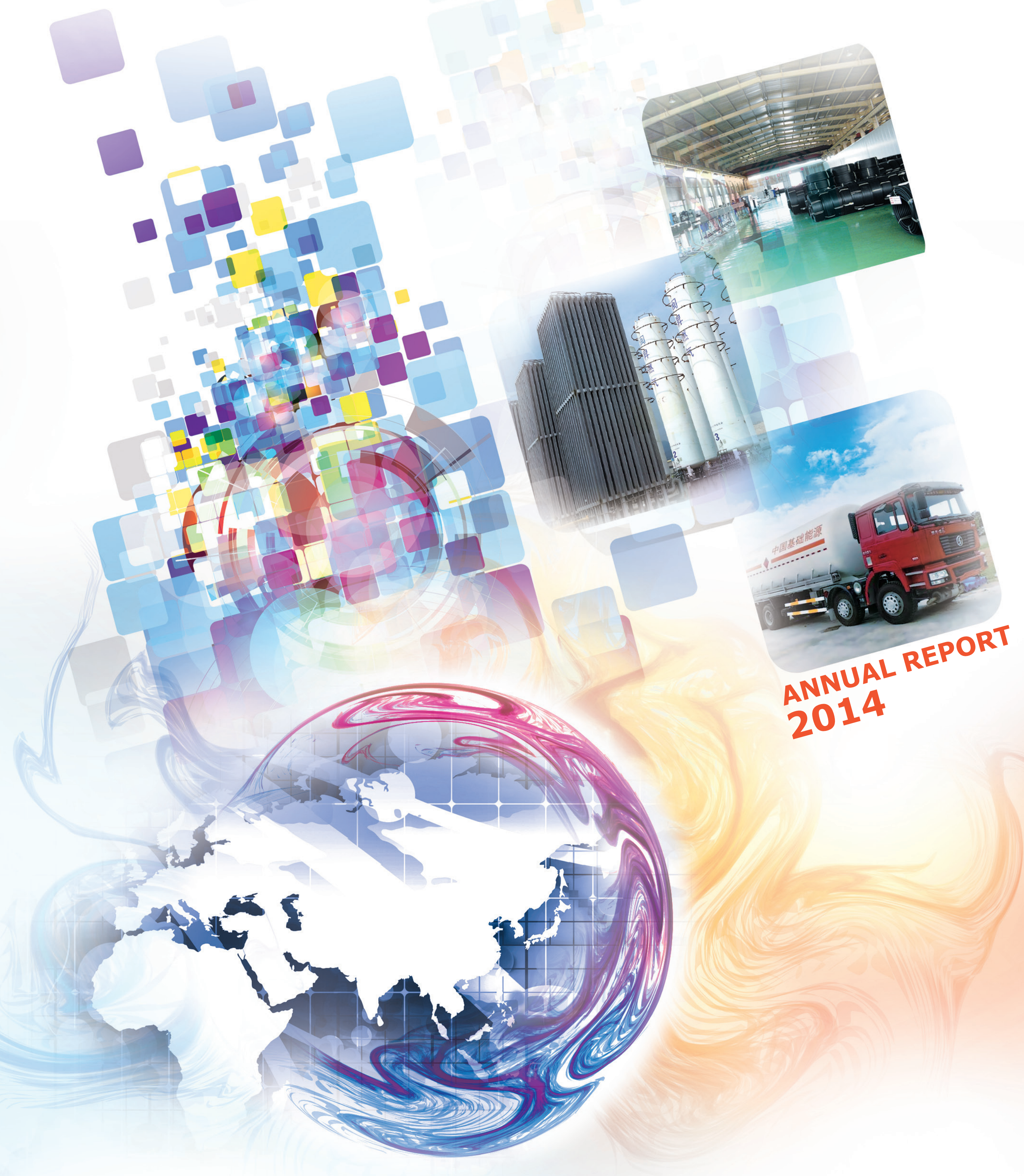
中國基礎能源控股有限公司
China Primary Energy Holdings Limited

(Incorporated in the Cayman Islands with limited liability)

(Stock Code : 8117)



ANNUAL REPORT 2014

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This annual report, for which the directors (the "Directors") of CHINA PRIMARY ENERGY HOLDINGS LIMITED (the "Company") collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the GEM of the Stock Exchange (the "GEM 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 annual report 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 annual report misleading.

Contents

Expressed in Hong Kong dollars ("HK$")

The English translation of Chinese names or words in this annual report, where indicated, is included for information purpose only, and should not be regarded as the official English translation of such Chinese names and words.

Corporate Information

Board of directors

Executive Directors

Ms. Ma Zheng *(Chairman)*
Mr. Wong Pui Yiu

Independent Non-Executive Directors

Mr. Wan Tze Fan Terence
Mr. Chung Chin Keung
Mr. Wang Xiao Bing

Registered office, head office and principal place of business

Registered office

Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

Head office and principal place of business

Suite 1415
Ocean Centre
5 Canton Road
Tsim Sha Tsui
Kowloon
Hong Kong

Company secretary

Mr. Wong Chun Sing

Compliance officer

Mr. Wong Pui Yiu

Audit committee

Mr. Wan Tze Fan Terence *(Chairman)*
Mr. Chung Chin Keung
Mr. Wang Xiao Bing

Nomination committee

Mr. Wan Tze Fan Terence *(Chairman)*
Mr. Chung Chin Keung
Mr. Wang Xiao Bing

Remuneration committee

Mr. Wan Tze Fan Terence *(Chairman)*
Mr. Chung Chin Keung
Mr. Wang Xiao Bing

Authorised representatives

Ms. Ma Zheng
Mr. Wong Pui Yiu

Principal bankers

OCBC Wing Hang Bank Limited
The Hongkong and Shanghai Banking Corporation Limited

Share registrar and transfer office

Royal Bank of Canada Trust Company (Cayman) Limited
4th Floor, Royal Bank House
24 Shedden Road, George Town
Grand Cayman KY1-1110
Cayman Islands

Stock code

8117

Website

http://china-p-energy.etnet.com.hk

Cayman Islands assistant secretary

Codan Trust Company (Cayman) Limited

Auditors

BDO Limited
Certified Public Accountants
25th Floor, Wing On Centre
111 Connaught Road Central
Hong Kong

Hong Kong branch share registrar

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

Chairman's Statement

It is my pleasure to present the annual results of China Primary Energy Holdings Limited (the "Company") together with its subsidiaries (collectively referred to as the "Group"), for the year ended 31 December 2014.

Operation

In the year 2014, the global economic environment improved a lot and was relatively stable. However, the debt problem of Greece and the unstable political issues in Middle East and East Europe still incur potential threats on global economic growth. Although People's Republic of China (the "PRC") was still politically and economically strong and stable when compared with other large countries, certain areas like the finance sector and the construction sector were still being affected. As a PRC based Group, in 2014 we decided to take such opportunity to expand and strengthen ourselves.

