fai, Dickie	200	—	—	—	200
	1,000	4,589	430	36	6,055

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

Note: Mr. Cheng Ming Kit resigned as Chief Executive Officer of the Company with effect from 19 August 2015.

10 INDIVIDUALS WITH HIGHEST EMOLUMENTS

Of the five individuals with the highest emoluments, two (2014: two) are directors whose emoluments are disclosed in note 9. During the year ended 31 December 2015, the aggregate of the emoluments in respect of the other three individual (2014: three) were as follow:

	2015 *HK$'000*	**2014** *HK$'000*
Salaries, allowances and benefits in kind	4,053	6,793
Discretionary bonuses	951	—
Retirement scheme contributions	783	571
	5,787	7,364

During the year ended 31 December 2015, the emoluments of the three (2014: three) individuals with the highest emoluments were within the following bands:

	2015 *Number of individuals*	**2014** *Number of individuals*
HK$1,000,001–HK$1,500,000	1	—
HK$1,500,001–HK$2,000,000	1	2
HK$2,500,001–HK$3,000,000	1	—
HK$3,500,001–HK$4,000,000	—	1

11 OTHER COMPREHENSIVE INCOME

Other comprehensive income does not have any tax effect for the year ended 31 December 2015 (2014: HK$Nil).

12 LOSS PER SHARE

(a) Basic loss per share

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

	2015			2014		
	Continuing operations *HK$'000*	Discontinued operation *HK$'000*	Total *HK$'000*	Continuing operations *HK$'000*	Discontinued operation *HK$'000*	Total *HK$'000*
(Loss)/profit attributable to owners of the Company	(1,682,604)	16,350	(1,666,254)	(94,268)	(26,180)	(120,448)

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

	2015 *'000*	2014 *'000* (Restated)
Issued ordinary shares at 1 January	1,385,024	1,169,998
Effect of shares issued under open offer *(note 36(c)(ii))*	637,490	—
Effect of bonus element on shares issued under open offer	7,461	83,052
Shares issued under placements *(note 36(c)(iii))*	200,110	—
Effect of share issued under share option scheme *(note 36(c)(iv))*	1,604	772
Effect of issue of consideration shares *(note 36(c)(v))*	—	42,089
Effect of shares issued for acquisition of a joint venture	—	12,165
Weighted average number of ordinary shares (basic) at 31 December	2,231,689	1,308,076

Comparative figures for the weighted average number of ordinary shares for 2014 have been adjusted retrospectively for the effect of the open offer made in January 2015.

(b) Diluted loss per share

For the years ended 31 December 2015 and 2014, diluted loss per share was the same as the basic loss per share as the potential ordinary shares outstanding during the year had an anti-dilutive effect on the basic loss per share.

13 DISPOSAL AND ACQUISITION OF SUBSIDIARIES

(a) Disposal of Shine Great Group

On 24 February 2015, the Subscription and Transaction I of the Disposal (see note 5) were completed. Upon the completion of the Subscription and Transaction I, the Group's effective interest in Shine Great decreased from 100% to 49%. Accordingly, Shine Great Group which carried out the Group's operation in distribution of natural gas business segment, ceased to be subsidiaries of the Group.

(i) Consideration received

The following table summarises the fair value of each major class of consideration received at the disposal date.

	HK$'000
Cash deposit received in 2014	17,000
Convertible bonds	80,072
Total consideration received	97,072

(ii) Details of net assets in respect of Shine Great Group over which control was lost

	HK$'000
Property, plant and equipment	54,816
Lease prepayments	5,619
Intangible assets	58,063
Goodwill	33,619
Interest in associates	12,322
Inventories	221
Trade and other receivables	171,855
Cash and cash equivalents	3,095
	339,610
Other borrowings	(7,539)
Trade and other payables	(66,387)
Obligations under finance leases	(248)
Deferred tax liabilities	(14,836)
	(89,010)
Net assets disposed of	250,600

(iii) Gain on disposal of Shine Great Group

	HK$'000
Consideration received	97,072
Fair value of the remaining 49% interest in Shine Great Group classified as assets held for sale	130,953
Net assets disposed of	(250,600)
Non-controlling interests	39,675
Cumulative exchanges difference in respect of the net assets of Shine Great Group reclassified from equity to profit or loss on loss of control of Shine Great Group	1,060
Gain on disposal	18,160

(iv) Net cash outflow on disposal of Shine Great Group

	HK$'000
Consideration received in cash and cash equivalents	—
Less: cash and cash equivalents disposed of	(3,095)
Net cash outflow on disposal	(3,095)

(b) Acquisition of Palmar Largo

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

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

(i) Consideration transferred

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

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

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

(ii) Acquisition-related costs

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

(iii) Identifiable assets acquired and liabilities assumed

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

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

(iv) Goodwill

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

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

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

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

14 EXPLORATION AND EVALUATION ASSETS

	Exploration rights *HK$'000*	Exploratory drilling *HK$'000*	Geological studies *HK$'000*	Others *HK$'000*	Total *HK$'000*
Cost					
At 1 January 2014	3,233,419	56,929	215,568	40,024	3,545,940
Additions	975	410	278	—	1,663
Exchange adjustments	(2,963)	(8,067)	(42,722)	(2,141)	(55,893)
At 31 December 2014	3,231,431	49,272	173,124	37,883	3,491,710
At 1 January 2015	3,231,431	49,272	173,124	37,883	3,491,710
Additions	2,018	83,752	238	—	86,008
Disposal	—	(212)	—	—	(212)
Exchange adjustments	(4,011)	(26,934)	(49,720)	(2,485)	(83,150)
At 31 December 2015	3,229,438	105,878	123,642	35,398	3,494,356
Accumulated impairment					
At 1 January 2014	—	21,948	—	—	21,948
Exchange adjustments	—	(5,042)	—	—	(5,042)
At 31 December 2014	—	16,906	—	—	16,906
At 1 January 2015	—	16,906	—	—	16,906
Impairment loss *(note (c))*	1,159,623	7,131	123,642	35,398	1,325,794
Exchange adjustments	—	(7,350)	—	—	(7,350)
At 31 December 2015	1,159,623	16,687	123,642	35,398	1,335,350
Net book value					
At 31 December 2015	2,069,815	89,191	—	—	2,159,006
At 31 December 2014	3,231,431	32,366	173,124	37,883	3,474,804

(a) On 29 December 2006, JHP International Petroleum Engineering Limited ("JHP") and Maxipetrol — Petroleros de Occidente S.A. (formerly known as "Oxipetrol — Petroleros de Occidente S.A.") ("Maxipetrol") (collectively the "Consortium") were granted the Tartagal Concession and the Morillo Concession under the Provincial Government Decree No.3391/2006 and Decree No.3388/2006 respectively. The Tartagal Concession and Morillo Concession (collectively the "T&M Concessions") are the concessions in the province of Salta in northern Argentina covering a total surface area of approximately 7,065 km2 and 3,518 km2 respectively. Exploration permits and potential exploitation permits were granted for oil and developments of hydrocarbons in the T&M Concessions areas. The exploration permits granted are valid for an initial period of four years starting from 29 December 2006 and additional extensions up to an aggregate of nine years may be obtained. The holder for an exploration permit has the right to obtain an exploitation permit.

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

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

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

(b) As mentioned above, the exploration permits granted are valid for an initial period of four years starting from 29 December 2006 (i.e. expired on 29 December 2010) and additional extensions up to an aggregate of nine years may be obtained. The Group submitted applications to the Secretary of Energy of Province of Salta, Argentina for extension of the exploration permits and obtained the approvals in July 2010, July 2011, December 2013 and March 2016 respectively. Pursuant to the approval document issued in March 2016, the exploration permits have been further extended to 13 September 2017.

(c) An impairment loss on exploration and evaluation assets of HK$1,325,794,000 in respect of T&M UTE has been recognised in the consolidated statement of profit or loss in 2015 due to a lower price environment in the near term. The impairment loss was provided based on value in use calculations with reference to a valuation report issued by an independent appraisal firm, ROMA Appraisal Limited. These calculations used cash flow projections based on financial forecasts prepared by management with reference to a reserve report issued by Netherland, Sewell & Associates, Inc., an independent qualified technical consultant, as of 28 February 2014. The cash flow projections cover the life of the oil fields for a twenty-three-year period. Discount rates of 20.35% and 20.73% for Morillo Concession and Tartagal Concession respectively have been applied in the cash flow projections. The discount rates used reflects specific risks relating to the relevant assets.

15 PROPERTY, PLANT AND EQUIPMENT

	Leasehold improvements HK$'000	Machinery HK$'000	Furniture, fixtures and office equipment HK$'000	Motor vehicles HK$'000	Oil production assets HK$'000	Construction in progress HK$'000	Total HK$'000
Cost							
At 1 January 2014	1,798	9,025	1,854	5,493	10,406	20,489	49,065
Additions	639	394	2,065	—	66,747	23,683	93,528
Acquired through business combination *(note 13(b))*	—	350	133	129	26,154	699	27,465
Disposals	—	—	(10)	—	—	—	(10)
Reclassified to disposal group held for sale *(note 5(c))*	(1,788)	(9,338)	(999)	(2,514)	—	(43,740)	(58,379)
Exchange adjustments	(10)	(94)	(365)	(910)	(1,925)	(189)	(3,493)
At 31 December 2014	639	337	2,678	2,198	101,382	942	108,176
At 1 January 2015	639	337	2,678	2,198	101,382	942	108,176
Additions	—	73	404	807	35	286	1,605
Disposals	—	—	(105)	(1,747)	(4,461)	—	(6,313)
Transfer	—	87	65	—	—	(152)	—
Exchange adjustments	—	(120)	(810)	(347)	(7,761)	(46)	(9,084)
At 31 December 2015	639	377	2,232	911	89,195	1,030	94,384
Accumulated depreciation and impairment							
At 1 January 2014	712	112	755	3,240	—	—	4,819
Charge for the year	375	1,075	1,030	700	9,009	—	12,189
Written back on disposals	—	—	(4)	—	—	—	(4)
Reclassified to disposal group held for sale *(note 5(c))*	(997)	(1,065)	(525)	(1,085)	—	—	(3,672)
Exchange adjustments	(3)	(18)	(132)	(844)	(1,141)	—	(2,138)
At 31 December 2014	87	104	1,124	2,011	7,868	—	11,194
At 1 January 2015	87	104	1,124	2,011	7,868	—	11,194
Charge for the year	173	56	719	253	5,690	—	6,891
Impairment loss *(note)*	—	—	—	—	56,989	—	56,989
Written back on disposals	—	—	(42)	(1,747)	(2,507)	—	(4,296)
Exchange adjustments	—	(40)	(407)	(168)	(3,287)	—	(3,902)
At 31 December 2015	260	120	1,394	349	64,753	—	66,876
Net book value							
At 31 December 2015	379	257	838	562	24,442	1,030	27,508
At 31 December 2014	552	233	1,554	187	93,514	942	96,982

Note: Impairment losses on property, plant and equipment and intangible assets of HK$56,989,000 and HK$120,128,000 (note 16) respectively in respect of the Group's upstream US oil assets have been recognised during the year ended 31 December 2015 which are based on value in use calculations. The impairment losses primarily arose as a result of a lower price environment in the near term. These calculations used cash flow projections based on financial forecasts prepared by management with reference to reserve reports as of 31 December 2015 issued by Chapman Petroleum Engineering Ltd., an independent qualified technical consultant. The cash flow projections cover the life of the oil fields for a fifteen-year period. The cash flows are discounted using a pre-tax discount rate of 11.9%. The discount rate used reflects specific risks relating to the relevant assets.

16 INTANGIBLE ASSETS

	Rights on oil sharing *HK$'000* *(note (a))*	Oil exploration rights *HK$'000*	Operation rights *HK$'000* *(note (b))*	Total *HK$'000*
Cost				
At 1 January 2014	—	156,701	67,072	223,773
Acquired through business combination *(note 13(b))*	65,261	—	—	65,261
Reclassified to disposal group held for sale *(note 5(c))*	—	—	(66,861)	(66,861)
Exchange adjustments	(4,597)	24	(211)	(4,784)
At 31 December 2014	60,664	156,725	—	217,389
At 1 January 2015	60,664	156,725	—	217,389
Exchange adjustments	(21,015)	(8)	—	(21,023)
At 31 December 2015	39,649	156,717	—	196,366
Accumulated amortisation and impairment				
At 1 January 2014	—	—	1,081	1,081
Charge for the year	7,287	33	7,590	14,910
Reclassified to disposal group held for sale *(note 5(c))*	—	—	(8,639)	(8,639)
Exchange adjustments	(946)	—	(32)	(978)
At 31 December 2014	6,341	33	—	6,374
At 1 January 2015	6,341	33	—	6,374
Charge for the year	5,552	16	—	5,568
Impairment loss *(note 15)*	—	120,128	—	120,128
Exchange adjustments	(3,360)	—	—	(3,360)
At 31 December 2015	8,533	120,177	—	128,710
Net book value				
At 31 December 2015	31,116	36,540	—	67,656
At 31 December 2014	54,323	156,692	—	211,015

Notes:

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

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

The operation rights related to the Shine Great Group have been classified as assets held for sale in 2014. Details are set out in note 5.

17 GOODWILL

	2015	2014
	HK$'000	*HK$'000*
Cost:		
At 1 January	512	33,620
Acquired through business combination *(note 13(b))*	—	551
Reclassified to disposal group held for sale *(note 5(c))*	—	(33,619)
Exchange adjustments	(177)	(40)
At 31 December	335	512

18 INVESTMENTS IN SUBSIDIARIES

Details of the Company's subsidiaries as at 31 December 2015 are as follows:

Name of company	Place of establishment/ incorporation and business	Particulars of issued and paid up capital	Proportion of ownership interest: Group's effective interest	Proportion of ownership interest: Held by the Company	Proportion of ownership interest: Held by the subsidiary	Principal activities
Total Belief Limited	BVI	1 ordinary share of US$1 each	100%	100%	—	Investment holding
Jade Honest Limited	BVI	2,700 ordinary shares of US$1 each	100%	100%	—	Dormant
Absolute Champ Limited	Hong Kong	1 ordinary share at HK$1 each	100%	—	100%	Investment holding
Ace Diamond Trading Limited	BVI	100 ordinary shares at US$1 each	100%	—	100%	Investment holding
Big Trade Investments Limited	BVI	1 ordinary share at US$1 each	100%	—	100%	Investment holding
Bright Rise Group Limited	BVI	1 ordinary share of US$1 each	100%	—	100%	Investment holding
Boardwalk Global Limited	BVI	100 ordinary shares at US$1 each	100%	—	100%	Investment holding
Cheer Profit Group Limited	BVI	1 ordinary share of US$1 each	100%	—	100%	Investment holding
Clear Elite Holdings Limited	BVI	100 ordinary shares of US$1 each	100%	—	100%	Investment holding
Discovery Operating LLC	United States	Nil paid	100%	—	100%	Dormant
ET-LA, LLC	Untied States	Registered capital of US$500	100%	—	100%	Investment holding

Name of company	Place of establishment/ incorporation and business	Particulars of issued and paid up capital	Proportion of ownership interest: Group's effective interest	Held by the Company	Held by the subsidiary	Principal activities
Grand Rich Trading Limited	BVI	1 ordinary share of US$1 each	100%	—	100%	Investment holding
Golden Giants Limited	BVI	1 ordinary share at US$1 each	100%	—	100%	Investment holding
Happy Light Group Limited	BVI	1 ordinary share of US$1 each	100%	—	100%	Investment holding
High Luck Holding (Hong Kong) Limited	Hong Kong	1 ordinary share of HK$1 each	100%	—	100%	Investment holding
High Luck Group Limited	BVI	100 ordinary shares of US$1 each	100%	—	100%	Investment holding
Jumbo Hope Group Limited	Hong Kong	1 ordinary share of HK$1 each	100%	—	100%	Investment holding
Novastar Capital Limited	BVI	100 ordinary shares of US$1 each	100%	—	100%	Investment holding
NTE-Utah, LLC	Untied States	Registered capital of US$500	100%	—	100%	Investment holding
Power Jet Group Limited	BVI	1 ordinary share of US$1 each	100%	—	100%	Dormant
Prominent Sino Holdings Limited	BVI	100 ordinary shares of US$1 each	100%	—	100%	Investment holding
Summer Star Holdings Limited	BVI	100 ordinary shares of US$1 each	100%	—	100%	Dormant
Techno Wealth Limited	BVI	1 ordinary share of US$1 each	100%	—	100%	Investment holding
Tiger Energy Mineral Leasing, LLC	Untied States	Nil paid	100%	—	100%	Developing oil and gas properties
Tiger Energy Operating LLC	Untied States	Nil paid	100%	—	100%	Developing oil and gas properties
United Oil & Resources Trading Limited	Hong Kong	100 ordinary shares of HK$1 each	100%	—	100%	Dormant
Value Train Investments Limited	BVI	100 ordinary shares of US$1 each	100%	—	100%	Investment holding
深圳市源協貿易有限公司*	PRC	Registered capital of US$1,000,000	100%	—	100%	Investment holding
Tiger Energy Partners International LLC	Untied States	Nil paid	75%	—	75%	Developing oil and gas properties

Name of company	Place of establishment/ incorporation and business	Particulars of issued and paid up capital	Proportion of ownership interest: Group's effective interest	Held by the Company	Held by the subsidiary	Principal activities
New Phoenix Global Limited	BVI	200 ordinary shares at US$1 each	73%	—	73%	Investment holding
High Luck Group Limited Tartagal Oriental and Morillo — UTE (formerly known as "Maxipetrol Petroleros de Occidente — UTE")	Argentina	Not applicable	69.25%	—	69.25%	Exploration of oil and gas
United Resources Trading Limited	BVI/Hong Kong	100 ordinary shares of US$1 each	51%	—	51%	Trading of oil products

* Wholly foreign owned enterprise established under the PRC law

19 INTEREST IN ASSOCIATE

The following list contains only a material associate, which is an unlisted corporate entity whose quoted market price is not available.

Name of associate	Place of establishment/ incorporation and business	Particulars of issued and paid up capital	Proportion of ownership interest: Group's effective interest	Held by the Company	Held by a subsidiary	Principal activities
Shine Great Investments Limited	BVI	100 ordinary shares of US$1 each	49%	—	49%	Investment holding

Note: During the year ended 31 December 2015, Shine Great ceased to be a subsidiary of the Group and became an associate (note 5(d)). As at 31 December 2015, Shine Great Group was regarded as "assets held for sale" as the directors of the Company determined that the carrying amount of this investment will be recovered by the sale of the remaining 49% equity interest to GoldLink under Transaction II rather than continuing use.

20 INTEREST IN JOINT VENTURES

	2015	2014
	HK$'000	*HK$'000*
Share of net assets	37,253	55,419

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

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

* Limited liability company established under the PRC law

Notes:

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

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

The principal activity of Full Charming Limited and its subsidiaries (collectively ''Full Charming Group'') is the provision of oil services. The share of fair value of net assets of Full Charming Group at the acquisition date was determined by the directors of the Company, with reference to a valuation report issued by LCH (Asia-Pacific) Surveyors Limited.

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

	2015	2014
	HK$'000	*HK$'000*
Gross amounts of Full Charming Group's		
Current assets	7,125	12,830
Non-current assets	97,199	123,321
Current liabilities	(14,304)	(9,206)
Equity	90,020	126,945
Included in the above assets and liabilities:		
Cash and cash equivalents	80	506
Revenue	1,032	—
Loss from continuing operations	(30,916)	(789)
Other comprehensive income	(6,009)	—
Total comprehensive income	(36,925)	(789)
Reconciled to the Group's interest in Full Charming Group		
Gross amounts of equity attributable to the owners of Full Charming Group	85,213	126,945
The Group's effective interest	42.1%	42.1%
The Group's share of equity attributable to the owners of Full Charming Group	35,875	53,444

Aggregate information of joint venture that is not individually material:

	2015	2014
	HK$'000	*HK$'000*
Aggregate carrying amount of individually immaterial joint venture in the consolidated financial statements	1,378	1,975
Aggregate amounts of the Group's share of the joint venture's:		
Loss from continuing operations	(597)	(628)
Total comprehensive income	(597)	(628)

21 INTEREST IN JOINT OPERATION

Significant joint operation	Country of operation	Principal activity	2015	2014
Palmar Largo UTE Interest	Argentina	Exploration, development and exploitation of hydrocarbons	38.15%	38.15%

On 26 February 2014, the Group acquired Palmar Largo UTE Interest (see note 13(b)), and pursuant to Palmar Largo UTE agreement, all the participants in the joint operation approve the operating and capital budgets and therefore the Group has joint control over the relevant activities of Palmar Largo UTE.