Actually, 2014 was a very special and important year for the Group. We have finally settled the prolonged convertible bonds issue with Lehman Brothers Commercial Corporate Asia Limited in which the long outstanding convertible bonds were redeemed and cancelled in October 2014. This was a very good news for the Company as it removed an uncertain factor and the gearing of the Group was improved a lot. In addition, existing shareholders and new investors supported the Company with funds through rights issue and subscription of shares in June and September 2014, respectively. They brought in additional resources which make us stronger and more competitive. The capital base of the Group was significantly enhanced.

On the other hand, in 2014 the Company decided to step into a new business sector – the energy sector. Natural gas is a kind of clean energy that most of the large countries, including PRC, are using and the extent of usage is growing. The Group has acquired several natural gas projects in Fujian Province and Anhui Province in the PRC since April 2014. Besides acquisitions, the Group also cooperated with Tengchong government in Yunnan Province to invest in natural gas business there. As a result of series of corporate actions, the Group successfully diversified its business from its sole business, Polyethylene pipes (the "PE pipes") business to natural gas business which is considered to be a very prosperous business.

In order to cope with the change and diversification of business, as supported by the shareholders, the name of the Company was changed from China Primary Resources Holdings Limited to China Primary Energy Holdings Limited in December 2014.

Chairman's Statement

Results

The results of the Group in 2014 were not performing well as anticipated. Significant part of the results was still contributed from the PE pipes business. Although turnover of the PE pipes business has improved a lot when compare with the previous year, the gross margin of the PE pipes business was not enough to cover the fixed production and operating costs of the whole Group. Moreover, the new natural gas business only accounted for a few months' results in 2014. As a result, significant loss was still reported in 2014. However, we are confident that with the new natural gas business and improved turnover and customer portfolio of the PE pipes business, the Group can achieve good results in 2015. This will include the utilization of the plant and machineries of the PE pipes factory to produce relevant products, like the Fiber Reinforced Plastic products.

Future Development

Definitely, the acquisition and corporate exercises mentioned above have strengthened the foundation of the Group. With those new natural gas companies acquired in 2014, we will expand our market share in the industry and look for every opportunity to grow. Since most of the natural gas companies of the Group are already under operation and the anticipated completion of the acquisition of another natural gas company in Anhui Province, we believe their contributions will be positive and significant to the Group in 2015 and onwards. On the other hand, we will do our best to ensure the PE pipes business can sustain and contribute positively to the Group in 2015.

In addition, in order to improve the working capital of the Group, we are seeking shareholders' approval to issue HK$60,000,000 convertible bonds. With this fund, the capital base of the Company will be further enhanced.

As the Chairman of the Company, I will continue to lead the Board and the Company to achieve our goal. I strongly believe that with the continuous efforts and support of the management team and business partners, the Group could develop into a large natural gas service provider and a leading manufacturer of PE pipes in the PRC. In the meantime, as mentioned several times before, we are still investigating for possible investing opportunities to increase the Company's value. In this respect, I can assure you that the shareholders' return will be increased in the near future.

Appreciation

On behalf of the Board, I would like to express my sincere gratitude to our shareholders, fellow directors, staff, customers, advisers and business partners for their ongoing support and contributions. 2015 will be a challenging year but, with the strong commitment and contribution from all of you, I believe the Group can achieve its goal.

Ma Zheng
Chairman

Hong Kong, 24 March 2015

Management Discussion and Analysis

OPERATION REVIEW

Turnover of the Group for the year ended 31 December 2014 increased when compared to the corresponding period in 2013. Such increase was mainly because the Polyethylene pipes ("PE pipes") business has improved and the turnover of the natural gas business has been included in the Group since June 2014. The board of directors (the "Board") believes that turnover of the Group will be further improved with the new natural gas business and anticipated improvement of the PE pipes business.

The business segment of the PE pipes has been the core business of the Group during the year under review and continued as one of the main businesses of the Group in 2014. The PE pipes are products used for construction and city development in the People's Republic of China (the "PRC"). The Group's major customers are the government and public entities, or their suppliers, from different provinces and cities in the PRC. Due to low turnover and relatively high production fixed costs, the gross margin was not meeting target. However, with the anticipated higher turnover under continuous improvement of turnover and a strengthened customer portfolio, gross margin of the PE pipes business will definitely improve in the first quarter of 2015 and in the long term.

In view of the policy to use clean energy in the PRC, the prospect of natural gas business is very bright. With the acquisition of Can Guang Petrochemical (Fujian) Co., Ltd.# (燦光石化（福建）有限公司), Ningguo Ruide Natural Gas Company Limited# (寧國瑞德天然氣有限公司) and the formation of China Primary Blueprint (Shenzhen) Energy Limited# (中基藍印（深圳）能源有限公司) in the year 2014, the natural gas business is heading towards the right direction and likely to become one of the major businesses of the Group.

In the meantime, the Board has been exploring possible investing opportunities to increase the Company's value. Below are some of the new investment projects and corporate actions of the Company in 2014.

Original Deed of Settlement, Supplemental Deed and disposal of subsidiaries

On 31 October 2007, the Company issued to Lehman Brothers Commercial Corporation Asia Limited ("Lehman Brothers") (the "Bondholder") the then 4.5% convertible bonds of the Company in the principal amount of approximately HK$246 million (the "Bonds") which was due on 31 October 2010. On 17 September 2010, the Company, the Bondholder and the joint and several liquidators of Lehman Brothers (the "Liquidators") entered into the original agreement (the "Original Deed of Settlement") to set out the terms for the redemption of the Bonds. Details of the Original Deed of Settlement were set out in the announcement of the Company dated 27 September 2010 and the circular of the Company dated 11 October 2010. On 27 October 2010, the Original Deed of Settlement was approved by the Shareholders. Pursuant to the Original Deed of Settlement, the redemption of the Bonds is subject to fulfillment of certain conditions including but not limited to the transfer of the Sale Interest (as defined below) to the Bondholder or any third party as directed by the Bondholder and the payment of an aggregate amount of HK$85 million.

Management Discussion and Analysis

Pursuant to the Original Deed of Settlement, the Sale Interest represents 100% of the issued share capital of Zhong Ping Resources Holdings Limited ("Zhong Ping"), a company incorporated in the British Virgin Islands ("BVI") with limited liability (being the holder of the 70% equity interest in ARIA LLC, a company incorporated in Mongolia with limited liability ("ARIA")), or, at the sole and absolute discretion of the Bondholder, all of the assets held directly or indirectly by Zhong Ping. Subsequently, the Bondholder elected to receive a transfer of the 70% equity interest in ARIA. To the best knowledge of the Directors, the registration of the ARIA Transfer could not be completed without a new joint venture agreement between a new shareholder and Selenge Mining LLC, a company organized and existing under the laws of Mongolia (the "Minority Shareholder"), having been agreed, signed and registered with the Legal Entity Registration Office of Mongolia. Due to the prolonged commercial negotiation between the Bondholder and the Minority Shareholder, it is unpredictable when a new joint venture agreement can be agreed and signed.

Therefore, after negotiations with the Bondholder and the Liquidators, the Company entered into a supplemental deed on 15 January 2014 (the "Supplemental Deed") with the Bondholder and the Liquidators, pursuant to which the Bondholder agreed to accept the transfer of the Zhong Ping Shares and revoke its election to receive the 70% equity interest in ARIA. Under such amendment, the transfer of the Zhong Ping Shares can be effected without the approvals and consent required for the ARIA Transfer in Mongolia as Zhong Ping is a BVI company and was wholly-owned by the Company.

Pursuant to the Original Deed of Settlement and the Supplemental Deed, the Company agreed to pay a total of approximately HK$122,000,000 and to transfer the Sale Interest (which is classified as assets held for sale and liabilities associated with assets classified as held for sale) to the Bondholder for the full settlement of the Bonds. The long-stop date has been extended several times to allow more time for the transfer of the Sale Interest.

Finally, all conditions of the redemption of the Bonds have been fulfilled pursuant to the Amended Deed of Settlement and redemption of the Bonds was completed on 16 October 2014. Accordingly, the Bonds have been sent to the registrar for cancellation and no Bonds remain outstanding.

Details are set out in the announcements dated 27 September 2010, 28 October 2011, 28 December 2011, 24 February 2012, 27 March 2012, 29 May 2012, 28 August 2012, 27 December 2012, 27 June 2013, 30 September 2013, 31 October 2013, 29 November 2013, 30 December 2013, 15 January 2014, 29 April 2014, 23 May 2014, 20 June 2014, 17 July 2014, 21 August 2014, 29 September 2014 and 16 October 2014 and the circulars dated 11 October 2010 and 12 March 2014 of the Company.

Management Discussion and Analysis

Loan Agreement

Taking into account the financial position of the Company, the Company has entered into a loan agreement (the "Loan Agreement") with Excel Sino Investments Limited (the "Lender"), an independent third party, to finance the payment of the non-refundable deposit in the sum of HK$6 million (the "Deposit") and a HK$ amount equivalent to RMB24,000,000 (the "Fourth Payment Amount"). On 15 January 2014, the Company (as borrower) and the Lender entered into the Loan Agreement, pursuant to which the Lender agreed to provide loans up to HK$38.0 million to the Company for the payment of the Deposit and the Fourth Payment Amount as required under the Supplemental Deed.

Details are set out in the announcement dated 15 January 2014 and the circular dated 12 March 2014 of the Company.

As disclosed in the section headed "Subscription of new shares" below, all outstanding loan amount was repaid and converted into Shares on 15 September 2014.

The Discloseable Transaction – Acquisition of 70% registered capital of a natural gas company established in the PRC

On 10 April 2014, China Primary Energy (Shenzhen) Limited# (中基能源（深圳）有限公司) ("China Primary Energy (Shenzhen)"), a wholly-owned subsidiary of the Company which is established in the PRC, as the purchaser, Shenzhen Xin He Enterprise Management Consulting Co., Ltd.# (深圳鑫河企業管理諮詢有限公司), as the vendor (the "Vendor") and Zou Shuyan# (鄒淑豔) and Xu Haijun# (徐海軍), as the guarantors entered into the sale and purchase agreement (the "SP Agreement") pursuant to which China Primary Energy (Shenzhen) conditionally agreed to acquire (the "Acquisition") and the Vendor conditionally agreed to sell 70% of the registered capital of Fujian China Primary Energy Limited# (福建中基能源有限公司) (formerly known as Can Guang Petrochemical (Fujian) Co., Ltd.# (燦光石化（福建）有限公司)) ("Fujian China Primary"), a company established in the PRC and the assigned debt (all obligations, liabilities and debts owing or incurred by Fujian China Primary to the Vendor on or at any time prior to the completion of the SP Agreement (the "Completion") whether actual, contingent or deferred or irrespective of whether or not the same is due and payable on completion, which will be assigned to China Primary Energy (Shenzhen) upon Completion which as at 31 December 2013 amounted to RMB3.5 million) at the consideration of RMB23.5 million.

Based in Fujian Province and currently expanding in the PRC, Fujian China Primary and its subsidiaries (the "Fujian China Primary Group") are principally engaged in the supply of the natural gas to the customers for industrial, commercial and household uses through sourcing of the natural gas from the upstream suppliers including but not limited to state-owned enterprises.

The scope of the Fujian China Primary Group's business includes transmission and distribution of the natural gas. The main business operations of the Fujian China Primary Group is located in areas including Zhangzhou, Fuzhou, Ningde and Nanping, the PRC. The Fujian China Primary Group has built up its customer base in these areas for the supply of the natural gas.

Details are set out in the announcement of the Company dated 10 April 2014.

The Acquisition was completed and Fujian China Primary became the non wholly-owned subsidiary of the Company on 9 June 2014.

Management Discussion and Analysis

Rights Issue

The issue by way of rights of 241,440,492 rights shares (the "Rights Share(s)") in the proportion of one Rights Share for every two shares at a price of HK$0.21 per Rights Share (the "Rights Issue") was duly completed on 5 June 2014. Total net proceeds of approximately HK$49 million was received and the Company intends to apply the net proceeds from the Rights Issue (i) as to about 60% thereof for the funding and further development of the Group's existing and future businesses, including but not limited to, the financing of possible acquisition and investment opportunities; and (ii) as to about 40% thereof as the general working capital of the Group. Pursuant to the announcement of the Company dated 10 April 2014, the Company was contemplating an acquisition of Fujian China Primary which is principally engaged in natural gas business and the expected consideration for such acquisition is approximately HK$29.7 million, which is about 60% of the net proceeds.

Pursuant to underwriting agreement dated 11 April 2014 entered into between Ms. Ma Zheng, executive director and chairman of the Company (as underwriter), and the Company in relation to the Rights Issue, Ms. Ma Zheng has taken up her provisional allotment of an aggregate of 121,837,581 Rights Shares under the Rights Issue in full. Ms. Ma Zheng has also made an application for 30,000,000 excess Rights Shares and has acquired from the market an additional 3,280,000 Rights Shares. The excess Rights Shares allocated to Ms. Ma Zheng was 1,488,889 Rights Shares, being approximately 4.96% of 30,000,000 excess Rights Shares. As a result, the number of Shares held by Ms. Ma Zheng immediately after the Rights Issue is 370,281,632 Shares.

Details are set out in the announcements dated 11 April 2014 and 4 June 2014 and the Prospectus dated 12 May 2014 of the Company.

The Discloseable Transaction – Finance Lease Agreements

On 31 July 2014, Fujian China Primary (the "Lessee"), as a lessee, entered into the finance lease agreements (together the equipment finance lease agreement and the transportation vehicle finance lease agreement) with CIMC Financing and Leasing Co., Ltd.# (中集融資租賃有限公司), an independent third party (the "Lessor"), as a lessor, pursuant to which the Lessor agreed to purchase various machinery and equipment in relation to the supply of the natural gas and one low-temperature liquid transportation vehicle specializing in the transportation of the natural gas (the "Leasing Equipment and Transportation Vehicle") from suppliers or manufacturers at the request of the Lessee and then the Lessor shall lease the Leasing Equipment and Transportation Vehicle to the Lessee for a period of 36 months commencing from the date of delivery of the leasing equipment or the leasing transportation vehicle, as the case maybe. The total lease payments payable under the finance lease agreements is approximately RMB13,841,164.