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

22 CONVERTIBLE NOTES RECEIVABLES

	2015	2014
	HK$'000	*HK$'000*
Convertible notes receivables classified as:		
Non-current assets	—	9,395
Current assets	63,083	53,688
Less: impairment loss	(63,083)	—
	—	53,688
	—	63,083

The Group's convertible notes receivables represent:

(a) BCM

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

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

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

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

During 2015, the Group has not received any principal nor accrued interest in respect of the outstanding convertible notes and the said event constituted a default in repayment by BCM. The Company is currently in negotiation with BCM for the repayment of the outstanding amounts of past due convertible notes and accrued interests. BCM's principal activities are the exploration and development of oil assets in the US. In view of the lower price environment in the near future and the recent default, the Group provided full impairment loss of HK$62,610,000 on the outstanding convertible notes receivables.

(b) Blue Sky

Upon completion of Transaction I, convertible bonds from Blue Sky in the principal amount of HK$77,805,000, interest free with maturity date on 24 February 2018 were issued to the Group on 24 February 2015. All the convertible bonds from Blue Sky were converted into 205,290,521 ordinary shares of Blue Sky at the exercise price of HK$0.379 per share.

Summarised movements in the carrying amount of the convertible notes receivables are set out below:

	Loan receivable	Embedded financial derivative	Total
	HK$'000	*HK$'000*	*HK$'000*
At 1 January 2014	53,922	—	53,922
Additions	775	—	775
Interest credited during the year	5,431	—	5,431
Fair value adjustments	—	2,899	2,899
Exchange adjustments	56	—	56
At 31 December 2014	60,184	2,899	63,083
At 1 January 2015	60,184	2,899	63,083
Additions	47,711	32,361	80,072
Interest credited during the year	7,110	—	7,110
Fair value adjustments	—	3,160	3,160
Exchange adjustments	(20)	—	(20)
Converted during the year	(52,618)	(38,177)	(90,795)
Impairment loss recognised	(62,367)	(243)	(62,610)
At 31 December 2015	—	—	—

23 AVAILABLE-FOR-SALE INVESTMENTS

	2015	2014
	HK$'000	*HK$'000*
Unlisted equity investment, at fair value		
— Nordaq Energy, Inc. ("Nordaq") *(note (a))*	26,933	100,878
— BCM *(note (b))*	—	5,422
	26,933	106,300
Unlisted equity investment, at cost *(note (c))*	—	4,176
Total	26,933	110,476

Notes:

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

During the year ended 31 December 2015, there was a significant decline in the fair value of the Group's available-for-sale investments in Nordaq. The directors of the Company consider that such a decline indicates that the available-for-sale investments have been impaired and an impairment loss of HK$73,945,000, which included a reclassification from other comprehensive income of HK$7,171,000, has been recognised.

(b) During the year ended 31 December 2014, the Group received 566,000 ordinary shares of BCM as remuneration for consultancy services provided to BCM which represented 3.81% equity interest of the enlarged share capital of BCM as at 31 December 2014. Due to the recent default in repayment, full impairment loss on available- for-sale investment of HK$5,422,000 in 2015 (see note 22), which included a reclassification from other comprehensive income of HK$726,000, has been recognised.

(c) During the year ended 31 December 2015, full impairment loss on the Group's available-for-sale investment in unlisted equity investment of HK$4,176,000 has been charged to profit or loss due to the unfavourable future prospect of such investment.

24 TRADING SECURITIES

	2015	**2014**
	HK$'000	*HK$'000*
Listed equity securities at fair value in Hong Kong	96,538	—

The trading securities represent Blue Sky's listed shares from conversion of convertible notes issued by Blue Sky (see note 22).

25 INVENTORIES

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

	2015	**2014**
	HK$'000	*HK$'000*
Oil products	5,828	6,890
Consumables	1,564	2,392
	7,392	9,282

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

	2015	**2014**
	HK$'000	*HK$'000*
Carrying amount of inventories sold *(note 7(d))*	64,499	62,800

26 TRADE AND OTHER RECEIVABLES

	2015	2014
	HK$'000	*HK$'000*
Trade receivables *(note)*	8,790	5,652
Other receivables	33,477	18,040
Amounts due from associates	—	6,507
Amount due from a joint venture	11,021	—
Amounts due from non-controlling shareholders	1,881	1,048
VAT recoverable	34,891	35,623
Other tax recoverable	7,020	8,610
Deposits paid for potential investments	—	17,000
Other prepayment and deposits	54,659	60,858
	151,739	153,338
Reconciliation to the consolidated statement of financial position:		
Non-current	81,830	56,034
Current	69,909	97,304
	151,739	153,338

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

Note:

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

	2015	2014
	HK$'000	*HK$'000*
0–30 days	7,678	5,650
31–60 days	736	—
Over 90 days	376	2
	8,790	5,652

Trade receivables are due within 30 days (2014: 30 days) from the date of billing. Further details on the Group's credit policy are set out in note 37(a).

	2015	2014
	HK$'000	*HK$'000*
Neither past due nor impaired (current)	8,414	5,650
Past due but not impaired (over 3 months)	376	2
	8,790	5,652

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

Receivables that were past due but not impaired related to customers that have a good track record with the Group. Management believes that no impairment allowance is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable. The Group does not hold and collateral over these balances.

27 CASH AND CASH EQUIVALENTS

(a) Cash and cash equivalents comprise:

	2015	2014
	HK$'000	*HK$'000*
Deposits with banks	16	4,628
Cash at bank and in hand	29,566	17,065
Cash and cash equivalents in the statements of financial position and consolidated statement of cash flows	29,582	21,693

(b) Significant non-cash transactions:

(i) On 16 July 2014, the Group, acquired rights, leases and oil and gas property in Utah, US by issuing 138,840,000 shares (see note 36(c)(v)).

(ii) On 8 September 2014, the Group acquired 42.1% of equity interest in Full Charming Limited by issuing 68,310,000 shares (see note 20).

(iii) On 28 February 2015, the Group disposed of 51% equity interest in Shine Great Group by receiving convertible notes in principal amount of HK$77,805,000 and cash consideration of HK$17,000,000 (see note 13(a)).

(iv) In 2015, the convertible notes from Blue Sky (see note 22(b)) in the principal amount of HK$77,805,108 were converted into 205,290,521 ordinary shares of Blue Sky at a conversion price of HK$0.379 per share.

28 TRADE AND OTHER PAYABLES

	2015	2014
	HK$'000	*HK$'000*
Trade payables *(note (b))*	10,010	4,563
Accrued expenses	42,341	28,789
Deposit received from Blue Sky	—	17,000
Others	6,397	8,422
Financial liabilities measured at amortised cost	58,748	58,774

Notes:

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

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

	2015	2014
	HK$'000	*HK$'000*
0–30 days	3,179	2,610
31–60 days	4,300	1,199
61–90 days	64	10
Over 90 days	2,467	744
	10,010	4,563

29 OTHER BORROWINGS

	2015 *HK$'000*	2014 *HK$'000*
Term loans due for repayment within 1 year	95,583	73,410
Term loans due for repayment after 1 year:		
After 1 year but within 2 years	80,962	88,803
After 2 years but within 5 years	64,400	54,400
After 5 years	147,000	154,000
	292,362	297,203
	387,945	370,613
Reconciliation to the consolidated statement of financial position:		
Current liabilities	95,583	73,410
Non-current liabilities	292,362	297,203
	387,945	370,613

Notes:

(a) Other borrowings comprise:

(i) as at 31 December 2014, fixed rate loan from a related party, China Venturetechno International Co., Ltd. (see note 38(b)), of HK$15,047,000. The loan was bearing interest at 5% per annum and repaid on 8 February 2015.

(ii) as at 31 December 2015, fixed rate loan from a related party, China Venturetechno International Co., Ltd. (see note 38(b)), of HK$16,322,000 (2014: HK$15,422,000). The loan is bearing interest at 6% per annum and repayable on 13 July 2016.

(b) Certain of the Group's other borrowings are subject to the fulfilment of covenants relating to the Group's assets/liabilities ratio and consolidated adjusted tangible net assets, as are commonly found in lending arrangements with financial institutions. If the Group were to breach the covenants, the other borrowings would become payable on demand. The Group regularly monitors its compliance with these covenants. Further details of the Group's management of liquidity risk are set out in note 37(b). As at 31 December 2015, none of the covenants relating to other borrowings had been breached.

30 PROMISSORY NOTE PAYABLE

	2015 *HK$'000*	2014 *HK$'000*
Promissory note payable		
— current	32,084	—
— non-current	—	30,579
	32,084	30,579

At 31 December 2015, the promissory note was unsecured, bearing interest at 5% per annum (2014: 5% per annum) and repayable on 11 August 2016.

31 CONVERTIBLE NOTES PAYABLES

	2015	2014
	HK$'000	*HK$'000*
Convertible notes payables	—	82,774

The movement of the carrying amount of the convertible notes payables is set out below:

	Liability component	Derivative component	Total
	HK$'000	*HK$'000*	*HK$'000*
At 1 January 2014	91,046	5,439	96,485
Interest charged during the year	12,161	—	12,161
Repayment	(12,243)	—	(12,243)
Redemption by the issue of promissory note *(note (iii))*	(8,200)	—	(8,200)
Fair value adjustments	—	(5,429)	(5,429)
At 31 December 2014	82,764	10	82,774
At 1 January 2015	82,764	10	82,774
Interest charged during the year	4,711	—	4,711
Fair value adjustments	—	(10)	(10)
Repayment	(87,475)	—	(87,475)
At 31 December 2015	—	—	—

Notes:

(i) On 3 July 2013, the Group issued convertible notes in the principal amount of HK$50,000,000 to an independent third party. The convertible notes are bearing interest at 8% per annum and convertible into ordinary shares of the Company at the option of the holders of the convertible notes at any time between 3 July 2013 and 2 July 2015 at a conversion price of HK$0.79 per share. On 2 July 2015, the outstanding convertible notes in principal amount of HK$50,000,000 were repaid.

(ii) On 13 March 2013, the Group acquired 100% equity interest in Golden Giants Limited for a consideration of HK$52,342,000, which was satisfied by issuing a non-interest bearing convertible notes in the principal amount of HK$38,475,000 and promissory notes in the principal amount of HK$13,867,000.The convertible notes were convertible into ordinary shares of the Company at the option of the holders of the convertible notes at any time between 13 March 2013 and 13 March 2015 at a conversion price of HK$0.90 per share. On 13 March 2015, the outstanding convertible notes in principal amount of HK$38,475,000 were repaid.

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

The convertible notes were bearing interest at 3% per annum and convertible into ordinary shares of the Company at the option of the holders of the convertible notes at any time between 2 July 2013 and 1 July 2014 at a conversion price of HK$1.00 per share. The convertible notes would be redeemed on 1 July 2014 if no conversion on or before 1 July 2014.

During the year ended 31 December 2013, the above convertible notes in the principal amount of HK$18,756,000 were converted into 18,765,240 ordinary shares of the Company. On 1 July 2014, the remaining outstanding convertible notes in principal amount of HK$7,764,000 were redeemed by issuing promissory notes in the amount of HK$8,000,000.

The above convertible notes have been accounted for as a compound financial instrument containing both a derivative component and a liability component:

— Liability component is initially recognised at fair value and thereafter carried at amortised cost.

— The fair value of the derivative component was valued by the directors with reference to a valuation report issued by Roma Appraisal Limited using the binomial option pricing model. The major inputs used in the model are as follows:

	31 December 2014
Stock price	HK$0.23
Exercise price	HK$0.79–0.90
Risk-free rate	0.03%–0.06%
Expected volatility	67.26%–101.70%
Expected dividend yield	0.00%

32 EQUITY SETTLED SHARE-BASED TRANSACTIONS

The Company adopted a share option scheme on 17 May 2011 (“Share Option Scheme”) whereby the directors of the Company are authorised, at their discretion, to invite any eligible person, including employees, directors, consultants, supplier and customer of the Group, to take up options for a nominal consideration to subscribe for shares of the Company.

The total number of shares which may be issued upon exercise of all options to be granted under the scheme shall not in aggregate exceed 10% of the total number of shares of the Company in issue on the adoption date of the Share Option Scheme.

Under the Share Option Scheme, the total number of shares to be issued upon exercise of the options granted to each eligible person (including both exercised and outstanding options) in any 12-months period shall not exceed 1% of the total number of shares in issue. The exercise price (subscription price) shall be such price as determined by the board of directors in its absolute discretion at the time of the making of the offer but in any case the exercise price shall not be lower than the highest of (i) the closing price of the shares as stated in the Stock Exchange’s daily quotations sheets on the date of the offer of grant, which must be a trading day; (ii) the average closing price of the shares as stated in the Stock Exchange’s daily quotations sheets for the five trading days immediately preceding the date of the offer of grant; and (iii) the nominal value of a share.

(a) The terms and conditions of the grants that existed as at 31 December 2015 are as follows:

	Number of shares issuable under options	**Exercise price**	**Vesting conditions**	**Contractual life of options**
Options granted to consultants:				
— on 8 June 2015	3,510,000	HK$0.375	Immediate from date of grant	2 years
Options granted to employees:				
— on 24 January 2013 *(note (i))*	445,600	HK$0.889	Immediate from date of grant	3 years
Total share options granted	3,955,600			

(b) The terms and conditions of the grants that existed as at 31 December 2014 are as follows:

	Number of shares issuable under options	Exercise price	Vesting conditions	Contractual life of options
Options granted to directors:				
— on 30 December 2013	20,984,000	HK$0.750	Immediate from date of grant	2 years
Options granted to employees:				
— on 24 January 2013	400,000	HK$0.990	Immediate from date of grant	3 years
Total share options granted	21,384,000			

(c) The number and the weighted average exercise prices of share options are as follows:

	2015		2014	
	Weighted average exercise price *HK$*	Number of shares issuable under options granted	Weighted average exercise price *HK$*	Number of shares issuable under options granted
Outstanding at the beginning of the year	0.754	21,384,000	0.866	44,064,000
Adjustments to the number of the outstanding share options following the open offer *(note (i))*	0.677	2,437,776	—	—
Granted during the year *(note (ii))*	0.375	8,000,000	—	—
Exercised during the year	0.375	(4,490,000)	1.034	(1,244,000)
Lapsed during the year *(note (iii))*	0.673	(23,376,176)	0.968	(21,436,000)
Outstanding at the end of the year	0.433	3,955,600	0.754	21,384,000
Exercisable at the end of the year	0.433	3,955,600	0.754	21,384,000

Notes:

(i) With reference to the provision of the Share Option Scheme, Rule 17.03(13) of the Listing Rules and the supplementary guidance issued by the Stock Exchange on 5 September 2005 regarding the interpretation of Rule 17.03(13) of the Listing Rules, the exercise price of the outstanding share options and the number of the shares that can be subscribed for upon the exercise of the outstanding share options have been adjusted as a result of the completion of the open offer (see note 36(c)(ii)).

(ii) On 8 June 2015, 8,000,000 share options were granted to consultants. The closing price of the Company's share immediately before the grant date was HK$0.345.

(iii) 23,376,176 (2014: 21,436,000) shares options were lapsed due to the resignation of directors and employees or expiration of the vesting period.

The share options outstanding at 31 December 2015 had an exercise price from HK$0.375 to HK$0.889 (2014: HK$0.75 to HK$0.99) and a weighted average remaining contractual life of 1.3 year (2014: 1.0 year).

As at 31 December 2015, the number of shares in respect of options under the Share Option Scheme that had been granted and remained outstanding was 3,955,600 (2014: 21,384,000) representing approximately 0.16% (2014: approximately 1.54%) of the shares of the Company in issue.

Each option gives the option holder the right to subscribe for one ordinary share in the Company and is settled gross on shares.

(d) Fair value of share options and assumptions

— *Granted to directors and employees*

The fair value of services received in return for share options granted is measured by reference to the fair value of share options granted. The estimate of the fair value of the share options granted is measured based on the Black-Scholes Option Pricing Model. The contractual life of the share option is used as an input into this model. Expectations of early exercise are incorporated in the models.

	24 January 2013	**30 December 2013**
Fair value of share options and assumptions		
Fair value of share options at measurement	HK$0.40	HK$0.10
Share price	HK$0.99	HK$0.60
Exercise price	HK$0.99	HK$0.75
Expected volatility (expressed as weighted average volatility used in the modeling under Black-Scholes option pricing model)	92.87%	43.84%
Option life (expressed as weighted average life used in the modeling)	1.499 years	1.997 years
Expected dividends	—	—
Risk-free interest rate (based on exchange fund notes)	0.14%	0.31%

The expected volatility is based on the historic volatility (calculated based on the weighted average remaining life of the share options), adjusted for any expected changes to future volatility based on publicly available information. Expected dividends are based on historical dividends. Changes in the subjective input assumptions could materially affect the fair value estimate.

— *Granted to consultants*

The fair value for share options granted is measured using the market-based approach, by reference to the discounted cash flow projections, to estimate the fair value of the professional fees that should have been paid. The value was developed by discounting future cash flows from the services to be provided by the consultants, taking into account the uniqueness of the services provided by the consultants, historical monthly payments to similar services provided by the consultants and the service period, along with other out-of-pocket expenses.

The total expense recognised in the Company's profit or loss during the year ended 31 December 2015 in respect of the grant of the aforesaid 8,000,000 share options was HK$1,553,000.

33 EMPLOYEE RETIREMENT BENEFITS

The Group operates a Mandatory Provident Fund Scheme ("the MPF scheme") under the Hong Kong Mandatory Provident Fund Schemes Ordinance for employees employed under the jurisdiction of the Hong Kong Employment Ordinance. The MPF scheme is a defined contribution retirement plan administered by independent trustees. Under the MPF scheme, the employer and its employees are each required to make contributions to the plan at 5% of the employees' relevant income, subject to a cap of monthly relevant income of HK$30,000 (2014: HK$30,000). Contributions to the plan vest immediately.

The Group also participates in the employees' pension schemes of the respective municipal governments in various places (including Argentina) where the Group operates. The Group makes monthly contributions calculated as a percentage of the monthly basic salary and the relevant municipal government undertakes to assume the retirement benefit obligations of all existing and future retirees of the Group.

34 INCOME TAX IN THE STATEMENT OF FINANCIAL POSITION

(a) Current taxation in the statement of financial position represents:

	2015 *HK$'000*	**2014** *HK$'000*
At 1 January	6,153	125
Acquired through business combination *(note 13(b))*	—	(284)
Provision for the year	(9)	(1)
Under-provision in respect of prior years	(1,417)	(11,251)
Income tax paid	9	16,031
Exchange adjustments	(2,560)	1,533
At 31 December	2,176	6,153
Representing:		
Current tax recoverable		
— Argentina corporate income tax	2,176	6,153

(b) Deferred tax assets/(liabilities):

The components of deferred tax assets and liabilities recognised in the consolidated statement of financial position and the movements during the year are as follows:

	Tax losses	**Fair value adjustment on business combination**	**Total**
	HK$'000	*HK$'000*	*HK$'000*
At 1 January 2014	—	(64,348)	(64,348)
Credited to profit or loss	1,783	5,257	7,040
Acquired through business combination *(note 13(b))*	—	(4,030)	(4,030)
Reclassified to disposal group held for sale *(note 5(c))*	—	14,836	14,836
Exchange adjustments	(482)	963	481
At 31 December 2014	1,301	(47,322)	(46,021)
At 1 January 2015	1,301	(47,322)	(46,021)
Credited to profit or loss	4,796	38,657	43,453
Exchange adjustments	(2,471)	—	(2,471)
At 31 December 2015	3,626	(8,665)	(5,039)

Representing:

	2015	**2014**
	HK$'000	*HK$'000*
Deferred tax assets	3,626	1,301
Deferred tax liabilities	(8,665)	(47,322)
	(5,039)	(46,021)

(c) Deferred tax assets not recognised

In accordance with the accounting policy set out in note 2(v), the Group has not recognised deferred tax assets in respect of cumulative tax losses of HK$52,261,000 (2014: HK$36,831,000) and impairment of non-current assets of HK$110,280,000 (2014: Nil) as it is not probable that future taxable profits against which the losses can be utilised will be available in the relevant tax jurisdiction and entity. The tax losses do not expire under current tax legislation.

35 PROVISIONS

The carrying amount of the Group's provisions mainly represented the provisions for asset retirement obligations. Movements of provisions during the year are set out as follows:

	2015	2014
	HK$'000	*HK$'000*
At 1 January	12,353	3,373
Provision for the year	2,827	3,063
Acquired through business combination *(note 13(b))*	—	7,777
Exchange adjustments	(4,280)	(1,860)
At 31 December	10,900	12,353

In accordance with the relevant rules and regulations and the agreements with the surface owners, the Group is obliged to accrue the costs related to the future costs of plugging and abandoning its oil and gas properties, the removal of equipment and facilities from lease acreage and returning such land to its original condition, and indemnification of surface owners for the damages caused by the exploration activities. These costs reflect the estimated legal and contractual obligations associated with the normal operation of oil and gas properties and were capitalised by increasing the carrying amounts of the related assets. The provisions have been determined by the directors based on their best estimates of the level of expenditure and extent of work required.

36 CAPITAL, RESERVES AND DIVIDENDS

(a) Movements in components of equity

The reconciliation between the opening and closing balances of each component of the Group's consolidated equity is set out in the consolidated statement of changes in equity. Details of the changes in the Company's individual components of equity between the beginning and the end of the year are set out below:

The Company

	Share capital	Share premium	Share-based compensation reserve	Capital reserve	Fair value reserve	Contributed surplus	Warrants reserve	Accumulated losses	Total equity
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Balance at 1 January 2014	584,999	3,361,961	10,112	9,591	—	444,747	1,801	(220,222)	4,192,989
Changes in equity for 2014									
Loss for the year	—	—	—	—	—	—	—	(68,732)	(68,732)
Other comprehensive income	—	—	—	—	726	—	—	—	726
Shares issued under share option scheme *(note 36(c)(iv))*	622	675	(10)	—	—	—	—	—	1,287
Issue of consideration shares *(note 36(c)(v))*	4,704	48,319	—	—	—	—	—	—	53,023
Lapse of share options granted under share option scheme	—	—	(7,865)	—	—	—	—	7,865	—
Capital reduction *(note 36(c)(vi))*	(577,158)	—	—	—	—	296,133	—	281,025	—
Shares issued for acquisition of a joint venture *(note 20)*	683	23,909	—	—	—	—	—	—	24,592
Balance at 31 December 2014	13,850	3,434,864	2,237	9,591	726	740,880	1,801	(64)	4,203,885

	Share capital	Share premium	Share-based compensation reserve	Capital reserve	Fair value reserve	Contributed surplus	Warrants reserve	Accumulated losses	Total equity
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Balance at 1 January 2015	13,850	3,434,864	2,237	9,591	726	740,880	1,801	(64)	4,203,885
Changes in equity for 2015									
Loss for the year	—	—	—	—	—	—	—	(2,340,784)	(2,340,784)
Other comprehensive income	—	—	—	—	(726)	—	—	—	(726)
Equity settled share-based payments	—	—	1,553	—	—	—	—	—	1,553
Shares issued under open offer *(note 36(c)(ii))*	6,925	108,114	—	—	—	—	—	—	115,039
Shares issued under placements, net of issuing costs *(note 36(c)(iii))*	4,150	103,725	—	—	—	—	—	—	107,875
Shares issued under share option scheme *(note 36(c)(iv))*	45	2,511	(872)	—	—	—	—	—	1,684
Lapse of share options granted under share option scheme	—	—	(2,075)	—	—	—	—	2,075	—
Balance at 31 December 2015	24,970	3,649,214	843	9,591	—	740,880	1,801	(2,338,773)	2,088,526

(b) Dividends

There is no dividend declared attributable to the year ended 31 December 2015 (2014: HK$Nil).

There is no dividend payable to owners of the Company attributable to previous financial year, approved and paid during the year ended 31 December 2015 (2014: HK$Nil).

(c) Share capital

(i) Authorised and issued share capital

	2015		2014	
	No. of shares *'000*	*HK$'000*	**No. of shares** *'000*	*HK$'000*
Authorised:				
Ordinary shares of HK$0.50 each	—	—	2,000,000	2,000,000
Ordinary shares of HK$0.01 each	200,000,000	2,000,000	—	—
Ordinary shares, issued and fully paid:				
At 1 January				
Ordinary shares of HK$0.50 each	—	—	1,169,998	584,999
Ordinary shares of HK$0.01 each	1,385,024	13,850	—	—
Shares issued under open offer *(note 36(c)(ii))*	692,512	6,925	—	—
Shares issued under placements *(note 36(c)(iii))*	415,000	4,150	—	—
Shares issued for acquisition of a joint venture *(note 20)*	—	—	68,310	683
Shares issued under share option scheme *(note 36(c)(iv))*	4,490	45	1,244	622
Issue of consideration shares *(note 36(c)(v))*	—	—	145,472	4,704
Capital reduction *(note 36(c)(vi))*	—	—	—	(577,158)
At 31 December				
Ordinary shares of HK$0.01 each	2,497,026	24,970	1,385,024	13,850

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. All ordinary shares rank equally with regard to the Company's residual assets.

(ii) Shares issued under open offer

On 30 January 2015, the Company completed an open offer of 692,512,000 ordinary shares at price of HK$0.17 per share for a net proceeds of HK$115,039,000, of which HK$6,925,000 and HK$108,114,000 were credited to the share capital and the share premium account respectively.

(iii) Shares issued under placements

On 23 June 2015, the Company entered into a placing agreement with an independent placing agent, pursuant to which the Company conditionally agreed to place, through this placing agent, up to 415,000,000 ordinary shares at a price of HK$0.268 per share to not less than six independent third parties. The placing was completed on 9 July 2015. A total of 415,000,000 ordinary shares have been placed to certain independent third parties at the price of HK$0.268 per share. The net proceeds from the placing are approximately HK$107,875,000, of which HK$4,150,000 and HK$103,725,000 were credited to the share capital and the share premium account respectively.

(iv) Shares issued under share option scheme

During 2015, options under the Share Option Scheme (see note 32) were exercised to subscribe for 4,490,000 ordinary shares (2014: 1,244,000 ordinary shares) of the Company at a consideration of HK$1,684,000 (2014: HK$1,287,000), of which HK$45,000 (2014: HK$622,000) was credited to the share capital and the balance of HK$1,639,000 (2014: HK$665,000) was credited to the share premium account. An amount of HK$872,000 (2014: HK$10,000) has been transferred from share-based compensation reserve to the share premium account in accordance with the policy set out in note 2(u).

(v) Issue of consideration shares

On 30 January 2014, the Company issued 2,632,000 ordinary shares to Grottini Limited, a business development consultant of the Company, as remuneration for its provision of consultancy services to the Company for a term of 24 months, at a consideration of HK$1,421,000, of which HK$1,316,000 was credited to the share capital and the balance of HK$105,000 was credited to the share premium account.

On 23 May 2014, the Company issued 4,000,000 ordinary shares to Golden Porter Limited, a business development consultant of the Company, as remuneration for its provision of consultancy services to the Company for a term of 24 months, at a consideration of HK$1,620,000, of which, HK$2,000,000 was credited to the share capital and the balance of HK$380,000 was credited to the share premium account.

On 16 July 2014, one of the Group's subsidiaries, Clear Elite Holdings Limited, entered into a sale and purchase agreement with Rio Capital Limited, to acquire rights, leases and oil and gas property in Utah, US at a total consideration of US$11,050,000 (equivalent to approximately HK$86,190,000), of which US$2,150,000 (equivalent to approximately HK$16,770,000) has been paid by the Group in cash prior to the signing of the sale and purchase agreement as earnest money, and the remaining balance of US$8,900,000 (equivalent to approximately HK$69,420,000) shall be paid by the allotment and issue of 138,840,000 consideration shares. On 25 September 2014, an aggregate of 138,840,000 ordinary shares of the Company were issued at a consideration of HK$49,982,000, of which HK$1,388,000 was credited to the share capital and the balance of HK$48,594,000 was credited to the share premium account.

(vi) Capital reduction

Pursuant to a special resolution passed at the Special General Meeting held on 10 September 2014, the Company reduced the paid-up capital of each issued share from HK$0.50 to HK$0.01 by cancelling paid- up capital of the Company to the extent of HK$0.49 on each of the issued shares such that the nominal value of each issued share be reduced from HK$0.50 to HK$0.01 so as to form a new share with nominal value of HK$0.01 each ("Capital Reduction").

The credit arising from the Capital Reduction of HK$577,158,000 was set off against the accumulated losses of the Company of HK$281,025,000 and the balance of HK$296,133,000 was transferred to the contributed surplus.

Each of the unissued shares was sub-divided into 50 new shares of HK$0.01 each immediately after the Capital Reduction becoming effective.

(d) Nature and purpose of reserves

(i) Share premium

The application of the share premium account is governed by the Bermuda Companies Act.

(ii) Share-based compensation reserve

This comprises the portion of fair value of unexercised share options granted to eligible participants of the Company that has been recognised in accordance with the accounting policy adopted for share-based payments in note 2(u).

(iii) Capital reserve

The capital reserve of the Group represents (i) the difference between the amount by which non- controlling interests are adjusted and the fair value of the consideration paid upon acquisition of additional interests in non-wholly owned subsidiaries during the year ended 31 December 2012 and (ii) the difference between the nominal value of ordinary shares issued by the Company and the aggregate of the share capital and share premiums of subsidiaries acquired through a reorganisation in preparation for the listing of the Company's shares on the Stock Exchange in October 1998.

(iv) Exchange reserve

The exchange reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations. The reserve is dealt with in accordance with the accounting policy set out in note 2(y).

(v) Fair value reserve

The fair value reserve represents the change in fair value of the available-for-sale investments of the Group. The reserve is dealt with in accordance with the accounting policy set out in note 2(h).

(vi) Contributed surplus

The contributed surplus of the Group and the Company represented the credit arising from capital reduction in prior years and during the year ended 31 December 2014.

Under Section 54 of the Bermuda Companies Act, contributed surplus is available for distribution as dividends to shareholders subject to the provisions of the Company's bye-laws and provided that immediately following the distribution, the Company is able to pay its liabilities as and when they fall due or the realisable value of the Company's assets would not be less than the aggregate of its liabilities and its issued share capital and share premium account.

(vii) Warrants reserve

The balance represented completion of warrants subscription on 17 July 2012 pursuant to the subscription agreement entered into between the Company and Max Sun. An aggregate of 100,000,000 warrants (conferring the rights to subscribe for 100,000,000 warrant shares at the exercise price of HK$1.05 each) have been issued to Max Sun at the issue price of HK$0.02 per warrant share, less issuance costs of approximately HK$199,000. The subscription rights are exercisable within 60 months from date of issue of warrants.

(e) Distributability of reserves

At 31 December 2015, the Company had no reserves available for cash distribution and/or distribution in specie. Under the Bermuda Companies Act 1981, the Company's contributed surplus in the amount of HK$740,880,000 (2014: HK$740,880,000) is currently not available for distribution. The Company's share premium account in the amount of HK$3,649,214,000 as at 31 December 2015 (2014: HK$3,434,864,000) may be distributed in the form of fully paid bonus shares.

(f) Capital management

The Group's primary objectives when managing its capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefit for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

The Group actively and regularly reviews and manages its capital structure to maintain a balance between the higher shareholders' returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position, and makes adjustments to the capital structure in light of changes in economic conditions.

The Group monitors its capital structure on the basis of an adjusted gearing ratio. This ratio is calculated as net debt divided by total equity. Net debt is calculated as total borrowings (including current and non-current borrowings as shown in the consolidated statement of financial position) less cash and cash equivalents. Total equity is the balance as shown in the consolidated statement of financial position.

During 2015, the Group's strategy, which was unchanged from 2014, was to maintain the ratio at a reasonable level. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, issue new shares or sell assets to reduce debt.

The adjusted gearing ratio as at 31 December 2015 and 2014 was as follow:

	2015	**2014**
	HK$'000	*HK$'000*
Other borrowings *(note 29)*	387,945	370,613
Promissory note payable *(note 30)*	32,084	30,579
Convertible notes payables *(note 31)*	—	82,774
Total borrowings	420,029	483,966
Less: cash and cash equivalents *(note 27)*	(29,582)	(21,693)
Net debt	390,447	462,273
Total equity	2,242,355	3,820,975
Adjusted gearing ratio	17%	12%

Neither the Company nor any of its subsidiaries are subject to externally imposed capital requirements.

37 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS

Exposure to credit, liquidity, interest rate, currency and price risks arises in the normal course of the Group's business. The Group is also exposed to equity price risk arising from its equity investments in other entities and movements in its own equity share price.

The Group's exposure to these risks and the financial risk management policies and practices used by the Group to manage these risks are described below.

(a) Credit risk

(i) Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. The Group has adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral, where appropriate, as a means of mitigating the risk of financial loss from defaults.

(ii) The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. The default risk of the industry and country in which customers operate also has an influence on credit risk. At the end of the reporting period, the Group do not have any concentration of credit risk.

(iii) As at 31 December 2015, the maximum exposure to credit risk is represented by the carrying amount of each financial asset in the consolidated statement of financial position after deducting any impairment allowance.

The Group's credit risk on cash and cash equivalents is limited because the counterparties are banks with high credit ratings assigned by international credit-rating agencies. The Group monitors closely the credit ratings of these counterparties and will take appropriate action when their ratings change.

In respect of trade and other receivables, the management has a credit policy in place and the exposures to these credit risks are monitored on an ongoing basis. Credit evaluations of its customers' financial position and condition are performed on each and every major customer periodically. These evaluations focus on the customer's past history of making payments when due and current ability to pay, and taking into account information specific to the customer as well as pertaining to the economic environment in which the customer operates. Normally, the Group does not require collateral in respect of its financial assets. Debts are usually due within 30 days (2014: 30 days) from the date of billing.

In respect of convertible notes receivables, credit evaluations of the counter parties' financial position and condition are performed. The Group reviews the recoverable amount of convertible notes receivables at the end of the reporting period to ensure that adequate impairment losses are made for irrecoverable amounts.

(iv) The Group does not provide any guarantees which would expose the Group to credit risk.

Further quantitative disclosure in respect of the Group's exposure to credit risk arising from trade and other receivables are set out in note 26.

(b) Liquidity risk

For the year ended 31 December 2015, the Group incurred a net loss of HK$62,690,000 from continuing operations before assets impairment losses. As at 31 December 2015, the Group had net current assets of HK$150,135,000 (2014: HK$192,494,000), which include assets held for sale of HK$130,953,000. The liquidity of the Group is primarily dependent on its ability to maintain adequate cash inflows from operations and sufficient financing to meet its financial obligations as and when they fall due and to meet its committed future capital expenditures. The directors of the Company have carried out a detailed review of the Group's cash flow projections, which cover a period of twelve months from the reporting period end date. Based on such projections, the directors have determined that adequate liquidity exists to finance the working capital and capital expenditure requirements during that period. In preparing the cash flow projections, the directors have considered historical cash requirements of the Group as well as other key factors including new financing from lenders. The directors are of the opinion that the assumptions and sensitivities which are included in the cash flow forecast are reasonable. However, as with all assumptions in regard to future events, these are subject to inherent limitations and uncertainties and some or all of these assumptions may not be realised.

The following table shows the remaining contractual maturities at the end the reporting period of the Group's financial liabilities, which are based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on rates current at the end of the reporting period) and the earliest date the Group can be required to pay:

	2015					
	Within 1 year or on demand	**More than 1 year but less than 2 years**	**More than 2 years but less than 5 years**	**More than 5 years**	**Total**	**Carrying amount**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Trade and other payables	58,748	—	—	—	58,748	58,748
Other borrowings	111,366	99,830	105,642	150,297	467,135	387,945
Promissory note payable	33,000	—	—	—	33,000	32,084
	203,114	99,830	105,642	150,297	558,883	478,777

	2014					
	Within 1 year or on demand	**More than 1 year but less than 2 years**	**More than 2 years but less than 5 years**	**More than 5 years**	**Total**	**Carrying amount**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Trade and other payables	41,774	—	—	—	41,774	41,774
Other borrowings	88,776	109,145	101,724	169,921	469,566	370,613
Promissory note payable	—	33,000	—	—	33,000	30,579
Convertible notes payables	87,475	—	—	—	87,475	82,764
	218,025	142,145	101,724	169,921	631,815	525,730

(c) Interest rate risk

The Group's interest rate risk arises primarily from interest- bearing borrowings.

(i) Interest rate profile

The following table details the interest rate profile of the Group's borrowings at the end of the reporting period.

	2015		2014	
	Effective interest rate		**Effective interest rate**	
	%	*HK$'000*	*%*	*HK$'000*
Fixed rate borrowings:				
Other borrowings	4.00%–8.00%	387,945	4.00%–8.00%	370,613
Promissory note payable	5.00%	32,084	5.00%	30,579
Liability component of convertible notes payables		—	0.00%–8.00%	82,764
		420,029		483,956

(ii) Sensitivity analysis

The directors of the Company considered that the Group's exposure to interest rate risk is not significant, no sensitivity analysis has been presented.

(d) Currency risk

The Group is exposed to currency risk primarily through carrying out exploration activities and investment in convertible notes issued by a foreign company which give rise to convertible note receivable, cash and cash equivalents, trade and other receivables, trade and other payables and other borrowings that are denominated in a currency other than the functional currency of the operations to which the transactions relate. Presently, there is no hedging policy with respect to the foreign exchange exposure.

(i) Exposure to currency risk

The following table details the Group's exposure at the end of the reporting period to currency risk arising from recognised assets or liabilities denominated in a currency other than the functional currency of the entity to which they relate. For presentation purposes, the amounts of the exposure are shown in Hong Kong dollars, translated using the spot rate at the year end date. Differences resulting from the translation of the financial statements of foreign operations into the Group's presentation currency are excluded.

	Exposure to foreign currency (expressed in HK$)	
	2015	**2014**
	US$	**US$**
	HK$'000	*HK$'000*
Convertible notes receivables	—	9,729
Trade and other receivables	10,049	14,675
Cash and cash equivalents	13,403	6,281
Trade and other payables	(129)	(129)
Other borrowings	(123,988)	(96,763)
Net exposure arising from recognised assets and liabilities	(100,665)	(66,207)

(ii) Sensitivity analysis

The directors of the Company considered that the Group's exposure to currency risk is not significant and accordingly, no sensitivity analysis has been presented. It is assumed that the pegged rate between the Hong Kong dollar and the United States dollar would not be materially affected by any changes in movement in value of the United States dollar against other currencies.

(e) Price risk

The Group is engaged in petroleum-related activities. Prices of crude oil are affected by a wide range of global and domestic political, economic and military factors which are beyond the control of the Group. A decrease in such prices could adversely affect the Group's financial position. The Group has not used any derivative instruments to hedge against potential price fluctuations of crude oil. The management will consider hedging oil exposure should the need arises.

(f) Equity price risk

The Group is exposed to equity price changes arising from equity investments classified as trading securities (see note 24) and available-for-sale investments (see note 23).

Sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to equity price risk at the end of the reporting period.

At 31 December 2015, it is estimated that an increase/decrease of 5% in the relevant stock market index (for listed investments) or the equity price of comparable companies, with all other variables held constant, would have decreased/increased the Group's loss after tax by HK$6,174,000 (2014: other comprehensive income of HK$5,315,000) as a result of the revaluation of trading securities and available-for-sale investments.

(g) Fair values measurement

(i) Financial assets and liabilities measured at fair value

Fair value hierarchy

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

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

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

- Level 3 valuations: Fair value measured using significant unobservable inputs

	Fair value measurements as at 31 December 2015 categorised into			
	Fair value at 31 December 2015	Level 1	Level 2	Level 3
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Recurring fair value measurement				
Assets:				
Available-for-sale investments:				
— Unlisted equity investments	26,933	—	26,933	—
Trading securities	96,538	96,538	—	—

	Fair value measurements as at 31 December 2014 categorised into			
	Fair value at 31 December 2014	Level 1	Level 2	Level 3
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Recurring fair value measurement				
Assets:				
Available-for-sale investments:				
— Unlisted equity investment	106,300	—	100,878	5,422
Derivative financial instruments				
— Conversion option embedded in convertible notes receivables	2,899	—	—	2,899
Liabilities:				
Derivative financial instruments				
— Conversion option embedded in convertible notes payables	10	—	—	10

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.