The Company has provided guarantee in favour of the Lessor for, including but not limited to, unpaid deposit, unpaid lease payment, compensation, handling charge, default interest or other payables by the Lessee relating to the finance lease agreements.

Details are set out in the announcement of the Company dated 31 July 2014.

Management Discussion and Analysis

The Discloseable Transaction – Proposed formation of a joint venture company

On 13 August 2014, a joint venture agreement was entered into between China Primary Energy (Shenzhen) and Shenzhen City Tianyin Investment Company Limited# (深圳市天印投資有限公司) ("Tianyin Investment") in relation to the formation of China Primary Blueprint (Shenzhen) Energy Limited# (中基藍印(深圳)能源有限公司) (originally proposed to be named as Shenzhen China Primary Tianyin Energy Company Limited#) ("Shenzhen JV"), a limited liability company to be established in Shenzhen City, Guangdong Province, the PRC.

The expected registered capital of Shenzhen JV will be RMB50,000,000 and will be contributed as to RMB27,500,000 by China Primary Energy (Shenzhen) in cash and as to RMB22,500,000 by Tianyin Investment in cash. Upon establishment, Shenzhen JV will become an indirect non wholly-owned subsidiary of the Company.

Details are set out in the announcement of the Company dated 13 August 2014.

Subscription of new shares

On 4 September 2014, the Company entered into the subscription agreement (the "Subscription Agreement 1") with Excel Sino Investments Limited (the "Subscriber 1"), pursuant to which the Subscriber 1 has conditionally agreed to subscribe for and the Company has conditionally agreed to allot and issue 96,576,196 new Shares (the "Subscription Share(s)") at the subscription price of HK$0.40 per Subscription Share (the "Subscription").

Reference is also made to the announcement of the Company dated 15 January 2014, the Company and the Subscriber 1 entered into the Loan Agreement pursuant to which the Subscriber 1 would advance loan of up to HK$38,000,000 to the Company. As at 15 January 2014, the outstanding sum owed by the Company to the Subscriber 1 amounted to approximately HK$7,313,000.

By entering into the Subscription Agreement 1, the Group can obtain equity fund to repay the Bonds instead of loan financing. As such, the finance cost can be reduced. Furthermore, the Subscription will broaden the shareholder base of the Company.

The gross proceeds of the Subscription were approximately HK$38.6 million.

After the set off of the loan owed by the Company to the Subscriber 1 under the Loan Agreement, the remaining net proceeds of the Subscription of approximately HK$31 million has been used to repay the Bonds owed by the Company to the Bondholder.

The completion of the Subscription has taken place on 15 September 2014 pursuant to the terms of the Subscription Agreement 1 and all the 96,576,196 Subscription Shares have been issued and allotted to the Subscriber 1 in accordance with the terms and conditions of the Subscription Agreement 1.

Management Discussion and Analysis

Details are set out in the announcements of the Company dated 4 September 2014 and 15 September 2014.

Entering into of cooperation agreement with Tengchong Government in relation to natural gas project

On 22 September 2014, the Company has entered into the cooperation agreement (the "Cooperation Agreement") with the Tengchong County People's Government (the "Tengchong Government") in relation to the natural gas utilization engineering project (the "Natural Gas Project").

Pursuant to the Cooperation Agreement, the Company will invest to set up a project company (the "Project Company") in Tengchong County, Yunnan Province, the PRC for the Natural Gas Project. The Natural Gas Project will be an engineering project involving the utilization of natural gas in Tengchong Economic Development Zone.

Tengchong Government will grant a license to the Project Company to operate natural gas business in Tengchong Economic Development Zone for a term of 30 years. Tengchong Government has also on the same date of the Cooperation Agreement entered into a license agreement to grant a license to the Company to operate natural gas business in Tengchong Economic Development Zone for a term of 30 years.

Details are set out in the announcement of the Company dated 22 September 2014.

Change of the Company name

On 9 October 2014, the Board proposed to change the English name of the Company from "China Primary Resources Holdings Limited" to "China Primary Energy Holdings Limited" and the Chinese name of the Company from "中國基礎資源控股有限公司" to "中國基礎能源控股有限公司".

The Certificate of Incorporation on Change of the Name was issued by the Registry of Companies in the Cayman Islands on 18 November 2014 and the Certificate of Registration of Alteration of Name of Registered Non-Hong Kong Company was issued by the Registrar of Companies in Hong Kong on 8 December 2014.

Management Discussion and Analysis

Due to increased investments in the energy sector in 2014 and with further business development and expansion of the Group, the Board considers that the change of the Company name reflects the future emphasis of the Group in energy related business and the business nature of the Company. In addition, the new name can also refresh the Company's corporate image and identity.

Details are set out in the announcements dated 9 October 2014 and 15 December 2014 and the circular dated 23 October 2014 of the Company.

The Discloseable Transaction – Proposed acquisition of the entire registered capital of a natural gas company established in Ningguo City, the PRC

On 13 October 2014, China Primary Energy (Shenzhen), as the purchaser, entered into the acquisition agreement with Hande Investments Company Limited# (漢德投資有限責任公司), as the vendor, to acquire the entire registered capital of Ningguo Ruide Natural Gas Company Limited# (寧國瑞德天然氣有限公司) ("Ningguo Ruide"), for a total consideration of RMB30,000,000.

Upon completion, Ningguo Ruide has become an indirect wholly-owned subsidiary of the Company.

Ningguo Ruide is a company established in Ningguo City, the PRC in 2008 and is principally engaged in the natural gas business in the PRC. The registered capital of Ningguo Ruide is RMB10,000,000, which has been fully paid. Ningguo Ruide holds a gas operation license to operate natural gas business within Ningguo City Economic & Technological Development Zone.

Details are set out in the announcement of the Company dated 13 October 2014.

The Discloseable Transaction – Proposed acquisition of 75% registered capital of a natural gas company established in Wuhu City, Anhui Province, the PRC

On 17 December 2014, China Primary Energy (Shenzhen), as the purchaser, has entered into the acquisition agreement (the "Acquisition Agreement") with Mr. Shi Linghang# (史領航先生), as the vendor, to acquire 75% registered capital of Wuhu Shengyuteng Natural Gas Pipeline Company Limited# (蕪湖盛譽騰天然氣管道有限公司) ("Wuhu Shengyuteng"), for a total consideration of RMB37,500,000. On 6 March 2015, China Primary Energy (Shenzhen) and Mr. Shi Linghang# entered into a supplemental agreement to the Acquisition Agreement.