In 2014, valuations for the financial instruments, including available-for-sale investments, convertible notes receivables and convertible notes payables, which are categorised into Level 3 of the fair value hierarchy were prepared by independent valuers, and/or were reviewed and approved by the management. Discussion of the valuation process and results are made to coincide with the reporting dates.

Valuation techniques and inputs used in Level 2 fair value measurements

The equity interest in Nordaq is classified as available- for-sale equity investment and carried at fair value. The fair value is valued using the market approach with reference to the private placing of shares by Nordaq and the share price fluctuations of comparable companies.

Information about Level 3 fair value measurements

	Valuation techniques	**Significant unobservable inputs**	**Range**
Available-for-sale investments — unlisted equity investment	Market comparable companies	Discount for lack of marketability	2015: Nil (2014: 16.15%)
Convertible notes receivables — conversion option embedded in convertible notes	Option pricing model	Expected volatility	2015: Nil (2014: 19.33%–27.33%)
Convertible notes payables — convertible option embedded in convertible notes	Option pricing model	Expected volatility	2015: Nil (2014: 67.26%–101.70%)

The movements during the period in the balance of these Level 3 fair value measurements are as follows:

	2015 *HK$'000*	**2014** *HK$'000*
Unlisted available-for-sale equity investment:		
At 1 January	5,422	—
Payment for purchases	—	4,696
Impairment loss recognised	(5,422)	—
Net unrealised gains or losses recognised in other comprehensive income during the year	—	726
At 31 December	—	5,422
Total gains or losses for the period included in profit or loss for assets held at the end of the reporting period	(4,696)	—

	2015 *HK$'000*	**2014** *HK$'000*
Conversion option embedded in convertible notes receivables:		
At 1 January	2,899	—
Additions	32,361	—
Converted during the year	(38,177)	—
Changes in fair value recognised in profit or loss during the year	3,160	2,899
Impairment loss recognised	(243)	—
At 31 December	—	2,899
Total gains or losses for the period included in profit or loss for assets held at the end of the reporting period	(2,917)	2,899

	2015 *HK$'000*	2014 *HK$'000*
Conversion option embedded in convertible notes payables:		
At 1 January	10	5,439
Changes in fair value recognised in profit or loss during the year	(10)	(5,429)
At 31 December	—	10
Total gains or losses for the period included in profit or loss for liabilities held at the end of the reporting period	—	(5,429)

(ii) Fair value of financial assets and liabilities carried other than fair value

The carrying amounts of the Group's financial instruments carried at cost or amortised cost are not materially different from their fair values as at 31 December 2015 and 2014.

38 MATERIAL RELATED PARTY TRANSACTIONS

The Group has a related party relationship with the following parties:

Name of party	Relationship
New World Tower Company Limited	The company is an indirect wholly-owned subsidiary of New World Development Company Limited, which is controlled by the family of Dato' Dr. Cheng Yu Tung, the ultimate beneficiary of the Company
CiF Solutions Limited	The company is an indirect wholly-owned subsidiary of New World Development Company Limited, which is controlled by the family of Dato' Dr. Cheng Yu Tung, the ultimate beneficiary of the Company
Cheung Hung Development (Holdings) Limited	Mr. Cheng Kam Chiu, Stewart, the Chairman and Executive director of the Company, is a common director
China Venturetechno International Co., Ltd.	Mr. Cheng Kam Chiu, Stewart, the Chairman and Executive director of the Company, is a common director
Blue Sky Power Holdings Limited	Mr. Cheng Ming Kit, the Executive director of Company, is a common director.

Save as disclosed elsewhere in these financial statements, the Group entered into the following material related party transactions:

(a) Key management personnel remuneration

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

	2015	**2014**
	HK$'000	*HK$'000*
Short-term employee benefits	11,361	14,711
Post-employment benefits	94	90
	11,455	14,801

Total remuneration is included in "staff costs" (see note 7(b)).

(b) Financing arrangement

	Amounts due to related parties		**Related interest expenses**	
	2015	**2014**	**2015**	**2014**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Loans from China Venturetechno International Co., Ltd.	(16,322)	(30,469)	1,322	916

(c) Other related party transactions

	Related parties	**Nature of transactions**	**2015**	**2014**
			HK$'000	*HK$'000*
(i)	New World Tower Company Limited	Rent, rates and management fee	1,933	1,959
(ii)	CiF Solutions Limited	IT management and support	102	95
(iii)	Cheung Hung Development (Holdings) Limited	Rent, rates and management fee	—	280
(iv)	Blue Sky Power Holdings Limited	Receipt in advance*	—	17,000
(v)	Blue Sky Power Holdings Limited	Disposal of subsidiaries*	18,160	—

* As disclosed in note 5, a deposit of HK$17,000,000 was received from Blue Sky to the Group as deposit payment relating to the Disposal during the year ended 31 December 2014. On 24 February 2015, the Subscription and Transaction I have been completed and a gain on disposal of subsidiaries of HK$18,160,000 has been recognised.

(d) Applicability of Listing Rules relating to connected transactions

For the year ended 31 December 2015 and 2014, the related party transactions as disclosed in notes 38(c)(i), (iv) and (v) above constitute continuing connected transactions or connected transactions as defined in Chapter 14A of the Listing Rules. The disclosures required by Chapter 14A of the Listing Rules are provided in section "Continuing Connected Transactions" of the Directors' Report. The related party transactions as disclosed in note 38(c)(ii) above are exempt from the disclosure requirements in Chapter 14A of the Listing Rules as they are below the de minimis threshold under Rule 14A.76(1). The other related party transactions do not fall under the definition of connected transaction or continuing connected transaction as defined in Chapter 14A of the Listing Rules.

39 COMMITMENTS

(a) Capital commitments outstanding at 31 December 2015 not provided for in the consolidated financial statements were as follows:

	2015	**2014**
	HK$'000	*HK$'000*
Authorised but not contracted for	10,115	21,140

(b) As at 31 December 2015, total future minimum lease payments under non-cancellable operating leases payable as follows:

	2015	**2014**
	HK$'000	*HK$'000*
Within 1 year	2,916	3,222
After 1 year but within 5 years	1,254	3,729
	4,170	6,951

The Group leases its offices under operating lease arrangements. The leases for properties are negotiated for a term of one to three years. None of the leases includes contingent rentals.

40 COMPANY-LEVEL STATEMENT OF FINANCIAL POSITION

	Note	2015 *HK$'000*	2014 *HK$'000*
Non-current assets			
Investments in subsidiaries		1,886,421	3,783,074
Convertible notes receivables		—	1,288
Available-for-sale investments		—	5,422
Total non-current assets		1,886,421	3,789,784
Current assets			
Prepayments, deposits and other receivables		499,219	781,472
Convertible notes receivables		—	8,440
Cash and cash equivalents		10,104	7,425
Total current assets		509,323	797,337
Current liabilities			
Other payables		45,653	11,079
Other borrowings		16,322	34,982
Convertible notes payables		—	82,774
Total current liabilities		61,975	128,835
Net current assets		447,348	668,502
Total assets less current liabilities		2,333,769	4,458,286
Non-current liabilities			
Borrowings		245,243	223,822
Promissory note payable		—	30,579
Total non-current liabilities		245,243	254,401
NET ASSETS		2,088,526	4,203,885
CAPITAL AND RESERVES			
Share capital	*36(c)*	24,970	13,850
Reserves		2,063,556	4,190,035
TOTAL EQUITY		2,088,526	4,203,885

41 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 DECEMBER 2015

Up to the date of issue of these financial statements, the HKICPA has issued a few amendments and new standards which are not yet effective for the year ended 31 December 2015 and which have not been adopted in these financial statements. These include the following which may be relevant to the Group.

	Effective for accounting periods beginning on or after
Annual Improvements to HKFRSs 2012–2014 Cycle	1 January 2016
Amendments to HKFRS 10 and HKAS 28, *Sale or contribution of assets between an investor and its associate or joint venture*	1 January 2016
Amendments to HKFRS 11, *Accounting for acquisitions of interests in joint operations*	1 January 2016
Amendments to HKAS 1, *Disclosure initiative*	1 January 2016
Amendments to HKAS 16 and HKAS 38, *Clarification of acceptable methods of depreciation and amortisation*	1 January 2016
HKFRS 15, *Revenue from contracts with customers*	1 January 2017
HKFRS 9, *Financial instruments*	1 January 2018

The Group is in the process of making an assessment of what the impact of these amendments and new standards is expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the consolidated financial statements.

Set our below are the consolidated financial statements of the Group for the financial year ended 31 December 2014 extracted from the annual report of the Company for the year ended 31 December 2014.

Consolidated Statement of Profit or Loss
For The Year Ended 31 December 2014
(Expressed in Hong Kong dollars)

		2014	2013
	Note	*HK$'000*	*HK$'000*
			(Restated — note 5)
Continuing operations:			
Turnover	*4*	81,105	321,770
Cost of sales		(62,800)	(319,207)
Gross profit		18,305	2,563
Other revenue	*6*	10,853	8,981
Other net income	*6*	47,638	73,230
Administrative expenses		(135,497)	(94,910)
Other net operating (expenses)/income		(2,247)	12,480
(Loss)/profit from operations		(60,948)	2,344
Finance costs	*7(a)*	(26,346)	(16,231)
Share of losses of joint ventures	*22*	(960)	(232)
Loss before taxation from continuing operations	*7*	(88,254)	(14,119)
Income tax	*8*	(6,352)	(400)
Loss from continuing operations		(94,606)	(14,519)
Discontinued operation:			
Loss from discontinued operation, net of tax	*5(a)*	(27,517)	(17,304)
Loss for the year		(122,123)	(31,823)

	Note	2014 *HK$'000*	2013 *HK$'000* *(Restated — note 5)*
Attributable to:			
Owners of the Company:			
(Loss)/profit for the year from continuing operations		(94,268)	20,043
Loss for the year from discontinued operation		(26,180)	(16,272)
(Loss)/profit for the year attributable to owners of the Company		(120,448)	3,771
Non-controlling interests:			
Loss for the year from continuing operations		(338)	(34,562)
Loss for the year from discontinued operation		(1,337)	(1,032)
Loss for the year attributable to non-controlling interests		(1,675)	(35,594)
Loss for the year		(122,123)	(31,823)
(Loss)/earnings per share	*13(a)*		
Basic (HK cent)		(9.83)	0.43
Diluted (HK cent)		(9.83)	0.43
(Loss)/earnings per share — continuing operations	*13(b)*		
Basic (HK cent)		(7.70)	2.28
Diluted (HK cent)		(7.70)	2.28

Consolidated Statement of Profit or Loss and Other Comprehensive Income
For The Year Ended 31 December 2014
(Expressed in Hong Kong dollars)

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

Consolidated Statement of Financial Position
At 31 December 2014
(Expressed in Hong Kong dollars)

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

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

Statement of Financial Position
At 31 December 2014
(Expressed in Hong Kong dollars)

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

Consolidated Statement of Changes in Equity

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

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

Consolidated Statement of Cash Flows
For the year ended 31 December 2014
(Expressed in Hong Kong dollars)

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

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

Notes to the Financial Statements

(Expressed in Hong Kong dollars unless otherwise indicated)

1 BACKGROUND INFORMATION

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

2 SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of compliance

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

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

(b) Basis of preparation of the financial statements

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Changes in presentation

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

(c) Changes in accounting policies

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

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

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

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

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

Amendments to HKAS 32, Offsetting financial assets and financial liabilities

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

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

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

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

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

HK (IFRIC) 21, Levies

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

(d) Subsidiaries and non-controlling interests

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

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

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

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

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

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

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

(e) Joint arrangement and associates

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

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

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

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

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

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

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

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

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

(f) Business combinations

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

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

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

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

(g) Goodwill

Goodwill represents the excess of:

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

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

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

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

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

(h) Other investments in debt and equity securities

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

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

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

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

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

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

(i) Derivative financial instruments

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

(j) Exploration and evaluation assets

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

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

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

(k) Property, plant and equipment

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

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

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

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

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

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

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

(l) Intangible assets (other than goodwill)

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

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

Operation rights	30 years

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

Both the period and method of amortisation are reviewed annually.

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

(m) Leased assets

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

(i) Classification of assets leased to the Group

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

(ii) Assets acquired under finance leases

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

(iii) Operating lease charges

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

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

(n) Impairment of assets

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

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

— significant financial difficulty of the debtor;

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

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

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

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

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

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

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

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

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

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

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

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

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

(ii) Impairment of exploration and evaluation assets

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

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

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

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

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

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

(iii) Impairment of other assets

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

— property, plant and equipment;

— lease prepayments;

— intangible assets;

— goodwill; and

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

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

— *Calculation of recoverable amount*

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

— *Recognition of impairment losses*

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

— *Reversals of impairment losses*

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

(iv) Interim financial reporting and impairment

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

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

(o) Inventories

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

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

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

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

(p) Trade and other receivables

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

(q) Convertible notes

(i) Convertible notes that contain an equity component

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

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

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

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

(ii) Other convertible notes

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

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

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

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

(r) Interest-bearing borrowings

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

(s) Trade and other payables

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

(t) Cash and cash equivalents

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

(u) Employee benefits

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

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

(ii) Share-based payments

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

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

(iii) Termination benefits

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

(v) Income tax

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

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

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

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

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

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

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

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

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

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

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

  — the same taxable entity; or

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

(w) Financial guarantees issued, provisions and contingent liabilities

(i) Financial guarantees issued

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

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

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

(ii) Contingent liabilities assumed in business combinations

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

(iii) Other provisions and contingent liabilities

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

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

(x) Revenue recognition

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

(i) Sale of goods

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

(ii) Dividends

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

(iii) Interest income

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

(y) Translation of foreign currencies

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

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

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

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

(z) Borrowing costs

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

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

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

(i) Non-current assets held for sale

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

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

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

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

(ii) Discontinued operation

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

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

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

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

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

(bb) Related parties

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

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

(ii) has significant influence over the Group; or

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

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

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

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

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

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

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

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

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

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

(cc) Segment reporting

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

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

3 ACCOUNTING JUDGEMENTS AND ESTIMATES

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

(i) Oil and gas properties and reserves

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

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

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

(ii) Impairment losses of non-current assets

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

(iii) Impairment losses for bad and doubtful debts

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

(iv) Depreciation and amortisation

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

(v) Income tax

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

4 TURNOVER AND SEGMENT REPORTING

(a) Turnover

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

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

Continuing operations

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

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

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

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

(b) Segment reporting

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

Details of the Group's reportable segments as follows:

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

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

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

(i) Segment results, assets and liabilities

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

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

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

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

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

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

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

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

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

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

	2014	2013
	HK$'000	*HK$'000*
Assets		
Reportable segment assets	4,260,074	4,074,804
Interest in joint ventures	55,419	2,681
Interest in associates	12,355	15,225
Available-for-sale investments	110,476	105,988
Deferred tax assets	1,301	—
Unallocated corporate asset		
— Cash and cash equivalents	8,214	78,175
— Other receivables	48,740	129,493
— Convertible notes receivables	9,729	5,548
— Others	808	44
Consolidated total assets	4,507,116	4,411,958
Liabilities		
Reportable segment liabilities	(176,788)	(161,932)
Convertible notes payables	(82,774)	(96,485)
Promissory notes payables	(30,579)	(47,697)
Obligations under finance leases	(261)	(340)
Unallocated corporate liabilities		
— Bank and other borrowings	(370,614)	(144,374)
— Others	(25,125)	(10,231)
Consolidated total liabilities	(686,141)	(461,059)

(iii) Geographical information

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

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

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

5 DISPOSAL GROUP HELD FOR SALE AND DISCONTINUED OPERATION

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

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

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

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

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

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

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

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

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

(a) Results of discontinued operation

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

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

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

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

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

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

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

6 OTHER REVENUE AND NET INCOME

Continuing operations

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

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

7 LOSS BEFORE TAXATION

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

(a) Finance costs

Continuing operations

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

(b) Staff costs (including directors' remuneration)

Continuing operations

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

(c) Other items

Continuing operations

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

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

8 INCOME TAX IN THE CONSOLIDATED STATEMENT OF PROFIT OR LOSS

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

Continuing operations

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

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

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

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

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

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

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

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

Continuing operations

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

9 DIRECTORS' REMUNERATION

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

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

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

Notes:

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

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

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

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

10 INDIVIDUALS WITH HIGHEST EMOLUMENTS

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

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

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

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

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

11 LOSS ATTRIBUTABLE TO OWNERS OF THE COMPANY

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

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

12 OTHER COMPREHENSIVE INCOME

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

13 (LOSS)/EARNINGS PER SHARE

(a) Basic (loss)/earnings per share

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

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

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

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

(b) Diluted (loss)/earnings per share

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

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

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

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

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

14 ACQUISITION OF SUBSIDIARIES

(a) Business Combination

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

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

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

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

(i) Consideration transferred

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

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

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

(ii) Acquisition-related costs

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

(iii) Identifiable assets acquired and liabilities assumed

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

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

(iv) Goodwill

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

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

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

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

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

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

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

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

(i) Consideration transferred

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

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

(ii) Identifiable assets acquired and liabilities assumed

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

(iii) Gain on bargain purchase

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

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

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

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

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

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

(i) Consideration transferred

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

(ii) Identifiable assets acquired and liabilities assumed

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

(iii) Goodwill

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

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

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

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

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

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

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

(i) Consideration transferred

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

(ii) Identifiable assets acquired and liabilities assumed

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

(iii) Goodwill

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

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

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

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

(b) Acquisition of assets through acquisition of a subsidiary

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

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

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

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

15 EXPLORATION AND EVALUATION ASSETS

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

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

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

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

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

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

16 PROPERTY, PLANT AND EQUIPMENT

The Group

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

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

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

17 LEASE PREPAYMENTS

The Group

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

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

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

18 INTANGIBLE ASSETS

The Group

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

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

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

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

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

19 GOODWILL

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

Impairment tests for cash-generating units containing goodwill

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

	2014
	HK$'000
Palmar Largo UTE Interest	512

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

20 INVESTMENTS IN SUBSIDIARIES

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

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

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

			Proportion of ownership interest			
Name of company	**Place of establishment/ incorporation and business**	**Particulars of issued and paid up capital**	**Group's effective interest**	**Held by the Company**	**Held by the subsidiary**	**Principal activities**
Total Belief Limited	BVI	1 ordinary share of US$1 each	100%	100%	—	Investment holding
Jade Honest Limited	BVI	2,700 ordinary shares of US$1 each	100%	100%	—	Dormant
Absolute Champ Limited	Hong Kong	1 ordinary share at HK$1 each	100%	—	100%	Investment holding
Ace Diamond Trading Limited	BVI	100 ordinary shares at US$1 each	100%	—	100%	Investment holding
Big Trade Investments Limited	BVI	1 ordinary share at US$1 each	100%	—	100%	Investment holding
Bright Rise Group Limited	BVI	1 ordinary share of US$1 each	100%	—	100%	Investment holding
Boardwalk Global Limited	BVI	100 ordinary shares at US$1 each	100%	—	100%	Investment holding
Celestial Glory Limited	Hong Kong	1 ordinary share at HK$1 each	100%	—	100%	Investment holding
Cheer Profit Group Limited	BVI	1 ordinary share of US$1 each	100%	—	100%	Investment holding
Clear Elite Holdings Limited	BVI	100 ordinary shares of US$1 each	100%	—	100%	Investment holding
ET-LA, LLC	Untied States	Registered capital of US$500	100%	—	100%	Investment holding