Upon completion, Wuhu Shengyuteng will become an indirectly non wholly-owned subsidiary of the Company.

Management Discussion and Analysis

Wuhu Shengyuteng is a company established in Wuhu City, Anhui Province, the PRC and is principally based in Anhui Province, the PRC and is in the course of development and expansion. The principal activities of Wuhu Shengyuteng include natural gas transport and pipeline construction, management and related products and services. The registered capital of Wuhu Shengyuteng is RMB50,000,000.

Details are set out in the announcements of the Company dated 17 December 2014 and 6 March 2015.

Bank Loan Facility

On 30 December 2014, China Primary Energy (Shenzhen) (the "Borrower"), as borrower has entered into a loan agreement dated 30 December 2014 with the Bank of China Limited, Shenzhen City Branch (the "Bank"), whereby the Bank has agreed to advance to the Borrower a loan facility of RMB16,000,000 (the "Loan") for the purpose of general working capital for a term of nine months. Each of Ms. Ma Zheng, the Chairman of the Company, and the Company has also executed a guarantee in favour of the Bank to secure the obligations of the Borrower under the Loan on 30 December 2014 and 31 December 2014, respectively.

Details are set out in the announcement of the Company dated 31 December 2014.

Proposed issue of the Convertible Bonds

On 17 February 2015, the Company entered into the conditional subscription agreement (the "Subscription Agreement 2") with Golden Peak Minerals Limited (the "Subscriber 2"), pursuant to which the Subscriber 2 has conditionally agreed to subscribe for and the Company has conditionally agreed to issue the five-year 4.5% coupon unlisted convertible bonds in principal amount of HK$60,000,000 (the "Convertible Bonds").

Based on the initial conversion price of HK$1.0 (the "Conversion Price") per conversion share, a maximum number of 60,000,000 conversion shares (the "Conversion Shares") will be allotted and issued upon exercise of the conversion rights attached to the Convertible Bonds in full, which represent: (i) approximately 7.31% of the issued share capital of the Company as at the date of the Subscription Agreement 2; and (ii) approximately 6.81% of the issued share capital of the Company as to be enlarged by the allotment and issue of the Conversion Shares to be allotted and issued upon the exercise of the conversion rights attaching to the Convertible Bonds in full. The net proceeds of the subscription of approximately HK$59,400,000 will be applied towards appropriate acquisition and investment opportunities of the Group and the considerations thereof and working capital of the Group.

The Convertible Bonds shall not be converted into conversion shares for the period from the date of issue of the Convertible Bonds to the date falling three years after the issue of the Convertible Bonds.

The Conversion Price is initially HK$1.0 per Conversion Share, subject to adjustment for subdivision or consolidation of Shares, rights issue, stock or cash distribution other than out of distributable profits of the Company, and other dilutive events (which are general anti-dilution adjustments).

Details are set out in the announcement dated 17 February 2015 and the circular dated 11 March 2015 of the Company.

Management Discussion and Analysis

FINANCIAL REVIEW

Turnover was approximately HK$88,428,000 for the year ended 31 December 2014, which represented an increase of approximately 195.4% when compared with last year's turnover of approximately HK$29,939,000. The Board believes that turnover of the Group will be further improved with the new natural gas business and anticipated improvement of the PE pipes business.

During the year under review, audited loss before income tax was approximately HK$46,201,000 (2013: loss of approximately HK$44,545,000). The loss attributable to owners of the Company was approximately HK$46,605,000 (2013: loss of approximately HK$44,578,000). In the current economic environment, the Board will continue to exercise stringent cost control and maintain a low and effective overheads structure and prudently utilise the Group's corporate resources to create wealth for the Shareholders.

BUSINESS OUTLOOK AND PROSPECTS

The business of production and sale of the PE pipes were not performing well in the year 2014. However, the Board believes that this business segment will start to grow and perform much better in the year 2015 onwards. The Group has been building an effective sales team to explore new markets and identify more customers for its PE pipes products. Moreover, there are going to be many new customers in 2015 which will definitely improve the PE pipes business of the Group.

Most importantly, the natural gas businesses acquired are all under operations and thus the natural gas business will fully contribute both result and cash flow to the Group in 2015. As such, the Group will be expanded through the natural gas business and PE pipes business.

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 December 2014, net assets of the Group were approximately HK$246,345,000 (2013: approximately HK$247,983,000) while its total assets were approximately HK$373,556,000 (2013: approximately HK$550,965,000) including cash and bank balances of approximately HK$8,708,000 (2013: approximately HK$20,934,000).

FUNDING ACTIVITIES DURING THE YEAR

Other than the Rights Issue and Subscription mentioned above, the Company did not carry out any fund raising activities during the year under review.

GEARING RATIO

As at 31 December 2014, current assets of the Group amounted to approximately HK$134,157,000 which included cash of approximately HK$2,425,000 and approximately RMB5,030,000, while current liabilities stood at approximately HK$118,458,000 which included borrowings of approximately HK$37,479,000. Equity attributable to owners of the Company amounted to approximately HK$237,336,000. In this regard, the Group was in a net assets position and had a gearing ratio of approximately 12.12% (borrowings less cash balances to equity attributable to owners of the Company) as of 31 December 2014.

Management Discussion and Analysis

EXPOSURE TO FLUCTUATIONS IN EXCHANGE RATES

Sales and payment of the Group are denominated in Hong Kong dollars and Renminbi ("RMB"). The Group's cash and bank deposit were mainly denominated in Hong Kong dollars and RMB, and the business is mainly operated in the PRC. The only foreign currency exposure comes mainly from the funds movement between Hong Kong and the PRC. With the anticipated stability of RMB, the Group's foreign currency exposure was minimal for the year under review, except for certain material purchases. No hedging or other alternatives had been implemented for foreign currency exposure. However, the Group will continue to monitor closely the exchange rate movements and will enter into hedging arrangements in future if necessary.

CHARGE ON GROUP ASSETS AND CONTINGENT LIABILITIES

Save as disclosed above, as at 31 December 2014, the Group did not have any significant contingent liabilities and no assets of the Group were pledged.

SEGMENT INFORMATION

An analysis of the Group's performance for the year by business and geographical segments is set out in Note 7 to the financial statements.

CAPITAL STRUCTURE

The ordinary shares of the Company were initially listed on the GEM of the Stock Exchange on 13 December 2001. As at 31 December 2014, the issued share capital of the Company was made up of 820,897,672 ordinary shares of HK$0.0625 each.

MATERIAL ACQUISITION AND DISPOSAL OF SUBSIDIARIES AND AFFILIATED COMPANIES/FUTURE PLANS FOR MATERIAL INVESTMENTS

Save as disclosed above, there was no other material acquisition or disposal of subsidiaries and affiliated companies during the year.

Management Discussion and Analysis

SIGNIFICANT INVESTMENTS

Save as disclosed above, the Group had not made any significant investment for the year ended 31 December 2014.