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

Name of company	Place of establishment/ incorporation and business	Particulars of issued and paid up capital	Proportion of ownership interest: Group's effective interest	Held by the Company	Held by the subsidiary	Principal activities
Techno Wealth Limited	BVI	1 ordinary share of US$1 each	100%	—	100%	Investment holding
Tiger Energy Mineral Leasing, LLC	Untied States	Nil paid	100%	—	100%	Dormant
Tiger Energy Operating LLC	Untied States	Nil paid	100%	—	100%	Developing oil and gas properties
United Oil & Resources Trading Limited	Hong Kong	100 ordinary shares of HK$1 each	100%	—	100%	Dormant
Value Train Investments Limited	BVI	100 ordinary shares of US$1 each	100%	—	100%	Investment holding
貴州坤煜經貿有限公司** ("Guizhou Kunyu")	PRC	Registered capital of RMB20,000,000	100%	—	100%	Distribution of natural gas
貴州舜堯能源投資有限公司** ("Guizhou Shunyao")	PRC	Registered capital of RMB20,000,000	100%	—	100%	Distribution of natural gas
貴陽黔鑫能源有限公司**	PRC	Registered capital of RMB1,000,000	100%	—	100%	Dormant
淮安新時代能源有限公司*	PRC	Registered capital of US$2,000,000	100%	—	100%	Investment holding
淮安城北新時代能源有限公司*	PRC	Registered capital of US$6,000,000	100%	—	100%	Dormant
深圳市源協貿易有限公司*	PRC	Registered capital of US$1,000,000	100%	—	100%	Investment holding
深圳中港新時代能源有限公司*	PRC	Registered capital of HK$100,000,000	100%	—	100%	Dormant
深圳全港新時代能源有限公司*	PRC	Registered capital of RMB500,000	100%	—	100%	Dormant
徐州新時代能源有限公司*	PRC	Registered capital of US$10,000,000	100%	—	100%	Dormant

Name of company	Place of establishment/ incorporation and business	Particulars of issued and paid up capital	Proportion of ownership interest: Group's effective interest	Held by the Company	Held by the subsidiary	Principal activities
Tiger Energy Parthers International LLC	United States	Nil paid	75%	—	75%	Developing oil and gas properties
New Phoenix Global Limited	BVI	200 ordinary shares at US$1 each	73%	—	73%	Investment holding
Maxipetrol Petroleros de Occidente — UTE *(note 15)*	Argentina	Not applicable	69.25%	—	69.25%	Exploration of oil and gas
United Resources Trading Limited	BVI/Hong Kong	100 ordinary shares of US$1 each	51%	—	51%	Trading of oil products
Sino Matrix Holdings Limited	Hong Kong	100 ordinary shares at HK$1 each	51%	—	51%	Dormant

* Wholly foreign owned enterprise established under the PRC law

** Limited liability company established under the PRC law

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

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

21 INTEREST IN ASSOCIATES

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

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

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

Notes:

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

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

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

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

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

22 INTEREST IN JOINT VENTURES

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

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

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

Notes:

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

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

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

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

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

Aggregate information of joint venture that is not individually material:

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

23 INTEREST IN JOINT OPERATION

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

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

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

24 CONVERTIBLE NOTES RECEIVABLES

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

The Group's convertible notes receivables represent:

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

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

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

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

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

The Group

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

The Company

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

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

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

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

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

25 AVAILABLE-FOR-SALE INVESTMENTS

The Group

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

The Company

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

Notes:

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

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

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

26 INVENTORIES

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

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

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

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

27 TRADE AND OTHER RECEIVABLES

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

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

Notes:

(a) Trade receivables

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

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

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

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

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

Receivables that were past due but not impaired related to customers that have a good track record with the Group. Management believes that no impairment allowance is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable. The Group does not hold and collateral over these balances.

(b) Other receivables

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

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

(c) Amounts due from subsidiaries

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

28 PLEDGED BANK DEPOSITS

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

29 CASH AND CASH EQUIVALENTS

(a) Cash and cash equivalents comprise:

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

(b) Significant non-cash transactions:

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

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

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

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

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

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

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

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

30 TRADE AND OTHER PAYABLES

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

Notes:

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

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

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

31 BANK AND OTHER BORROWINGS

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

Notes:

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

(b) Other borrowings comprise:

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

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

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

32 PROMISSORY NOTES PAYABLES

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

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

33 CONVERTIBLE NOTES PAYABLES

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

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

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

Notes:

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

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

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

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

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

The convertible notes were convertible into ordinary shares of the Company at the option of the holders of the convertible notes at any time between 11 April 2013 and 11 April 2023 at a conversion price of HK$1 per share. The convertible notes would be redeemed on 11 April 2023 if no conversion on or before 11 April 2023. During the year ended 31 December 2013, the above convertible notes were converted into 107,142,854 ordinary shares of the Company.

(iv) On 3 July 2013, the Group issued convertible notes in the principal amount of HK$50,000,000 to an independent third party. The convertible notes are bearing interest at 8% per annum and convertible into ordinary shares of the Company at the option of the holders of the convertible notes at any time between 3 July 2013 and 2 July 2015 at a conversion price of HK$0.79 per share. The convertible notes would be redeemed on 2 July 2015 if no conversion on or before 2 July 2015.

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

The convertible notes are bearing interest at 3% per annum and convertible into ordinary shares of the Company at the option of the holders of the convertible notes at any time between 2 July 2013 and 1 July 2014 at a conversion price of HK$1 per share. The convertible notes would be redeemed on 1 July 2014 if no conversion on or before 1 July 2014.

During the year ended 31 December 2013, the above convertible notes in the principal amount of HK$18,756,000 were converted into 18,756,240 ordinary shares of the Company. On 1 July 2014, the remaining outstanding convertible notes in principal amount of HK$7,764,000 were redeemed by issuing promissory notes in the amount of HK$8,000,000 (see note 32).

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

The convertible notes are bearing interest at 3% per annum and convertible into ordinary shares of the Company at the option of the holders of the convertible notes at any time between 16 September 2013 and 15 September 2014 at a conversion price of HK$1 per share. The convertible notes would be redeemed on 15 September 2014 if no conversion on or before 15 September 2014. During the year ended 31 December 2013, the above convertible notes were converted into 17,326,846 ordinary shares of the Company.

The convertible notes have been accounted for as a compound financial instrument containing both a derivative component and a liability component:

— Liability component is initially recognised at fair value and thereafter carried at amortised cost.

— The fair value of the derivative component was valued by the directors with reference to a valuation report issued by Roma Appraisal Limited using the binomial option pricing model. The major inputs used in the model are as follows:

	31 December 2014	**31 December 2013**
Stock price	HK$0.23	HK$0.61
Exercise price	HK$0.79–0.90	HK$0.79–1.00
Risk-free rate	0.03%–0.06%	0.14%–0.37%
Expected volatility	67.26%–101.70%	20.43%–39.61%
Expected dividend yield	0.00%	0.00%

34 OBLIGATIONS UNDER FINANCE LEASES

As at 31 December 2014, the obligations under finance leases related to the Shine Great Operation have been classified as liabilities held for sale. Details are set out in note 5.

35 EQUITY SETTLED SHARE-BASED TRANSACTIONS

The Company adopted a new share option scheme on 17 May 2011 ("New Share Option Scheme") whereby the directors of the Company are authorised, at their discretion, to invite any eligible person, including employees, directors, consultants, supplier and customer of the Group, to take up options for a nominal consideration to subscribe for shares of the Company.

The total number of shares which may be issued upon exercise of all options to be granted under the scheme shall not in aggregate exceed 10% of the total number of shares of the Company in issue on the adoption date of the New Share Option Scheme.

Under the New Share Option Scheme, the total number of shares to be issued upon exercise of the options granted to each eligible person (including both exercised and outstanding options) in any 12-months period shall not exceed 1% of the total number of shares in issue. The exercise price (subscription price) shall be such price as determined by the board of directors in its absolute discretion at the time of the making of the offer but in any case the exercise price shall not be lower than the highest of (i) the closing price of the shares as stated in the Stock Exchange's daily quotations sheets on the date of the offer of grant, which must be a trading day; (ii) the average closing price of the shares as stated in the Stock Exchange's daily quotations sheets for the five trading days immediately preceding the date of the offer of grant; and (iii) the nominal value of a share.

(a) The terms and conditions of the grants that existed as at 31 December 2014 are as follows:

	Number of shares issuable under options	**Exercise price**	**Vesting conditions**	**Contractual life of options**
Options granted to directors:				
— on 30 December 2013	20,984,000	HK$0.75	Immediate from date of grant	2 years
Options granted to employees:				
— on 24 January 2013	400,000	HK$0.99	Immediate from date of grant	3 years
Total share options granted	21,384,000			

(b) The terms and conditions of the grants that existed as at 31 December 2013 are as follows:

	Number of shares issuable under options	Exercise price	Vesting conditions	Contractual life of options
Options granted to directors:				
— on 10 August 2012	8,850,000	HK$1.10	Immediate from date of grant	2 years
— on 30 December 2013	27,156,000	HK$0.75	Immediate from date of grant	2 years
Options granted to employees:				
— on 11 June 2012	952,000	HK$1.00	Immediate from date of grant	2 years
— on 10 August 2012	190,000	HK$1.10	Immediate from date of grant	2 years
— on 24 January 2013	650,000	HK$0.99	Immediate from date of grant	3 years
Options granted to consultants and other participants:				
— on 11 June 2012	2,000,000	HK$1.00	Immediate from date of grant	2 years
— on 10 August 2012	630,000	HK$1.10	Immediate from date of grant	2 years
— on 24 January 2013	3,538,000	HK$0.99	Immediate from date of grant	3 years
— on 14 June 2013	98,000	HK$0.80	Immediate from date of grant	2 years
Total share options granted	44,064,000			

(c) The number and the weighted average exercise prices of share options are as follows:

	2014		**2013**	
	Weighted average exercise price *HK$*	**Number of shares issuable under options granted**	**Weighted average exercise price** *HK$*	**Number of shares issuable under options granted**
Outstanding at the beginning of the year	0.87	44,064,000	1.07	14,620,000
Granted during the year *(note i)*	—	—	0.87	57,246,000
Exercised during the year	1.03	(1,244,000)	0.97	(25,164,000)
Lapsed during the year (note ii)	0.97	(21,436,000)	1.03	(2,638,000)
Outstanding at the end of the year	0.75	21,384,000	0.87	44,064,000
Exercisable at the end of the year	0.75	21,384,000	0.87	44,064,000

Notes:

(i) On 24 January 2013, 4 February 2013, 14 June 2013 and 30 December 2013, 17,090,000, 10,000,000, 3,000,000 and 27,156,000 share options were granted respectively. The closing price of the Company's share immediately before the respective dates of grant was HK$0.99, HK$0.98, HK$0.63 and HK$0.60 respectively.

(ii) 21,436,000 (2013: 2,638,000) shares options were lapsed due to the resignation of directors and employees or expiration of the vesting period.

The share options outstanding at 31 December 2014 had an exercise price from HK$0.75 to HK$0.99 (2013: HK$0.75 to HK$1.10) and a weighted average remaining contractual life of 1.0 year (2013: 1.5 years).

As at 31 December 2014, the number of shares in respect of options under the New Share Option Scheme that had been granted and remained outstanding was 21,384,000 (2013: 44,064,000) representing approximately 2% (2013: approximately 4%) of the shares of the Company in issue.

Each option gives the option holder the right to subscribe for one ordinary share in the Company and is settled gross on shares.

(d) Fair value of share options and assumptions

— *Granted to directors and employees*

The fair value of services received in return for share options granted is measured by reference to the fair value of share options granted. The estimate of the fair value of the share options granted is measured based on the Black-Scholes Option Pricing Model. The contractual life of the share option is used as an input into this model. Expectations of early exercise are incorporated in the models.

	11 June 2012	10 August 2012	24 January 2013	30 December 2013
Fair value of share options and assumptions				
Fair value of share options at measurement	HK$0.36	HK$0.34	HK$0.40	HK$0.10
Share price	HK$0.95	HK$0.94	HK$0.99	HK$0.60
Exercise price	HK$1.00	HK$1.10	HK$0.99	HK$0.75
Expected volatility (expressed as weighted average volatility used in the modeling under Black-Scholes option pricing model)	110.52%	110.64%	92.87%	43.84%
Option life (expressed as weighted average life used in the modeling)	0.999 year	0.947 year	1.499 years	1.997 years
Expected dividends	—	—	—	—
Risk-free interest rate (based on exchange fund notes)	0.16%	0.17%	0.14%	0.31%

The expected volatility is based on the historic volatility (calculated based on the weighted average remaining life of the share options), adjusted for any expected changes to future volatility based on publicly available information. Expected dividends are based on historical dividends. Changes in the subjective input assumptions could materially affect the fair value estimate.

— *Granted to consultants and other participants*

The fair value for share options granted is measured using the market-based approach, by reference to the discounted cash flows to estimate the fair value of the professional fees that should have been paid. The value was developed by discounting future cash flows from the services to be provided by the consultants, taking into account the uniqueness of the services provided by the consultants, historical monthly payments to similar services provided by the consultants and the service period, along with other out-of-pocket expenses.

During the year ended 31 December 2013, option offers to subscribe for 14,300,000, 10,000,000 and 3,000,000 shares under the New Share Option Scheme were granted by the Company to the consultants of the Group which entitled the holders thereof to subscribe for an aggregate of 14,300,000, 10,000,000 and 3,000,000 ordinary shares of HK$0.5 each in the capital of the Company with an exercise price of HK$0.99, HK$0.99 and HK$0.80 per share during the exercisable period from 24 January 2013 to 23 January 2016, from 4 February 2013 to 3 February 2015 and from 14 June 2013 to 13 June 2015, respectively. During the year ended 31 December 2014, all outstanding 1,244,000 shares (2013: 25,164,000 shares) were exercised.

36 EMPLOYEE RETIREMENT BENEFITS

The Group operates a Mandatory Provident Fund Scheme ("the MPF scheme") under the Hong Kong Mandatory Provident Fund Schemes Ordinance for employees employed under the jurisdiction of the Hong Kong Employment Ordinance. The MPF scheme is a defined contribution retirement plan administered by independent trustees. Under the MPF scheme, the employer and its employees are each required to make contributions to the plan at 5% of the employees' relevant income, subject to a cap of monthly relevant income of HK$30,000 (HK$25,000 prior to June 2014). Contributions to the plan vest immediately.

The Group also participates in the employees' pension schemes of the respective municipal governments in various places (including Argentina) where the Group operates. The Group makes monthly contributions calculated as a percentage of the monthly basic salary and the relevant municipal government undertakes to assume the retirement benefit obligations of all existing and future retirees of the Group.

The Group also participates in a state-managed scheme in the PRC. The employees of the Group's subsidiaries in the PRC are members of a state-managed retirement benefit scheme operated by the government of the PRC. The subsidiaries are required to contribute a certain percentage of payroll costs to the retirement benefit scheme to fund the benefits. The only obligation of the Group with respect to the retirement benefit scheme is to make the specified contributions.

The total cost charged to profit or loss from continuing operations of HK$3,333,000 (2013 (restated): HK$1,335,000) represents contributions payable to these schemes by the Group in respect of the current reporting period. As at 31 December 2014, none of the contributions due in respect of the reporting period had not been paid over to the schemes.

37 INCOME TAX IN THE STATEMENT OF FINANCIAL POSITION

(a) Current taxation in the statement of financial position represents:

	The Group		The Company	
	2014	**2013**	**2014**	**2013**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
At 1 January	125	(500)	—	(6)
Acquired through business combination *(note 14(a))*	(284)	—	—	—
Provision for the year	(1)	(400)	—	—
(Under)/over-provision in respect of prior years	(11,251)	—	—	3
Income tax paid	16,031	1,036	—	3
Exchange adjustments	1,533	(11)	—	—
At 31 December	6,153	125	—	—
Representing:				
Current tax recoverable				
— Argentina Corporate Income Tax	6,153	483	—	—
Current tax payable				
— Hong Kong Profits tax	—	(356)	—	—
— PRC Enterprise Income Tax	—	(2)	—	—
	6,153	125	—	—

(b) **Deferred tax assets/(liabilities):**

The Group

The components of deferred tax assets and liabilities recognised in the consolidated statement of financial position and the movements during the year are as follows:

	Tax losses	**Fair value adjustment on business combination**	**Total**
	HK$'000	*HK$'000*	*HK$'000*
At 1 January 2013	—	(734)	(734)
Acquired through business combination	—	(64,348)	(64,348)
Eliminated on disposal	—	734	734
At 31 December 2013	—	(64,348)	(64,348)
At 1 January 2014	—	(64,348)	(64,348)
Credited to profit or loss	1,783	5,257	7,040
Acquired through business combination *(note 14(a))*	—	(4,030)	(4,030)
Reclassified to disposal group held for a sale *(note 5)*	—	14,836	14,836
Exchange adjustments	(482)	963	481
At 31 December 2014	1,301	(47,322)	(46,021)

	2014	2013
	HK$'000	*HK$'000*
Representing:		
Deferred tax assets	1,301	—
Deferred tax liabilities	(47,322)	(64,348)
	(46,021)	(64,348)

(c) Deferred tax liabilities not recognised

Under the Enterprise Income Tax Law of the PRC with effect from 1 January 2008 onwards, non-resident enterprises without an establishment or place of business in the PRC or which have an establishment or place of business but the relevant income is not effectively connected with the establishment or a place of business in the PRC will be subject to withholding income tax at the rate of 10% on various types of passive income such as dividends derived from sources in the PRC. On 22 February 2008, the State Administration of Taxation approved Caishui (2008) No. 1 pursuant to which dividend distributions out of retained earnings of foreign investment enterprises prior to 31 December 2007 will be exempted from withholding income tax. The PRC subsidiaries were loss-making and no temporary differences relating to the undistributed profits of the subsidiaries were recognised.

38 PROVISIONS

The carrying amount of the Group's provisions mainly represented the provisions for asset retirement obligations. Movements of provisions during the year are set out as follows:

The Group

	2014	2013
	HK$'000	*HK$'000*
At 1 January	3,373	4,670
Provisions made for the year	3,063	—
Acquired through business combination *(note 14(a))*	7,777	—
Exchange adjustments	(1,860)	—
Eliminated on disposal	—	(1,297)
At 31 December	12,353	3,373

In accordance with the relevant rules and regulations and the agreements with the surface owners, the Group is obliged to accrue the costs related to the future costs of plugging and abandoning its oil and gas properties, the removal of equipment and facilities from lease acreage and returning such land to its original condition, and indemnification of surface owners for the damages caused by the exploration activities. These costs reflect the estimated legal and contractual obligations associated with the normal operation of oil and gas properties and were capitalised by increasing the carrying amounts of the related assets. The provisions have been determined by the directors based on their best estimates of the level of expenditure and extent of work required.

39 CAPITAL, RESERVES AND DIVIDENDS

(a) Movements in components of equity

The reconciliation between the opening and closing balances of each component of the Group's consolidated equity is set out in the consolidated statement of changes in equity. Details of the changes in the Company's individual components of equity between the beginning and the end of the year are set out below:

The Company

	Share capital	Share premium	Share–based compensation reserve	Capital reserve	Fair value reserve	Contributed surplus	Warrants reserve	Accumulated losses	Total equity
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 1 January 2013	338,208	3,206,691	5,053	9,591	—	444,747	1,801	(158,769)	3,847,322
Changes in equity for 2013									
Loss for the year	—	—	—	—	—	—	—	(62,110)	(62,110)
Equity settled share- based payments	—	—	10,597	—	—	—	—	—	10,597
Issue of consideration shares *(note 39(c)(ii))*	10,725	4,934	—	—	—	—	—	—	15,659
Shares issued under share option scheme *(note 39(c)(iii))*	12,582	16,660	(4,881)	—	—	—	—	—	24,361
Lapse of share options granted under share option scheme	—	—	(657)	—	—	—	—	657	—
Shares issued upon conversion of convertible notes *(note 39(c)(iv))*	80,341	84,663	—	—	—	—	—	—	165,004
Shares issued under placements, net of issuing costs *(note 39(c)(v))*	35,500	27,270	—	—	—	—	—	—	62,770
Subscription of new shares *(note 39(c)(vi))*	62,267	12,667	—	—	—	—	—	—	74,934
Shares issued under acquisition of a subsidiary *(note 14(b))*	45,376	9,076	—	—	—	—	—	—	54,452
At 31 December 2013	584,999	3,361,961	10,112	9,591	—	444,747	1,801	(220,222)	4,192,989

	Share capital	Share premium	Share–based compensation reserve	Capital reserve	Fair value reserve	Contributed surplus	Warrants reserve	Accumulated losses	Total equity
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 1 January 2014	584,999	3,361,961	10,112	9,591	—	444,747	1,801	(220,222)	4,192,989
Changes in equity for 2014									
Loss for the year	—	—	—	—	—	—	—	(68,732)	(68,732)
Other comprehensive income	—	—	—	—	726	—	—	—	726
Issue of consideration shares *(note 39(c)(ii))*	4,704	48,319	—	—	—	—	—	—	53,023
Shares issued under share option scheme *(note 39(c)(iii))*	622	675	(10)	—	—	—	—	—	1,287
Lapse of share options granted under share option scheme	—	—	(7,865)	—	—	—	—	7,865	—
Capital reduction *(note 39(c)(vii))*	(577,158)	—	—	—	—	296,133	—	281,025	—
Shares issued for acquisition of a joint venture *(note 22)*	683	23,909	—	—	—	—	—	—	24,592
At 31 December 2014	13,850	3,434,864	2,237	9,591	726	740,880	1,801	(64)	4,203,885

(b) Dividends

There is no dividend declared attributable to the year ended 31 December 2014 (2013: HK$Nil).