EMPLOYEE INFORMATION

As at 31 December 2014, the Group had 6 full-time employees working in Hong Kong and 277 full-time employees working in the PRC. Total employees' remuneration for the year under review amounted to approximately HK$17,647,000. The Group remunerates its employees based on their performance, experience and the prevailing industry practice.

Biographical Details of Directors and Senior Management

Directors

Ms. Ma Zheng, aged 48

Chairman and Executive Director

Ms. Ma joined the Group in February 2004. She is currently the chairman and the major shareholder of the Company. Ms. Ma has over 25 years of experience in international trade, electronic industry and corporation management. She graduated from Wuhan University majoring in construction structure engineering.

Mr. Wong Pui Yiu, aged 52

Executive Director

Mr. Wong joined the Group in February 2008. He has over 14 years of experience in business administration and corporate management. He is currently the general manager of Smart Honest Group Limited which has been a distributor of semiconductors since 2004.

Mr. Wan Tze Fan Terence, aged 50

Independent Non-executive Director

Mr. Wan joined the Group in March 2004. Mr. Wan holds a bachelor degree in commerce and a master degree in business administration. Mr. Wan has years of experience in accounting and financial management. He had worked for international accounting firms and listed companies in Hong Kong. He is a fellow member of The Hong Kong Institute of Certified Public Accountants and a Certified Practicing Accountant of CPA Australia. Currently, he is an executive director of Sino Oil and Gas Holdings Limited and an independent non-executive director of Eagle Legend Asia Limited, both companies are listed on the Main Board of The Stock Exchange of Hong Kong Limited.

Biographical Details of Directors and Senior Management

Mr. Chung Chin Keung, aged 47
Independent Non-executive Director
Mr. Chung joined the Group in February 2008. Mr. Chung holds a bachelor degree of Business Administration from the Hong Kong Baptist University and a master degree in Business Administration from Manchester Business School. Mr. Chung is a fellow member of The Association of Chartered Certified Accountants, a fellow member of The Hong Kong Institute of Certified Public Accountants, a fellow member of The Institute of Financial Consultants and an associate member of The Institute of Chartered Accountants in England and Wales. He has more than 22 years of experience in finance, accounting and management. Mr. Chung is currently the financial controller and company secretary of China Financial Services Holdings Limited, a company listed on the Main Board of The Stock Exchange of Hong Kong Limited.

Mr. Wang Xiao Bing, aged 47
Independent Non-executive Director
Mr. Wang joined the Group in March 2012. Mr. Wang holds a bachelor degree in law from China University of Political Science and Law. He used to work for several famous corporations and law office in China. He has over 13 years of experience in corporation law counselor. Mr. Wang has the lawyer's license of China and he is a member of Shenzhen lawyer association. Currently, Mr. Wang is a lawyer and one of the partners of Guangdong C&B Law Office, which is a new style and professional law office.

Senior management

Mr. Wong Chun Sing, aged 44
Financial Controller and Company Secretary
Mr. Wong joined the Group in April 2008. Mr. Wong holds a master degree in business administration. He is a fellow member of The Hong Kong Institute of Certified Public Accountants and a fellow member of the Association of Chartered Certified Accountants. Mr. Wong has over 21 years of management experience in the accounting and finance sector and he had worked for an international accounting firm, listed companies and securities and finance companies in Hong Kong.

Directors' Report

The directors of the Company (the "Director(s)") herein present their report and the audited financial statements for the year ended 31 December 2014.

Change of Company name

With effect from 18 November 2014, the name of the Company was changed from "China Primary Resources Holdings Limited" to "China Primary Energy Holdings Limited".

Principal activities

The principal activity of the Company is investment holding. Details of the principal activities of its subsidiaries are set out in Note 20 to the financial statements. During the year under review, the Group acquired subsidiaries which were principally engaged in the transmission and distribution of natural gas. Other than that, there were no significant changes in the nature of the Group's principal activities during the year.

An analysis of the Group's performance for the year by business and geographical segment is set out in Note 7 to the financial statements.

Results and appropriations

The results of the Group for the year ended 31 December 2014 and the state of affairs of the Group and the Company at that date are set out in the financial statements on pages 38 to 137.

The Board does not recommend the payment of any dividend.

Share capital

Details of the movements in share capital of the Company during the year are set out in Note 35 to the financial statements.

Reserves

Details of the movements in reserves of the Group and the Company during the year are set out in the consolidated statement of changes in equity and Note 37 to the financial statements, respectively.

Distributable reserves

As at 31 December 2014, the Company had reserves available for distribution amounted to approximately HK$180,090,000 (2013: approximately HK$166,162,000) as calculated according to the laws of the Cayman Islands.

Property, plant and equipment

Details of the movements in property, plant and equipment of the Group during the year are set out in Note 17 to the financial statements.

Directors' Report

Pre-emptive rights

There is no provision for pre-emptive rights under the Company's articles of association (the "Articles of Association") and there is no restriction against such rights under the laws of the Cayman Islands, which will oblige the Company to offer new shares on a pro-rata basis to existing shareholders.

Financial summary

A summary of the results and of the assets and liabilities of the Group for the last five financial years is set out on page 138.

Purchase, sale or redemption of securities

The Company had not redeemed any of its ordinary shares during the year ended 31 December 2014. Neither the Company nor any of its subsidiaries had purchased or sold any of the Company's ordinary shares during the year ended 31 December 2014.

Directors

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

Executive Directors

Ms. Ma Zheng
Mr. Pan Feng (resigned on 4 February 2015)
Mr. Wong Pui Yiu

Independent Non-Executive Directors

Mr. Wan Tze Fan Terence
Mr. Chung Chin Keung
Mr. Wang Xiao Bing

In accordance with article 87(1) of the Articles of Association, Ms. Ma Zheng and Mr. Wan Tze Fan Terence, being eligible, will offer themselves for re-election at the forthcoming annual general meeting.

Pursuant to the code provision as set out in paragraph A.4.3 of Appendix 15 of the GEM Listing Rules, any further appointment of independent non-executive director serving more than 9 years should be subject to a separate resolution to be approved by the shareholders of the Company. Mr. Wan Tze Fan Terence is an independent non-executive Director serving the Company for more than 9 years. Any further appointment of Mr. Wan Tze Fan Terence will follow the requirements of paragraph A.4.3 of Appendix 15 of the GEM Listing Rules. The Board considers that Mr. Wan Tze Fan Terence continues to be independent as he has satisfied all the criteria for independence set out in Rule 5.09 of the GEM Listing Rules.

All other remaining Directors will continue in office.

Directors' Report

All Directors are subject to retirement by rotation and re-election at annual general meetings of the Company in accordance with the provisions of the Articles of Association and code provision as set out in paragraph A.4.3 of Appendix 15 of the GEM Listing Rules.

Mr. Wan Tze Fan Terence is an independent non-executive Director and was appointed without a specific term.

Biographical details of directors and senior management

Brief biographical details of directors and senior management are set out on pages 17 and 18.

Directors' service contracts

Ms. Ma Zheng and Mr. Wong Pui Yiu, both are executive Directors, have renewed their service contracts with the Company for a term of two years commenced on 1 January 2014 and 1 February 2014 respectively. They are subject to termination by either party giving not less than three months' written notice. These service contracts are exempt from the shareholders' approval requirement under Rule 17.90 of the GEM Listing Rules.

Independence of independent non-executive directors

Each of the independent non-executive Directors has confirmed his independence to the Company pursuant to Rule 5.09 of the GEM Listing Rules and the Company considers the independent non-executive Directors to be independent.

Directors' interests

No contract of significance to which the Company or its subsidiaries was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

Directors' and chief executives' interests and short positions in the shares, underlying shares and debentures of the Company or any associated corporation

As at 31 December 2014, the interests and short positions of the directors of the Company in the shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), as recorded in the register required to be kept by the Company under Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to Rule 5.46 of the GEM Listing Rules, were as follows:

The approximate percentage of interest set out below is based on 820,897,672 ordinary shares in issue as at 31 December 2014.

Directors' Report

Long position in the ordinary shares of HK$0.0625 each in the Company as at 31 December 2014:

	Number of ordinary shares held		
Name of Director	**Type of interests**	**Number of ordinary shares**	**Approximate percentage of interests**
Ms. Ma Zheng	Beneficial	341,191,632	41.56%

Note: Pursuant to the Underwriting Agreement dated 11 April 2014, Ms. Ma Zheng has taken up her provisional allotment of an aggregate of 121,837,581 Rights Shares under the Rights Issue in full. Ms. Ma Zheng has also made an application for 30,000,000 excess Rights Shares and has acquired from the market an additional 3,280,000 Rights Shares. The excess Rights Shares allocated to Ms. Ma Zheng was 1,488,889 Rights Shares, being approximately 4.96% of 30,000,000 excess Rights Shares. As a result, the number of Shares held by Ms. Ma Zheng immediately after the Rights Issue was 370,281,632 Shares.

Ms. Ma Zheng sold 30,000,000 Shares and bought 910,000 Shares on 29 September 2014 and 18 December 2014, respectively. As a result, the number of Shares held by Ms. Ma Zheng become 341,191,632 Shares as at 31 December 2014.

Save as disclosed above, as at 31 December 2014, none of the Directors and chief executive of the Company had any other interests or short positions in the shares or underlying shares in, or debentures of, the Company or its associated corporations, within the meaning of Part XV of the SFO as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to Rule 5.46 of the GEM Listing Rules.

Share option

On 8 May 2012, a new share option scheme (the "Share Option Scheme") was adopted by the shareholders of the Company. The purpose of the Share Option Scheme is to provide incentives and rewards to eligible participants who would contribute to the success of the Group's operations. Under the terms of the Share Option Scheme, the Board may, at its discretion, grant options to any full-time employee and any Director of the Company or its subsidiaries, including any executive, non-executive or independent non-executive directors. The total number of shares which may fall to be issued upon exercise of all of the outstanding options granted and yet to be exercised under the Share Option Scheme and other schemes of the Company must not exceed 30% of the shares in issue from time to time. The Share Option Scheme will remain in force for a period of ten years commencing the date on which the scheme becomes unconditional.

The Share Option Scheme was adopted by the shareholders of the Company at the annual general meeting of the Company held on 8 May 2012.

Directors' Report

The definition of eligible person in the Share Option Scheme include any suppliers, consultants, agents, advisors and distributors who, in the sole discretion of the Board, have contributed or may contribute to the Group. The total number of shares in respect of which options may be granted under the Share Option Scheme is not permitted to exceed 10% of the shares of the Company in issue as at the date of approval of the Share Option Scheme, without prior approval from the Company's shareholders. The number of shares in respect of which options may be granted to any individual in any 12-month period is not permitted to exceed 1% of the shares of the Company in issue at any point of time, without prior approval from the Company's shareholders.

Where options are proposed to be granted to a connected person who is also a substantial shareholder or an independent non-executive Director or their respective associates and if such grant would result in the total number of shares issued and to be issued upon exercise of the options granted and to be granted (including options exercised, cancelled and outstanding) in any 12-month period up to and including the date of grant to such person representing in aggregate over 0.1% of the total issued shares and having an aggregate value, based on the closing price of the securities at the date of each grant, in excess of HK$5 million, then the proposed grant must be subject to the approval of shareholders of the Company taken on a poll in a general meeting. All connected persons of the Company must abstain from voting at such general meeting.

The exercise price for shares under the Share Option Scheme may be determined by the Board at its absolute discretion but in any event will not be less than the highest of: (i) the closing price of the shares as stated in the daily quotations sheet of the Stock Exchange on the date of grant, which must be a Business Day, (ii) the average of the closing prices of the shares as stated in the daily quotations sheets of the Stock Exchange for the five Business Days immediately preceding the date of grant; and (iii) the nominal value of the share on the date of grant. Any options granted under the Share Option Scheme shall end in any event not later than ten years from the Commencement Date (as defined in the Share Option Scheme). A nominal value of HK$1.00 is payable on acceptance of each grant of options.

No share options were granted by the Company and no share options were exercised or lapsed during the year.

Substantial shareholders' interests and short positions in the shares and underlying shares of the Company

The register of substantial shareholders maintained under Section 336 of the SFO shows that as at 31 December 2014, the Company had been notified that the following substantial shareholders having the following interests and short positions, being 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of the Company, in the Company. These interests are shown in addition to those disclosed above in respect of the Directors and chief executives:

The approximate percentage of interest set out below is based on 820,897,672 ordinary shares in issue as at 31 December 2014.

Directors' Report

Long position in the ordinary shares of HK$0.0625 each in the Company as at 31 December 2014:

Name of shareholders	Type of interests	Number of the shares held	Approximate percentage of interests
Ms. Guo Xiuqin	Corporate	114,757,678	13.98%
Tung Shing Energy Investment Limited	Corporate	114,757,678	13.98%
Excel Sino Investments Limited	Beneficial (Note)	114,757,678	13.98%

Note: Excel Sino Investments Limited, a company incorporated in the British Virgin Islands, is beneficially owned as to 80% by Tung Shing Energy Investment Limited, a company incorporated in the British Virgin Islands (which in turn is 100% beneficially owned by Ms. Guo Xiuqin), and as to the remaining 20% by an independent investor. Tung Shing Energy Investment Limited and Ms. Guo Xiuqin are deemed to be interested in the 114,757,678 Shares.

Save as disclosed above, as at 31 December 2014, the Directors are not aware of any other person (other than the Directors or chief executive of 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 Divisions 2 and 3 of Part XV of the SFO, or who had an interest, directly or indirectly, in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of the Company, or any other substantial shareholders whose interests or short position were recorded in the register required to be kept by the Company under Section 336 of the SFO.

Directors' rights to acquire shares

Save as disclosed above, at no time during the year was the Company or any of its subsidiaries a party to any arrangement to enable the Directors or their respective spouse or children under 18 years of age to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

Major customers and suppliers

Sales to the Group's five largest customers accounted for approximately 33% of the total sales for the year, and sales to the largest customer included therein amounted to approximately 12%.