There is no dividend payable to owners of the Company attributable to previous financial year, approved and paid during the year ended 31 December 2014 (2013: HK$Nil).

(c) Share capital

(i) Authorised and issued share capital

	2014		2013	
	No. of shares '000	*HK$'000*	*No. of shares '000*	*HK$'000*
Authorised:				
At 1 January				
Ordinary shares of HK$0.50 each	4,000,000	2,000,000	4,000,000	2,000,000
Capital sub-division *(note 39(c)(vii))*	196,000,000	—	—	—
At 31 December				
Ordinary shares of HK$0.50 each	—	—	4,000,000	2,000,000
Ordinary shares of HK$0.01 each	200,000,000	2,000,000	—	—

	2014		2013	
	No. of shares '000	*HK$'000*	*No. of shares '000*	*HK$'000*
Ordinary shares, issued and fully paid:				
At 1 January				
Ordinary shares of HK$0.50 each	1,169,998	584,999	676,416	338,208
Issue of consideration shares *(note 39(c)(ii))*	145,472	4,704	21,450	10,725
Shares issued under share option scheme *(note 39(c)(iii))*	1,244	622	25,164	12,582
Shares issued for acquisition of a a joint venture *(note 22)*	68,310	683	—	—
Shares issued under acquisition of a subsidiary *(note 14(b))*	—	—	90,753	45,376
Shares issued upon conversion of convertible notes *(note 39(c)(iv))*	—	—	160,681	80,341
Shares issued under placements *(note 39(c)(v))*	—	—	71,000	35,500
Subscription of new shares *(note 39(c)(vi))*	—	—	124,534	62,267
Capital reduction *(note 39(c)(vii))*	—	(577,158)	—	—
At 31 December				
Ordinary shares of HK$0.50 each	—	—	1,169,998	584,999
Ordinary shares of HK$0.01 each	1,385,024	13,850	—	—

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. All ordinary shares rank equally with regard to the Company's residual assets.

(ii) Issue of consideration shares

On 10 May 2013, ET-LA, a wholly-owned subsidiary of the Company, entered into a purchase and sale agreement with two independent parties, pursuant to which ET-LA has conditionally agreed to acquire from the two independent parties their respective interests in the oil and gas properties in Louisiana US, at a total consideration of US$2,000,000 (equivalent to approximately HK$17,160,000), which shall be satisfied by way of allotment and issue of 21,450,000 consideration shares at the issue price of HK$0.80 per share by the Company upon completion. On 23 May 2013, an aggregate of 21,450,000 ordinary shares of the Company were issued at a consideration of HK$15,659,000, of which HK$10,725,000 was credited to the share capital and the balance of HK$4,934,000 was credited to the share premium account.

On 30 January 2014, the Company issued 2,632,000 ordinary shares to Grottini Limited, the business development consultant of the Company, as remuneration for its provision of consultancy services to the Company for a term of 24 months, at a consideration of HK$1,421,000, of which HK$1,316,000 was credited to the share capital and the balance of HK$105,000 was credited to the share premium account.

On 23 May 2014, the Company issued 4,000,000 ordinary shares to Golden Porter Limited, the business development consultant of the Company, as remuneration for its provision of consultancy services to the Company for a term of 24 months, at a consideration of HK$1,620,000, of which HK$2,000,000 was credited to the share capital and the balance of HK$380,000 was credited to the share premium account.

On 16 July 2014, one of the Group's subsidiaries, Clear Elite Holdings Limited, entered into a sale and purchase agreement with Rio Capital Limited, to acquire rights, leases and oil and gas property in Utah, US at a total consideration of US$11,050,000 (equivalent to approximately HK$86,190,000), of which US$2,150,000 (equivalent to approximately HK$16,770,000) has been paid by the Group in cash prior to the signing of the sale and purchase agreement as earnest money, and the remaining balance of US$8,900,000 (equivalent to approximately HK$69,420,000) shall be paid by the allotment and issue of 138,840,000 consideration shares. On 25 September 2014, an aggregate of 138,840,000 ordinary shares of the Company were issued at a consideration of HK$49,982,000, of which HK$1,388,000 was credited to the share capital and the balance of HK$48,594,000 was credited to the share premium account.

(iii) Shares issued under share option scheme

During 2014, options under the New Share Option Scheme (see note 35) were exercised to subscribe for 1,244,000 ordinary shares (2013: 25,164,000 ordinary shares) of the Company at a consideration of HK$1,287,000 (2013: HK$24,361,000), of which HK$622,000 (2013: HK$12,582,000) was credited to the share capital and the balance of HK$665,000 (2013: HK$11,779,000) was credited to the share premium account. An amount of HK$10,000 (2013: HK$4,881,000) has been transferred from share- based compensation reserve to the share premium account in accordance with the policy set out in note 2(u).

(iv) Shares issued upon conversion of convertible notes

During the year ended 31 December 2013, convertible notes for a principal amount of HK$165,004,000 were converted into 160,681,495 ordinary shares of the Company.

There was no conversion of convertible notes during 2014.

(v) Shares issued under placements

On 20 December 2012, the Company had entered into a placing agreement with an independent placing agent, pursuant to which the Company had conditionally agreed to place up to 35,000,000 ordinary shares at a price of HK$0.91 per share to not less than six independent third parties. The placing was completed on 14 January 2013. A total of 35,000,000 ordinary shares have been placed to certain independent third parties at the price of HK$0.91 per share.

On 18 January 2013, the Company had entered into a placing agreement with an independent placing agent, pursuant to which the Company had conditionally agreed to place, through this placing agent, up to 22,000,000 ordinary shares at a price of HK$0.91 per share to not less than six independent third parties. The placing was completed on 29 January 2013. A total of 22,000,000 ordinary shares have been placed to certain independent third parties at the price of HK$0.91 per share.

On 25 January 2013, the Company had entered into a placing agreement with an independent placing agent, pursuant to which the Company had conditionally agreed to place, up to 14,000,000 ordinary shares at a price of HK$0.98 per share to not less than six independent third parties. The placing was completed on 6 February 2013. A total of 14,000,000 ordinary shares have been placed to certain independent third parties at the price of HK$0.98 per share.

There was no placement of shares during 2014.

(vi) Subscription of new shares

On 5 July 2013, an aggregate of 34,370,000 subscription shares at the subscription price of HK$0.58 per share were issued by the Company in accordance with the terms of the subscription agreement dated 19 June 2013 and as amended by the supplementary agreement dated 27 June 2013.

On 2 October 2013, the Company and Max Sun entered into a subscription agreement, pursuant to which Max Sun conditionally agreed to subscribe for 90,163,934 ordinary shares at HK$0.61 per share. On 11 December 2013, a total of 90,163,634 ordinary shares were issued at the price of HK$0.61 per share.

There was no subscription of shares during 2014.

(vii) Capital reduction

Pursuant to a special resolution passed at the Special General Meeting held on 10 September 2014, the Company reduced the paid-up capital of each issued share from HK$0.50 to HK$0.01 by cancelling paid-up capital of the Company to the extent of HK$0.49 on each of the issued shares such that the nominal value of each issued share be reduced from HK$0.50 to HK$0.01 so as to form a new share with nominal value of HK$0.01 each. ("Capital Reduction")

The credit arising from the Capital Reduction of HK$577,158,000 was set off against the accumulated losses of the Company of HK$281,025,000 and the balance of HK$296,133,000 was transferred to the contributed surplus.

Each of the unissued shares was sub-divided into 50 new shares of HK$0.01 each immediately after the Capital Reduction becoming effective.

(d) Nature and purpose of reserves

(i) Share premium

The application of the share premium account is governed by the Bermuda Companies Act.

(ii) Share-based compensation reserve

This comprises the portion of fair value of unexercised share options granted to eligible participants of the Company that has been recognised in accordance with the accounting policy adopted for share-based payments in note 2(u).

(iii) Capital reserve

The capital reserve of the Group and the Company represents (i) the difference between the amount by which non-controlling interests are adjusted and the fair value of the consideration paid upon acquisition of additional interests in non-wholly owned subsidiaries during the year ended 31 December 2012 and (ii) the difference between the nominal value of ordinary shares issued by the Company and the aggregate of the share capital and share premiums of subsidiaries acquired through a reorganisation in preparation for the listing of the Company's shares on the Stock Exchange in October 1998.

(iv) Exchange reserve

The exchange reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations. The reserve is dealt with in accordance with the accounting policy set out in note 2(y).

(v) Fair value reserve

The fair value reserve represents the change in fair value of the available-for-sale investment of the Group. The reserve is dealt with in accordance with the accounting policy set out in note 2(h).

(vi) Contributed surplus

The contributed surplus of the Group and the Company represented the credit arising from capital reduction in prior years and during the year ended 31 December 2014.

Under Section 54 of the Bermuda Companies Act, contributed surplus is available for distribution as dividends to shareholders subject to the provisions of the Company's bye-laws and provided that immediately following the distribution, the Company is able to pay its liabilities as and when they fall due or the realisable value of the Company's assets would not be less than the aggregate of its liabilities and its issued share capital and share premium account.

(vii) Warrants reserve

The balance represented completion of warrants subscription on 17 July 2012 pursuant to the subscription agreement entered into between the Company and Max Sun. An aggregate of 100,000,000 warrants (conferring the rights to subscribe for 100,000,000 warrant shares at the exercise price of HK$1.05 each) have been issued to Max Sun at the issue price of HK$0.02 per warrant share, less issuance costs of approximately HK$199,000. The subscription rights are exercisable within 60 months from date of issue of warrants.

(e) Distributability of reserves

At 31 December 2014, the Company had no reserves available for cash distribution and/or distribution in specie. Under the Bermuda Companies Act 1981, the Company's contributed surplus in the amount of HK$740,880,000 (2013: HK$444,747,000) is currently not available for distribution. The Company's share premium account in the amount of HK$3,434,864,000 as at 31 December 2014 (2013: HK$3,361,961,000) may be distributed in the form of fully paid bonus shares.

(f) Capital management

The Group's primary objectives when managing its capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefit for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

The Group actively and regularly reviews and manages its capital structure to maintain a balance between the higher shareholders' returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position, and makes adjustments to the capital structure in light of changes in economic conditions.

The Group monitors its capital structure on the basis of an adjusted gearing ratio. This ratio is calculated as net debt divided by total equity. Net debt is calculated as total borrowings (including current and non-current borrowings as shown in the consolidated statement of financial position) less cash and cash equivalents. Total equity is the balance as shown in the consolidated statement of financial position.

During 2014, the Group's strategy, which was unchanged from 2013, was to maintain the ratio at a reasonable level. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, issue new shares or sell assets to reduce debt.

The adjusted gearing ratio as at 31 December 2014 and 2013 was as follow:

	2014	**2013**
	HK$'000	*HK$'000*
Bank and other borrowings *(note 31)*	370,613	191,017
Promissory notes payables *(note 32)*	30,579	47,697
Convertible notes payables *(note 33)*	82,774	96,485
Obligations under finance leases	—	340
Total borrowings	483,966	335,539
Less: cash and cash equivalents *(note 29)*	(21,693)	(87,104)
Net debt	462,273	248,435
Total equity	3,820,975	3,950,899
Adjusted gearing ratio	12%	6%

Neither the Company nor any of its subsidiaries are subject to externally imposed capital requirements.

40 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS

Exposure to credit, liquidity, interest rate, currency and price risks arises in the normal course of the Group's business. The Group is also exposed to equity price risk arising from its equity investments in other entities and movements in its own equity share price.

The Group's exposure to these risks and the financial risk management policies and practices used by the Group to manage these risks are described below.

(a) Credit risk

(i) Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. The Group has adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral, where appropriate, as a means of mitigating the risk of financial loss from defaults.

(ii) The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. The default risk of the industry and country in which customers operate also has an influence on credit risk. At the end of the reporting period, the Group do not have any concentration of credit risk.

(iii) As at 31 December 2014, the maximum exposure to credit risk is represented by the carrying amount of each financial asset in the consolidated and company statement of financial position after deducting any impairment allowance.

The Group's credit risk on pledged bank deposits and cash and cash equivalents is limited because the counterparties are banks with high credit ratings assigned by international credit- rating agencies. The Group monitors closely the credit ratings of these counterparties and will take appropriate action when their ratings change.

In respect of trade and other receivables, the management has a credit policy in place and the exposures to these credit risks are monitored on an ongoing basis. Credit evaluations of its customers' financial position and condition are performed on each and every major customer periodically. These evaluations focus on the customer's past history of making payments when due and current ability to pay, and taking into account information specific to the customer as well as pertaining to the economic environment in which the customer operates. Normally, the Group does not require collateral in respect of its financial assets. Debts are usually due within 30 days (2013: 30 days) from the date of billing.

In respect of convertible notes receivables, credit evaluations of the counter parties' financial position and condition are performed. The Group reviews the recoverable amount of convertible notes receivables at the end of the reporting period to ensure that adequate impairment losses are made for irrecoverable amounts.

(iv) The Company's credit risk is primarily attributable to amounts due from subsidiaries. The Company reviews the recoverable amounts of individual debts at the end of each reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. The Company does not expect to incur a significant loss for uncollected amounts due from subsidiaries.

(v) The Group does not provide any guarantees which expose to Group to credit risk.

Further quantitative disclosure in respect of the Group's exposure to credit risk arising from trade and other receivables are set out in note 27.

(b) Liquidity risk

For the year ended 31 December 2014, the Group incurred a net loss of HK$94,606,000 from continuing operations. As at 31 December 2014, the Group had net current assets of HK$192,494,000 (2013: net current liabilities of HK$96,065,000), which include net assets from disposal group held for sale of HK$219,332,000. The liquidity of the Group is primarily dependent on its ability to maintain adequate cash inflows from operations and sufficient financing to meet its financial obligations as and when they fall due and to meet its committed future capital expenditures. The directors of the Company have carried out a detailed review of the Group's cash flow projections, which cover a period of twelve months from the reporting period end date. Based on such projects, the directors have determined that adequate liquidity exists to finance the working capital and capital expenditure requirements during that period. In preparing the cash flow projections, the directors have considered historical cash requirements of the Group as well as other key factors including new financing from lenders. The directors are of the opinion that the assumptions and sensitivities which are included in the cash flow forecast are reasonable. However, as with all assumptions in regard to future events, these are subject to inherent limitations and uncertainties and some or all of these assumptions may not be realised.

The following table shows the remaining contractual maturities at the end the reporting period of the Group's and the Company's financial liabilities, which are based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on rates current at the end of the reporting period) and the earliest date the Group and the Company can be required to pay:

The Group

	2014						2013					
	Within 1 year or on demand	**More than 1 year but less than 2 years**	**More than 2 years but less than 5 years**	**More than 5 years**	**Total**	**Carrying amount**	**Within 1 year or on demand**	**More than 1 year but less than 2 years**	**More than 2 years but less than 5 years**	**More than 5 years**	**Total**	**Carrying amount**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Trade and other payables	41,774	—	—	—	41,774	41,774	44,057	—	—	—	44,057	44,057
Bank and other borrowings	88,776	109,145	101,724	169,921	469,566	370,613	181,010	5,300	—	13,505	199,815	191,017
Obligations under finance leases	—	—	—	—	—	—	99	99	189	—	387	340
Promissory notes payables	—	33,000	—	—	33,000	30,579	49,430	—	—	—	49,430	47,697
Convertible notes payables	87,475	—	—	—	87,475	82,764	17,320	88,647	—	—	105,967	91,046
	218,025	142,145	101,724	169,921	631,815	525,730	291,916	94,046	189	13,505	399,656	374,157

The Company

	2014						2013					
	Within 1 year or on demand	More than 1 year but less than 2 years	More than 2 years but less than 5 years	More than 5 years	Total	Carrying amount	Within 1 year or on demand	More than 1 year but less than 2 years	More than 2 years but less than 5 years	More than 5 years	Total	Carrying amount
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Other payables	11,079	—	—	—	11,079	11,079	20,933	—	—	—	20,933	20,933
Bank and other borrowings	48,912	32,382	101,724	169,921	352,939	258,804	120,635	5,300	—	13,505	139,440	134,113
Promissory notes payables	—	33,000	—	—	33,000	30,579	49,430	—	—	—	49,430	47,697
Convertible notes payables	87,475	—	—	—	87,475	82,764	17,320	88,647	—	—	105,967	91,046
	147,466	65,382	101,724	169,921	484,493	383,226	208,318	93,947	—	13,505	315,770	293,789

(c) Interest rate risk

The Group's interest rate risk arises primarily from interest-bearing borrowings.

(i) Interest rate profile

The following table details the interest rate profile of the Group's and the Company's borrowings at the end of the reporting period.

	The Group				The Company			
	2014		2013		2014		2013	
	Effective interest rate %	*HK$'000*	*Effective interest rate %*	*HK$'000*	*Effective interest rate %*	*HK$'000*	*Effective interest rate %*	*HK$'000*
Fixed rate borrowings:								
Other borrowings	4.00%–8.00%	370,613	4.00%–20.00%	94,644	4.00%–8.00%	258,804	4.00%–6.00%	46,621
Obligations under finance leases	—	—	6.54%	340	—	—	—	—
Promissory notes payables	5.00%	30,579	3.00%–5.00%	47,697	5.00%	30,579	3.00%–5.00%	47,697
Liability component of convertible notes payables	0.00%–8.00%	82,764	0.00%–8.00%	91,046	0.00%–8.00%	82,764	0.00%–8.00%	91,046
		483,956		233,727		372,147		185,364
Variable rate borrowings:								
Bank borrowings	—	—	2.10%–2.45%	17,600	—	—	2.10%–2.45%	17,600
Other borrowings	—	—	5.00%	69,892	—	—	5.00%	69,892
		—		87,492		—		87,492

(ii) Sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to interest rates for non-derivative financial liabilities at the end of the reporting period. For variable-rate borrowings, the analysis is prepared assuming the borrowings outstanding at the end of the reporting period were outstanding for the whole year. The analysis is performed on the same basis for 2013.

At 31 December 2014, it is estimated that a general increase/decrease of 50 basis points in interest rates of variable rate borrowings, with all other variables held constant, would increase/decrease the Group's and Company's loss after tax and accumulated losses by HK$Nil (2013: increase/decrease the Group's and Company's loss after tax and accumulated losses by HK$437,000). Other components of consolidated equity would not change in response to the general increase/decrease in interest rates.

(d) Currency risk

The Group is exposed to currency risk primarily through carrying out exploration activities and investment in convertible notes issued by a foreign company which give rise to convertible note receivable, cash and cash equivalents, trade and other receivables, trade and other payables and bank and other borrowings that are denominated in a currency other than the functional currency of the operations to which the transactions relate. Presently, there is no hedging policy with respect to the foreign exchange exposure.

(i) Exposure to currency risk

The following table details the Group's and the Company's exposure at the end of the reporting period to currency risk arising from recognised assets or liabilities denominated in a currency other than the functional currency of the entity to which they relate. For presentation purposes, the amounts of the exposure are shown in Hong Kong dollars, translated using the spot rate at the year end date. Differences resulting from the translation of the financial statements of foreign operations into the Group's presentation currency are excluded.

The Group

	Exposure to foreign currency (expressed in HK$)					
	2014			**2013**		
	US$	*RMB*	*EUR*	*US$*	*RMB*	*EUR*
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Convertible notes receivables	9,729	—	—	5,548	—	—
Trade and other receivables	14,675	—	—	13,633	3,199	—
Cash and cash equivalents	6,281	125	13	63,431	—	15
Trade and other payables	(129)	—	—	(1,315)	—	—
Bank and other borrowings	(96,763)	—	—	(69,892)	—	—
Net exposure arising from recognised assets and liabilities	(66,207)	125	13	11,405	3,199	15

The Company

	Exposure to foreign currency (expressed in HK$)					
	2014			**2013**		
	US$	*RMB*	*EUR*	*US$*	*RMB*	*EUR*
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Convertible notes receivables	9,729	—	—	5,548	—	—
Trade and other receivables	13,499	—	—	13,232	2,844	—
Cash and cash equivalents	1,260	—	13	62,280	—	15
Trade and other payables	—	—	—	(1,315)	—	—
Bank and other borrowings	(96,763)	—	—	(69,892)	—	—
Net exposure arising from recognised assets and liabilities	(72,275)	—	13	9,853	2,844	15

(ii) Sensitivity analysis

The directors of the Company considered that the Group's and the Company's exposure to currency risk is not significant and accordingly, no sensitivity analysis has been presented. It is assumed that the pegged rate between the Hong Kong dollar and the United States dollar would not be materially affected by any changes in movement in value of the United States dollar against other currencies.

(e) Price risk

The Group is engaged in petroleum-related activities. Prices of crude oil are affected by a wide range of global and domestic political, economic and military factors which are beyond the control of the Group. A decrease in such prices could adversely affect the Group's financial position. The Group has not used any derivative instruments to hedge against potential price fluctuations of crude oil. The management will consider hedging oil exposure should the need arises.

(f) Equity price risk

The Group is exposed to equity price changes arising from equity investments classified as available-for-sale investments (see note 25).

Sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to equity price risk at the end of the reporting period.

At 31 December 2014, it is estimated that an increase/decrease of 5% (2013: 5%) in the equity price of comparable companies, with all other variables held constant, would have increased/decreased the Group's other comprehensive income (and fair value reserve) by HK$5,315,000 (2013: HK$5,044,000) as a result of the revaluation of available-for-sale investments.

The sensitivity analysis indicates the instantaneous change in the Group's other comprehensive income and other components of consolidated equity that would arise assuming that the changes in the equity price of comparable companies had occurred at the end of the reporting period and had been applied to re-measure those financial instruments held by the Group which expose the Group to equity price risk at the end of the reporting period. It is also assumed that the fair values of the Group's equity investments would change in accordance with the historical correlation with the equity price of comparable companies and that all other variables remain constant.

(g) Fair values measurement

(i) Financial assets and liabilities measured at fair value

Fair value hierarchy

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

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

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

- Level 3 valuations: Fair value measured using significant unobservable inputs

The Group

		Fair value measurements as at 31 December 2014 categorised into		
	Fair value at 31 December 2014	**Level 1**	**Level 2**	**Level 3**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Recurring fair value measurement				
Assets:				
Available-for-sale investments:				
— Unlisted equity investment	106,300	—	100,878	5,422
Derivative financial instruments:				
— Conversion option embedded in convertible notes receivables	2,899	—	—	2,899
Liabilities:				
Derivative financial instruments				
— Conversion option embedded in convertible notes payables	10	—	—	10

The Group

	Fair value at 31 December 2013	Fair value measurements as at 31 December 2013 categorised into		
		Level 1	Level 2	Level 3
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Recurring fair value measurement				
Assets:				
Available-for-sale investments:				
— Unlisted equity investment	100,878	—	100,878	—
Liabilities:				
Derivative financial instruments				
— Conversion option embedded in convertible notes payables	5,439	—	—	5,439

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

Valuations for the financial instruments, including available-for-sale investments, convertible notes receivables and convertible notes payables, which are categorised into Level 3 of the fair value hierarchy are prepared by independent valuers, and/or are reviewed and approved by the management of Group. Discussion of the valuation process and results are made to coincide with the reporting dates.

Valuation techniques and inputs used in Level 2 fair value measurements

The equity interest in Nordaq is classified as available-for-sale equity investment and carried at fair value. The fair value is valued using the market approach with reference to the private placing of shares by Nordaq and the share price fluctuations of comparable companies.

Information about Level 3 fair value measurements

	Valuation techniques	Significant unobservable inputs	Range
Available-for-sale investments — unlisted equity investment	Market comparable companies	Discount for lack of marketability	16.15%
Convertible notes receivables — conversion option embedded in convertible notes	Option pricing model	Expected volatility	19.33%–27.33% (2013: 16.02%–22.38%)
Convertible notes payables — convertible option embedded in convertible notes	Option pricing model	Expected volatility	67.26%–101.70% (2013: 20.43%–39.61%)

The movements during the period in the balance of these Level 3 fair value measurements are as follows:

The Group

	2014 HK$'000	2013 HK$'000
Unlisted available-for-sale equity investments:		
At 1 January	—	—
Payment for purchases	4,696	—
Net unrealised gains or losses recognised in other comprehensive income during the year	726	—
At 31 December	5,422	—
Total gains or losses for the period included in profit or loss for assets held at the end of the reporting period	—	—

	2014 HK$'000	2013 HK$'000
Conversion option embedded in convertible notes receivable:		
At 1 January	—	—
Changes in fair value recognised in profit or loss during the year	2,899	—
At 31 December	2,899	—
Total gains or losses for the period included in profit or loss for assets held at the end of the reporting period	2,899	—

	2014 HK$'000	2013 HK$'000
Conversion option embedded in convertible notes payables:		
At 1 January	5,439	—
Issued during the year	—	65,141
Converted during the year	—	(55,741)
Changes in fair value recognised in profit or loss during the year	(5,429)	(3,961)
At 31 December	10	5,439
Total gains or losses for the period included in profit or loss for liabilities held at the end of the reporting period	(5,429)	(3,961)

(ii) Fair value of financial assets and liabilities carried other than fair value

The carrying amounts of the Group's and the Company's financial instruments carried at cost or amortised cost are not materially different from their fair values as at 31 December 2013 and 2014.

41 MATERIAL RELATED PARTY TRANSACTIONS

The Group has a related party relationship with the following parties:

Name of party	Relationship
New World Tower Company Limited	The company is an indirect wholly-owned subsidiary of New World Development Company Limited, which is controlled by the family of Dato'Dr. Cheng Yu Tung, the ultimate beneficiary of the Company
CiF Solutions Limited	The company is an indirect wholly-owned subsidiary of New World Development Company Limited, which is controlled by the family of Dato'Dr. Cheng Yu Tung, the ultimate beneficiary of the Company
Cheung Hung Development (Holdings) Limited	Mr. Cheng Kam Chiu, Stewart, the Chairman and Executive Director of the Company, is a common director
China Venturetechno International Co., Ltd.	Mr. Cheng Kam Chiu, Stewart, the Chairman and Executive Director of the Company, is a common director
Blue Sky Power Holdings Limited	Mr. Cheng Ming Kit, the Executive Director and Chief Executive Officer of Company, is a common director

Save as disclosed elsewhere in these financial statements, the Group entered into the following material related party transactions:

(a) Key management personnel remuneration

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

	The Group	
	2014	**2013**
	HK$'000	*HK$'000*
Short-term employee benefits	14,711	5,843
Post-employment benefits	90	1,548
Equity compensation benefits	—	3,290
	14,801	10,681

Total remuneration is included in "staff costs" (see note 7(b)).

(b) Financing arrangement

	Amounts due to related parties		Related interest expenses	
	2014	**2013**	**2014**	**2013**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Loans from China Venturetechno International Co., Ltd.	(30,469)	(15,320)	916	584

(c) Other related party transactions

Related parties	Nature of transactions	2014	2013
		HK$'000	*HK$'000*
(i) New World Tower Company Limited	Rent, rates and management fee	1,959	1,310
(ii) CiF Solutions Limited	IT management and support	95	130
(iii) Cheung Hung Development (Holdings) Limited	Rent, rates and management fee	280	829
(iv) Blue Sky Power Holdings Limited	Receipt in advance*	17,000	—

* During the year ended 31 December 2014, a deposit of HK$17,000,000 was received from Blue Sky to the Group as deposit payment relating to the Transaction I of the Disposal (see note 5).

(d) Applicability of Listing Rules relating to connected transactions

For the year ended 31 December 2014 and 2013, the related party transactions as disclosed in note 41(c) (i) above constitute continuing connected transactions as defined in Chapter 14A of the Listing Rules. The disclosures required by Chapter 14A of the Listing Rules are provided in section "Continuing Connected Transactions" of the Directors' Report. The related party transactions as disclosed in note 41(c)(ii) above are exempt from the disclosure requirements in Chapter 14A of the Listing Rules as they are below the de minimis threshold under Rule 14A.76(1). The other related party transactions do not fall under the definition of connected transaction or continuing connected transaction as defined in Chapter 14A of the Listing Rules.

42 COMMITMENTS

(a) Capital commitments outstanding at 31 December 2014 not provided for in the consolidated financial statements were as follows:

	2014	2013
	HK$'000	*HK$'000*
Contracted for	—	83,796
Authorised but not contracted for	21,140	—
	21,140	83,796

(b) Commitments under operating leases

As at 31 December 2014, total future minimum lease payments under non-cancellable operating leases payable as follows:

	2014	2013
	HK$'000	*HK$'000*
Within 1 year	3,222	2,968
After 1 year but within 5 years	3,729	4,481
	6,951	7,449

The Group leases its offices under operating lease arrangements. The leases for properties are negotiated for a term of one to three years. None of the leases includes contingent rentals.

43 EVENTS AFTER THE REPORTING PERIOD

(a) Subsequent to the end of the reporting period, the Company completed an open offer of 692,511,997 ordinary shares at a price of HK$0.17 per share in January 2015. At completion, a total of 342,490,434 ordinary shares was issued to Max Sun and 350,121,563 ordinary shares were issued to an underwriter and public shareholders, for net proceeds of approximately HK$113,900,000.

(b) Subsequent the end of the reporting period, Transaction I of the disposal of Shine Great was completed on 24 February 2015. As a result, convertible notes in principal amount of HK$77,805,000 were issued by Blue Sky to Total Belief. Further details are disclosed in note 5.

44 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 DECEMBER 2014

Up to the date of issue of these financial statements, the HKICPA has issued a few amendments and new standards which are not yet effective for the year ended 31 December 2014 and which have not been adopted in these financial statements. These include the following which may be relevant to the Group.

	Effective for accounting periods beginning on or after
Amendments to HKAS 19, *Defined benefit plans: Employee Contributions*	1 July 2014
Amendments to HKAS 16 and HKAS 38, *Clarification of acceptable methods of depreciation and amortisation*	1 January 2016
HKFRS 15, *Revenue from contracts with customers*	1 January 2017
HKFRS 9, *Financial instruments*	1 January 2018

The Group is in the process of making an assessment of what the impact of these amendments and new standards is expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the consolidated financial statements.

2. STATEMENT OF INDEBTEDNESS

Borrowings

As at 30 April 2016, being the latest practicable date prior to the printing of this circular for the purpose of this indebtedness statement, the Group had outstanding borrowings of approximately HK$487,975,000, details of which are as follows:

	HK$'000
Unsecured and unguaranteed	
— Other borrowings	455,398
— Promissory notes	32,577

Save for the aforesaid or otherwise disclosed herein, normal trade payable in the ordinary course of business and apart from intra-group liabilities, the Group did not have, at the close of business on 30 April 2016, any term loans or other borrowings or indebtedness in the nature of borrowing such as bank overdrafts and liabilities under acceptances (other than normal trade bills), acceptance credits, hire purchase commitments, mortgages, charges, guarantees, or other material contingent liabilities.

3. MATERIAL CHANGE

The Directors confirm that, as at the Latest Practicable Date, save for the receipt of the net proceeds from the Subscription of approximately HK$446,900,000 in cash, there had been no material change in the financial or trading position or outlook of the Group since 31 December 2015, being the date to which the latest published audited consolidated financial statements of the Company were made up.

1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

This circular includes particulars given in compliance with the Takeovers Code for the purpose of giving information with regard to the Group. The Directors jointly and severally accept full responsibility for accuracy of the information contained in this circular and confirm, having made all reasonable enquiries, that to the best of their knowledge and opinions expressed in this circular have been arrived at after due and careful consideration and there are no other facts not contained in this circular, the omission of which would make any statement in this circular misleading.

2. SHARE CAPITAL

(a) Share capital of the Company

Set out below are the authorised and issued share capital of the Company (a) as at the Latest Practicable Date; and (b) immediately after Completion:

(i) Share capital as at the Latest Practicable Date:

	Nominal value per Share *(HK$)*	**Number of Shares**	**Amount** *(HK$)*
Authorised:	0.01	200,000,000,000	2,000,000,000.00
Issued and fully paid:	0.01	2,500,321,992	25,003,219.92

(ii) Share capital immediately after the Completion:

	Nominal value per Share *(HK$)*	Number of Shares	Amount *(HK$)*
Authorised:	0.01	200,000,000,000	2,000,000,000.00
Issued and fully paid:			
Shares in issue as at the Latest Practicable Date	0.01	2,500,321,992	25,003,219.92
Subscription Shares to be allotted and issued upon Completion	0.01	2,910,000,000	29,100,000.00
Shares in issue upon Completion	0.01	5,410,321,992	54,103,219.92

All the issued Shares rank pari passu with each other in all respects including the rights in respect of capital, dividends and voting.

The Subscription Shares to be allotted and issued will, when issued, rank pari passu in all respects with the Shares then in issue. The Subscriber will be entitled to receive all dividends and distributions which may be declared, made or paid on or after the date of issue of Subscription Shares. As at the Latest Practicable Date, there were no arrangement under which future dividends are waived or agreed to be waived.

The issued Shares are listed on the Stock Exchange. None of the securities of the Company is listed or dealt in, and no listing or permission to deal in the securities of the Company is being or is proposed to be sought on any other stock exchange.

The Company had issued 3,296,000 Shares pursuant to exercise of options under the share option scheme of the Company adopted on 17 May 2011 since 31 December 2015, being the end of the last financial year of the Company, up to the Latest Practicable Date.

(b) Share options

As at the Latest Practicable Date, there were certain outstanding share options granted by the Company and accepted by the grantee which confer rights to subscribe for an aggregate of 214,000 Shares upon full exercise of such share options at the subscription price of HK$0.375 per Share pursuant to the share option scheme of the Company adopted on 17 May 2011 and the terms of the relevant grant of the share options by the Company.

(c) Warrants

As at the Latest Practicable Date, there were (1) certain unlisted warrants issued by the Company to the Subscriber on 16 July 2012 in the aggregate principal amount of HK$105,000,000 expiring on 15 July 2017 at the subscription price of HK$0.86 per Share, all of which were still outstanding; and (2) certain unlisted warrants issued by the Company to an independent third party on 5 July 2013 in the aggregate principal amount of HK$20,450,150 expiring on 4 July 2016 at the subscription price of HK$0.595 per Share, all of which were still outstanding.

3. MARKET PRICES

The table below shows the closing price per Share as quoted by the Stock Exchange (i) the Latest Practicable Date; (ii) 17 May 2016, the Last Trading Day; and (iii) the last trading day of each of the calendar months during the period between 17 November 2015 (being the date falling six months prior to the date of announcement of the Company dated 17 May 2016) and ending on the Latest Practicable Date (both dates inclusive):

Date	**Closing price per Share** *(HK$)*
30 November 2015	0.184
31 December 2015	0.164
29 January 2016	0.131
29 February 2016	0.120
31 March 2016	0.144
29 April 2016	0.160
17 May 2016 (the Last Trading Day)	0.159
31 May 2016	0.171
Latest Practicable Date	0.160

The highest and lowest closing prices per Share recorded on the Stock Exchange during the period between 17 November 2015 (being the date falling six months prior to 17 May 2016) and ending on the Latest Practicable Date (both dates inclusive) were HK$0.191 on 19 November 2015 and 20 November 2015 and HK$0.116 on 25 February 2016, respectively.

4. DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS IN SECURITIES

As at the Latest Practicable Date, the interests and short positions of the Directors and chief executives of the Company in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) which were required to be (i) notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which the Directors or, the chief executives of the Company were taken or deemed to have under such provisions of the SFO); or (ii) recorded in the register kept by the Company pursuant to section 352 of the SFO; or (iii) notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers contained in the Listing Rules were as follows:

Long positions in the Shares

Name of Director	Capacity/nature of interest	Number of Shares	Total number of Shares	Approximate percentage of the issued share capital of the Company	Approximate percentage of the enlarged issued Shares upon Completion
Mr. Cheng Ming Kit	Beneficiary owner	1,000	1,000	0.00004	0.00002

Save as disclosed above, as at the Latest Practicable Date, none of the Directors and chief executives of the Company had any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which, (a) were required to be notified to the Company and the Stock Exchange pursuant to provisions of Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which the Directors have taken or deemed to have under such provisions of the SFO); or (b) were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (c) were required, pursuant to the Model Code to be notified to the Company and the Stock Exchange.

5. SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SECURITIES

As at the Latest Practicable Date, so far as is known to any Director or chief executive of the Company, the following person (other than Directors and chief executives of the Company) has interests or short positions in Shares or underlying Shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were required to be recorded in the register of the Company required to be kept under section 336 of the SFO were as follows:

Name of Shareholder	Capacity	Number of Shares held	Total number of Shares	Approximate percentage of the issued share capital of the Company	Approximate percentage of the enlarged issued Shares upon Completion
The Subscriber *(note (i))*	Beneficially owned	606,537,544	606,537,544	24.26	65.00
Chow Tai Fook Nominee Limited *(note (ii))*	Interests in a controlled corporation	606,537,544	606,537,544	24.26	65.00
Chow Tai Fook (Holding) Limited *(note (iii))*	Interests in a controlled corporation	606,537,544	606,537,544	24.26	65.00
Chow Tai Fook Capital Limited *(note (iv))*	Interests in a controlled corporation	606,537,544	606,537,544	24.26	65.00
Cheng Yu Tung Family (Holdings) Limited *(note (v))*	Interests in a controlled corporation	606,537,544	606,537,544	24.26	65.00
Cheng Yu Tung Family (Holdings II) Limited *(note (vi))*	Interests in a controlled corporation	606,537,544	606,537,544	24.26	65.00

Notes:

(i) The entired issued share capital of the Subscriber is legally and beneficially owned by Chow Tai Fook Nominee Limited.

(ii) Chow Tai Fook Nominee Limited holds 100% direct interest in the Subscriber and is accordingly deemed to have an interest in the shares deemed to be interested by the Subscriber.

(iii) Chow Tai Fook (Holding) Limited holds 99.8% direct interest in Chow Tai Fook Nominee Limited and is accordingly deemed to have an interest in the shares deemed to be interested by Chow Tai Fook Nominee Limited.

(iv) Chow Tai Fook Capital Limited holds 78.58% direct interest in Chow Tai Fook (Holding) Limited and is accordingly deemed to have an interest in the shares deemed to be interested by Chow Tai Fook (Holding) Limited.

(v) Cheng Yu Tung Family (Holdings) Limited holds 48.98% direct interest in Chow Tai Fook Capital Limited and is accordingly deemed to have an interest in the shares deemed to be interested by Chow Tai Fook Capital Limited.

(vi) Cheng Yu Tung Family (Holdings II) Limited holds 46.65% direct interest in Chow Tai Fook Capital Limited and is accordingly deemed to have an interest in the shares deemed to be interested by Chow Tai Fook Capital Limited.

Save as disclosed herein, as at the Latest Practicable Date, so far as was known to the Directors or the chief executive of the Company, there was no other person, other than the Directors or the chief executive of the Company and (in the case of the other members of the Group) other than the Company, who had an interest or short position in the Shares and underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, who were, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group.

Further, save as disclosed above, as at the Latest Practicable Date, none of the Directors or proposed Directors was a director or employee of a company which had an interest or short position in the Shares or underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO.

6. SHAREHOLDINGS OF AND DEALINGS IN THE SECURITIES OF THE COMPANY AND THE SUBSCRIBER AND PARTIES ACTING IN CONCERT WITH IT

(i) The registered address of the Subscriber is situated at P.O. Box 957, Offshore Incorporations Centre, Road Town, Tortola, the British Virgin Islands. As at the Latest Practicable Date, the directors of the Subscriber were Mr. Cheng Kam Biu, Wilson and Mr. Wong Kim Pun.

(ii) The registered address of Chow Tai Fook Enterprises Limited is situated at 38/F., New World Tower, 16–18 Queen's Road Central, Hong Kong. As at the Latest Practicable Date, the directors of Chow Tai Fook Enterprises Limited were Dato' Dr. Cheng Yu Tung, Dr. Cheng Kar Shun, Henry, Mr. Cheng Kar Shing, Peter, Ms. Sun Cheng Lai Har, Cecilia, Ms. Doo Cheng Sau Har, Amy, Mr. Cheng Yu Wai, Mr. Cheng Kam Biu, Wilson, Mr. Cheng Sek Hung, Timothy, Mr. Cheng Chi Kong, Adrian, Mr. Cheng Chi Heng, Conroy, Mr. Tsang On Yip, Patrick, Mr. Ho Pak Tao and Mr. Wong Siu Kee.

(iii) The ultimate controlling shareholders of the Subscriber and its concert party, Chow Tai Fook Enterprises Limited, are Cheng Yu Tung Family (Holdings) Limited and Cheng Yu Tung Family (Holdings II) Limited. As at the Latest Practicable Date, the directors of Cheng Yu Tung Family (Holdings) Limited and Cheng Yu Tung Family

(Holdings II) Limited were Dato' Dr. Cheng Yu Tung, Dr. Cheng Kar Shun, Henry, Mr. Cheng Kar Shing, Peter, Ms. Sun Cheng Lai Ha, Cecilia and Ms. Doo Cheng Sau Ha, Amy.

Other than 623,052,044 Shares held by the Subscriber and the party acting in concert with it and all the transactions contemplated under the Subscription Agreement and other than as disclosed in the section headed "5. Changes in the shareholding structure of the Company" in the letter from the Board contained in this circular and the section headed "4. Directors' and chief executive's interests in Securities" in this appendix:

(iv) as at the Latest Practicable Date, there was no agreement, arrangement or understanding existing whereby any of the Subscription Shares will be transferred, charged or pledged to any other persons;

(v) as at the Latest Practicable Date, there was no agreement, arrangement or understanding (including any compensation arrangement) which exists between the Subscriber or any person acting in concert with it any of them and any of the Directors, recent Directors, Shareholders or recent Shareholders having any connection with or dependence upon the Subscription;

(vi) there are no benefits to be given to any Director as compensation for loss of office or otherwise in connection with the Subscription;

(vii) as at the Latest Practicable Date, there was no agreement, arrangement or understanding existed between any Director and any other person which is conditional on or dependent upon the outcome of the Subscription or otherwise connected therewith;

(viii) as at the Latest Practicable Date, there was no material contract entered into by the Subscriber or any person acting in concert with any of them in which any Director has a material interest;

(ix) as at the Latest Practicable Date, none of the directors of the Subscriber and parties acting in concert with the Subscriber owned or controlled or were interested in any Shares, convertible securities, warrants, options or derivatives of the Company;

(x) as at the Latest Practicable Date, no person had irrevocably committed themselves to vote for or against the resolution(s) to be proposed at the SGM to approve the Subscription, the Specific Mandate and the Whitewash Waiver;

(xi) as at the Latest Practicable Date, the Subscriber and parties acting in concert with it did not have any arrangement of the kind referred to in Note 8 to Rule 22 of the Takeovers Code with any other persons;

(xii) as at the Latest Practicable Date, the Subscriber and parties acting in concert with it had not borrowed or lent any Shares, convertible securities, warrants, options or derivatives in the Company;

(xiii) save for a change in control of Chow Tai Fook Nominee Limited from Dato' Dr. Cheng Yu Tung to Chow Tai Fook (Holding) Limited for a consideration of HK$99,800, which took place on 21 December 2015, none of the directors of the Subscriber and parties acting in concert with it had dealt for value in any Shares, convertible securities, warrants, options or derivatives of the Company during the period beginning six months prior to 17 May 2016 and ending on the Latest Practicable Date;

(xiv) none of the Company and the Directors owned or controlled or were interested in any shares, convertible securities, warrants, options or derivatives of the Subscriber as at the Latest Practicable Date. In addition, none of the Directors had dealt for value in any shares, convertible securities, warrants, options or derivatives of the Subscriber during the period beginning six months prior to 17 May 2016 and ending on the Latest Practicable Date;

(xv) as at the Latest Practicable Date, none of the Directors was interested in any Shares, convertible securities, warrants, options or derivatives of the Company. In addition, none of the Directors had dealt for value in any securities, Shares, convertible securities, warrants, options or derivatives of the Company during the period beginning six months prior to 17 May 2016 and ending on the Latest Practicable Date;

(xvi) as at the Latest Practicable Date, none of the subsidiaries of the Company and none of the pension funds of the Company and/or its subsidiaries, nor any fund managed on a discretionary basis by any fund manager connected with the Company, nor any adviser of the Company as specified in class (2) of the definition of associate in the Takeovers Code, owned or controlled any Shares, convertible securities, warrants, options or derivatives of the Company;

(xvii) as at the Latest Practicable Date, no person had any arrangement of the kind referred to in Note 8 to Rule 22 of the Takeovers Code with the Company or any person who is an associate of the Company by virtue of classes (1), (2), (3) and (4) of the definition of associate in the Takeovers Code;

(xviii) save for Mr. Cheng Ming Kit who held 1,000 Shares as at the Latest Practicable Date, none of the Directors had any registered or beneficial shareholdings (as defined under Note 1 to paragraph 4, Schedule I of the Takeovers Code) in the Shares or convertible securities, warrants, options and derivatives of the Company which would entitle them to vote in respect of the ordinary resolutions for approving the Subscription, the Specific Mandate and the Whitewash Waiver at the SGM; and

(xix) as at the Latest Practicable Date, none of the Company nor any of the Directors had borrowed or lent any Shares, convertible securities, warrants, options or derivatives in the Company.

7. DISCLOSURE OF OTHER INTERESTS

(i) Interests in competing business

As at the Latest Practicable Date, none of the Directors or their respective associates had an interest in any business constituting a competing business to the Group.

(ii) Interests in assets

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

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

(1) sale of 36.46% of 10,000,000 enlarged shares of Shine Great to Goldlink ("**Transaction I**")

(2) sale of 49.00% of 10,000,000 enlarged shares of Shine Great to Goldlink ("**Transaction II**")

The consideration for Transaction I shall be satisfied by a cash consideration of HK$17,000,000 and the issue of convertible bonds by Blue Sky to Total Belief in a principal amount of HK$77,805,000 upon the fulfillment of certain conditions precedent. The consideration for Transaction II shall be satisfied by the issue of convertible bonds by Blue Sky to Total Belief in a principal amount of HK$135,240,000 upon the fulfillment of certain conditions precedent. The principal amount of convertible bonds in Transaction II will be adjustable in case of any shortfall between (i) revenue guarantee as defined in the Shine Great Agreement ("**Revenue Guarantee**") and the actual consolidated revenue of Shine Great and its subsidiaries ("**Shine Great Group**") for the year ending 31 December 2015 ("**Actual Revenue**"), and/or (ii) profit guarantee as defined in the Shine Great Agreement ("**Profit Guarantee**") and the actual consolidated profit of Shine Great Group for the year ending 31 December 2015 ("**Actual Profit**"). If the shortfall is within 20%, the principal amount of the convertible bonds will be adjusted from HK$135,240,000 to HK$133,888,000. Otherwise, the principal amount of the convertible bonds will be adjusted from HK$135,240,000 to HK$132,535,000.

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

On 24 February 2015, the Shine Great Subscription and Transaction I were completed and convertible bonds in principal amounts of HK$77,805,000 was received. Upon the completion of the Shine Great Subscription and Transaction I, the Group's effective interest in Shine Great decreased from 100% to 49%. Accordingly, Shine Great Group, which carried out the Group's operation in distribution of natural gas business segment, ceased to be subsidiaries of the Group. All the convertible bonds received were converted into 205,290,521 ordinary shares of Blue Sky at the exercise price of HK$0.379 per share.

As at the Latest Practicable Date, the Company understood that Mr. Cheng Ming Kit, the executive Director, who was also an executive director and chairman of Blue Sky, was interested in approximately 1,017,403,000 shares of Blue Sky (representing approximately 12.01% of the issued share capital of Blue Sky) according to publicly available information. Therefore, Mr. Cheng Ming Kit was considered materially interested in the transactions contemplated under the Shine Great Subscription and Shine Great Agreement.

Save as disclosed herein, as at the Latest Practicable Date, none of the Directors had any direct or indirect interest in any assets which had been acquired, disposed of by or leased to, or which were proposed to be acquired, disposed of by or leased to, any member of the Group since 31 December 2015 (being the date to which the latest published audited accounts of the Company were made up).

(iii) Interests in contract or arrangement

Save for the Shine Great Subscription and the Shine Great Agreement as disclosed in the sub-paragraph headed "(ii) Interest in assets" above, as at the Latest Practicable Date, there was no contract or arrangement in which any Director was materially interested and which was significant in relation to the business of the Group.

8. DIRECTORS' SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had entered or was proposing to enter into a service contract with any member of the Group (excluding contracts expiring or determinable by the employer within one year without payment of compensation (other than statutory compensation)).

9. LITIGATION

As at the Latest Practicable Date, so far as was known to the Directors, none of the members of the Group was engaged in any litigation, arbitration or administration proceedings of material importance and there was no litigation, arbitration or administration proceedings or claim of material importance known to the Directors to be pending or threatened against any member of the Group.

10. MATERIAL CONTRACTS

The members of the Group had, after the date of two years immediately preceding 17 May 2016, entered into the following contracts which were or might be material, other than contracts in the ordinary course of business of the Group:

(1) a placing agreement dated 23 May 2014 entered into between the Company and Upbest Securities Company Limited pursuant to which the placing agent has agreed, on a best effort basis, to arrange subscribers for the issue of seven-year 6% coupon unlisted bonds up to an aggregate principal amount of up to HK$30,000,000;

(2) a placing agreement dated 29 May 2014 entered into between the Company and iSTAR International Securities Co. Limited pursuant to which the placing agent has agreed, on a best effort basis, to arrange subscribers for the issue of seven-year 8% coupon unlisted bonds up to an aggregate principal amount of up to HK$50,000,000;

(3) a subscription agreement dated 23 July 2014 entered into between the Company and certain subscribers pursuant to which the Company has agreed to issue HK$13,400,000 in aggregate principal amount of 8% unsubordinated and unsecured notes and the subscribers have agreed to purchase the said notes from the Company (the "**First Batch Notes**");

(4) a placing agreement dated 15 August 2014 entered into between the Company and iSTAR International Securities Co. Limited pursuant to which the placing agent has agreed, on a best effort basis, to arrange subscribers for the issue of seven-year 8% coupon unlisted bonds up to an aggregate principal amount of up to HK$50,000,000;

(5) a subscription agreement dated 15 August 2014 entered into between the Company and a subscriber pursuant to which the Company has agreed to issue HK$20,000,000 in aggregate principal amount of 8% unsubordinated and unsecured notes and thes subscriber has agreed to purchase the said notes from the Company (which was consolidated and formed a single series with the First Batch Notes) (the "**Second Batch Notes**");

(6) a sale and purchase agreement dated 16 July 2014 (and supplemented on 26 August 2014) entered into between Clear Elite Holdings Limited and Rio Capital Limited in relation to the acquisition of oil and gas leases and lands located in the State of Utah in the United States by Clear Elite Holdings Limited for a total consideration of HK$86,190,000, satisfied by cash of HK$16,770,000 and the issue of consideration shares amounted to HK$69,420,000 under the general mandate;

(7) an agreement dated 8 September 2014 entered into between Total Belief Limited ("**Total Belief**") and Mr. Qiu Shuangli and the escrow agreement dated 24 October 2014 entered into between Total Belief, Mr. Qiu Shuangli and Phillips Solicitors in relation to the acquisition of 42.1% equity interest of Full Charming Limited for a total consideration of HK$46,655,000, satisfied by cash in the amount of HK$12,500,000 and the issue of shares amounted to HK$34,155,000;

(8) a subscription agreement dated 7 October 2014 entered into between the Company and certain subscribers pursuant to which the Company has agreed to issue HK$18,000,000 in aggregate principal amount of 8% unsubordinated and unsecured notes and the subscribers have agreed to purchase the said notes from the Company (which was consolidated and formed a single series with the First Batch Notes and Second Batch Notes (the "**Third Batch Notes**");

(9) a subscription agreement dated 7 October 2014 entered into between Shine Great Investments Limited ("**Shine Great**") and Goldlink Capital Limited ("**Goldlink**") in relation to the subscription of 1,453,790 shares in the capital of Shine Great for a total consideration of RMB30,000,000 (equivalent to approximately HK$37,800,000);

(10) a sale and purchase agreement dated 7 October 2014 entered into between Total Belief and Goldlink in relation to the proposed disposal of an aggregate of 8,546,210 shares of Shine Great;

(11) an underwriting agreement dated 21 November 2014 entered into between the Company and the Subscriber and China Everbright Securities (HK) Limited in relation to an open offer at the subscription price at HK$0.17 per offer share to be made by the Company to the qualifying shareholders in the proportion of one offer share for every two existing Shares held;

(12) a subscription agreement dated 25 November 2014 entered into between the Company and certain subscribers pursuant to which the Company has agreed to issue HK$3,000,000 in aggregate principal amount of 8% unsubordinated and unsecured notes and the subscribers have agreed to purchase the said notes from the Company (which was consolidated and formed a single series with the First Batch Notes, the Second Batch Notes and the Third Batch Notes);

(13) a farm-in offer from High Luck Group Limited which was accepted by Petrobras Argentina S.A. on 15 April 2015 pursuant to which High Luck Group Limited shall acquire from Petrobras Argentina S.A. 50% of the participating interest in the Chirete Block in consideration of High Luck Group Limited performing, or causing to perform, the drilling, logging, testing and completion of an exploration, and paying all of the costs to be incurred in respect thereof in the amount of approximately US$8 million (equivalent to approximately HK$62.4 million);

(14) An agreement dated 23 June 2015 between the Company and Sun Securities Limited in relation to the placing of up to 415,000,000 new Shares at the price of HK$0.268 per Share; and

(15) the Subscription Agreement.

11. QUALIFICATIONS AND CONSENTS OF EXPERTS

The following are the qualifications of the experts who have given opinions or advices which are contained in this circular:

Name	Qualification
Donvex Capital Limited	licensed corporation to carry out type 6 (advising on corporate finance) regulated activity under the SFO

Each of the above experts has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its report and/or the reference to its name or opinion in the form and context in which they respectively appear as at the Latest Practicable Date.

As at the Latest Practicable Date, all of the experts above were not beneficially interested in the share capital of any member of the Group, nor did they have any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

As at the Latest Practicable Date, none of the above experts had any direct or indirect interest in any assets which had been acquired, disposed of by or leased to, or which were proposed to be acquired, disposed of by or leased to, any member of the Group since 31 December 2015 (being the date to which the latest published audited accounts of the Company were made up).

12. GENERAL

(i) The company secretary of the Company is Mr. Lai Chi Fung, a member of the Hong Kong Institute of Certified Public Accountants.

(ii) The registered office of the Company is situated at Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda.

(iii) The head office and principal place of business in Hong Kong of the Company is situated at Room 1402, 14/F, New World Tower I, 16–18 Queen’s Road Central, Hong Kong.

13. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection during normal business hours (i.e. from 9:00 a.m. to 1:00 p.m. and from 2:00 p.m. to 6:00 p.m.) on Business Day at the Company's principal place of business in Hong Kong at Room 1402, 14/F, New World Tower I, 16–18 Queen's Road Central, Hong Kong and will also be available on the websites of the Company at www.nt-energy.com and the SFC at www.sfc.hk, from the date of this circular up to and including 14 July 2016, being the date of the SGM:

(i) the memorandum and the bye-laws of the Company;

(ii) the annual reports of the Company for the two years ended 31 December 2014 and 31 December 2015;

(iii) the letter from the Board as set out in this circular;

(iv) the letter from the Independent Board Committee to the Independent Shareholders, the text of which is set out on pages 18 and 19 of this circular;

(v) the letter from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders, the text of which is set out on pages 20 and 34 of this circular;

(vi) the consent of experts referred to in the section headed "11. Qualifications and Consents of Experts" in this appendix;

(vii) the material contracts referred to in the section headed "10. Material Contracts" in this appendix;

(viii) the Subscription Agreement; and

(ix) this circular.

NEW TIMES ENERGY CORPORATION LIMITED

新時代能源有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 00166)

NOTICE OF SPECIAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the special general meeting of New Times Energy Corporation Limited (the "**Company**") will be held at 23/F, Euro Trade Centre, 21–23 Des Voeux Road Central, Central, Hong Kong, on Thursday, 14 July 2016 at 11:00 a.m. for the purpose of considering, and, if thought fit, passing with or without modifications, the following resolutions as ordinary resolutions of the Company:

ORDINARY RESOLUTION

"**THAT**:

(a) the Subscription (as defined and the particulars of which are set out in the circular of the Company of which this notice forms part (the "**Circular**")), the Subscription Agreement (as defined in the Circular and referred to in the section headed "2. The Subscription Agreement" in the "Letter from the Board" contained in the Circular) and the transactions contemplated thereunder be and are hereby approved and confirmed;

(b) any one or more directors of the Company be and are hereby authorised to allot and issue the Subscription Shares (as defined in the Circular) (the "**Specific Mandate**") pursuant to the terms of the Subscription Agreement;

(c) the Whitewash Waiver (as defined in the Circular) referred to in the section headed "6. General — Implications under the Listing Rules and the Takeovers Code" in the "Letter from the Board" contained in the Circular, granted or to be granted by the Executive (as defined in the Circular) pursuant to the Takeovers Code (as defined in the Circular) waiving any obligation on the part of the Subscriber (as defined in the Circular) to make a mandatory general offer for all the securities of the Company (other than those already owned or agreed to be acquired by the Subscriber and the party acting in concert with it) as a result of the allotment and issue of the Subscription Shares (as defined in the Circular) under the Subscription Agreement, be and is hereby approved; and

* *For identification purposes only*

(d) any one or more directors of the Company be and are hereby authorised to sign, execute and deliver all such documents and take all such actions and steps and do such acts, matters and things as any one or more of them may consider necessary, appropriate, desirable or expedient to give full effect to this resolution, and for the purposes of or in connection with the Subscription, the Specific Mandate and the Whitewash Waiver, and the transactions in relation thereto or the implementation of any of them, and to agree to such variation, amendments or waiver of matters relating thereto as are, in the opinion of such director(s), in the interests of the Company and its shareholders as a whole."

By Order of the Board
New Times Energy Corporation Limited
Cheng Kam Chiu, Stewart
Chairman

Hong Kong, 28 June 2016

Notes:

(1) Any shareholder of the Company (the "**Shareholder(s)**") entitled to attend and vote at the SGM shall be entitled to appoint another person as his proxy to attend and vote instead of him. A proxy need not be a Shareholder.

(2) The form of proxy shall be in writing under the hand of the appointer or of his attorney duly authorised in writing or, if the appointer is a corporation, either under its seal or under the hand of an officer, attorney or other person authorised to sign the same.

(3) Delivery of the form of proxy shall not preclude a Shareholder from attending and voting in person at the SGM and in such event, the form of proxy shall be deemed to be revoked.

(4) Where there are joint Shareholders, any one of such joint Shareholder may vote, either in person or by proxy, in respect of such shares as if he were solely entitled thereto, but if more than one of such joint Shareholders be present at the SGM the vote of the senior who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the votes of the other joint Shareholders, and for this purpose seniority shall be determined by the order in which the names stand in the register of shareholders of the Company in respect of the joint holding.

(5) The form of proxy and (if required by the board of directors of the Company) the power of attorney or other authority (if any) under which it is signed, or a certified copy of such power or authority, shall be delivered to the Company's branch share registrar in Hong Kong, Tricor Tengis Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong not less than 48 hours before the time appointed for the holding of the SGM or any adjournment thereof.

(6) The translation into Chinese language of this notice is for reference only. In case of any inconsistency, the English version shall prevail.

As at the date of this notice, the board of Directors of the Company comprises six Directors, of whom two are executive Directors, namely Mr. Cheng Kam Chiu, Stewart and Mr. Cheng Ming Kit; and four are independent non-executive Directors, namely Mr. Wong Man Kong, Peter, Mr. Chan Chi Yuen, Mr. Yung Chun Fai, Dickie and Mr. Chiu Wai On.