Purchases from the Group's largest supplier accounted for approximately 19% of the total purchases for the year and the five largest suppliers accounted for approximately 61% of the Group's total purchases for the year.

Directors' Report

None of the Company's Directors or their respective associates (as defined in the GEM Listing Rules) or the existing shareholders, which, to the knowledge of the Directors holding more than 5% of the Company's issued share capital, had any interests in the Group's five largest customers or suppliers at any time during 2014.

Corporate governance

A report on the principal corporate governance practice adopted by the Company is set out on pages 27 to 35 of this annual report.

Audit committee

The Company established an audit committee (the "Audit Committee") with written terms of reference in compliance with Rules 5.28 and 5.29 of the GEM Listing Rules. The primary role and function of the audit committee, among other things, are to (i) review the financial controls, internal controls and risk management systems of the Group; (ii) review and monitor the external auditors' independence and objectivity and the effectiveness of the audit process in accordance with applicable standard; and (iii) review the financial statements and the quarterly, interim and annual reports of the Group. During the year under review, the Audit Committee comprised three members, Mr. Wan Tze Fan Terence, Mr. Chung Chin Keung and Mr. Wang Xiao Bing who are the independent non-executive Directors of the Company. During the year under review, the Audit Committee held four meetings and performed duties including reviewing the Group's quarterly, interim and annual reports and announcements. After reviewing the Group's financial statements for the year ended 31 December 2014, the Audit Committee is of the opinion that the financial statements of the Company and the Group for the year ended 31 December 2014 comply with applicable accounting standards, GEM Listing Rules and that adequate disclosures have been made.

Remuneration committee

The remuneration committee of the Company (the "Remuneration Committee") was established on 1 June 2005. The primary role and function of the Remuneration Committee is to consider and recommend to the Board on the Group's remuneration policy and structure for the remuneration of all executive Directors and senior management and to review and determine the remuneration packages of the executive Directors and senior management. During the year under review, the Remuneration Committee comprises three members, Mr. Wan Tze Fan Terence, Mr. Chung Chin Keung and Mr. Wang Xiao Bing who are the independent non-executive Directors of the Company.

Nomination committee

The nomination committee of the Company (the "Nomination Committee") was established on 22 March 2012. The primary role and function of the Nomination Committee, among other things, are to (i) review the structure, size and composition of the Board at least once a year and make recommendations on any proposed changes to the Board to complement the Company's corporate strategy; (ii) assess the independence of the independent non-executive Directors; and (iii) make recommendations to the Board on appointment and re-appointment of Directors. The Nomination Committee comprises three members, Mr. Wan Tze Fan Terence, Mr. Chung Chin Keung and Mr. Wang Xiao Bing who are the independent non-executive Directors of the Company.

Directors' Report

Connected and related party transactions

Details of the related party transactions during the year are included in Note 42 to the financial statements. The Directors are of the opinion that the related party transactions were conducted on normal commercial terms and in the ordinary course of business and did not require reporting pursuant to Chapter 20 of the GEM Listing Rules.

Competition and conflict of interests

During the year under review, none of the Directors, significant shareholders, substantial shareholders and any of their respective associates had been engaged in any business that competed or might compete directly or indirectly, with the business of the Group, or had or might have any other conflicts of interest with the Group.

Sufficiency of public float

The Company had maintained sufficient public float throughout the year ended 31 December 2014.

Contingent liabilities

As at 31 December 2014, the Directors were not aware of any material contingent liabilities.

Significant event after the reporting date

Details of significant event after the reporting date are set out in Note 47 to the financial statements.

Auditors

The financial statements have been audited by BDO Limited who will retire and, being eligible, offer themselves for re-appointment. A resolution will be proposed at the forthcoming annual general meeting of the Company to re-appoint BDO Limited as the auditors of the Company.

On behalf of the Board

Ma Zheng
Chairman

Hong Kong, 24 March 2015

Corporate Governance Report

(A) Corporate governance practices

The Company has applied the principles and complied with all the code provisions set out in the Corporate Governance Code (the "Code") for the year ended 31 December 2014 contained in Appendix 15 of the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") (collectively referred as the "GEM Listing Rules"), with the exception of two deviations as set out under section (D) and (F) below. The application of the relevant principles and the reasons for the abovementioned deviations are contained in this report.

The Company strives to attain and maintain high standards of corporate governance to enhance shareholder value and safeguard shareholder interests. The Company's corporate governance principles emphasise the need to have a quality Board, effective internal control and accountability to shareholders.

(B) Directors' securities transactions

The Company has adopted a code of conduct regarding securities transactions by Directors on terms no less exacting than the required standard of dealings set out in the Rules 5.48 to 5.67 of the GEM Listing Rules. All Directors confirmed they had complied with the required standard of dealings and the code of conduct regarding securities transactions by the Directors throughout the year.

(C) Board of directors

The Company is governed by the Board, which has the responsibility for leading and controlling the Company. The Directors are collectively responsible for promoting the success of the Company by directing and supervising the Company's affairs. More specifically, the Board formulates strategy, monitors its financial performance and maintains effective oversight over management. The Board delegates daily operations and administration of the Company to management.

The Board includes (up to the approval date of this financial statements) the Chairman together with one executive Director, and three independent non-executive Directors, and their biographical details have been set out in the "Biographical Details of Directors and Senior Management" section.

Corporate Governance Report

Board Meetings

The Company Secretary is responsible to the Board for providing with Board papers and related materials, for ensuring that all Board procedures and all applicable laws, rules and regulations are followed, and for reporting to the Chairman and/or the chief executive on governance matters. All Directors have unrestricted access to the advice and services of the Company Secretary. The Company Secretary also keeps minutes of all meetings which are available for inspection at any reasonable time on reasonable notice by any Director.

In case where a conflict of interest may arise involving a substantial shareholder or a director, such matter will be discussed through an actual meeting and will not be dealt with by written resolutions. Independent non-executive Directors with no conflict of interest will be present at meetings dealing with such conflict issues. The board committees, including the audit committee, the remuneration committee and the nomination committee, have all adopted the applicable practices and procedures used in board meetings for all committee meetings. If considered to be necessary and appropriate by the Directors, they may retain independent professional advisors at the Group's expense.

The Board meets regularly and held 39 Board meetings in 2014. At least 14 days notice of the regular Board meetings were given to all Directors, who were all given an opportunity to include matters in the agenda for discussion. Board papers together with all appropriate, complete and reliable information are sent to all Directors at least 3 days before each regular board meeting or committee meeting to keep Directors apprised of the latest development and financial position of the Company and to enable them to make informed decisions. The Directors attended the meetings in persons or through other means of electronic communication in accordance with the Articles of Association. During regular Board meetings, the Directors discussed and formulated the overall strategies of the Group, reviewed and approved the annual, interim and quarterly results, as well as discussed and decided on other significant matters of the Group. All Directors have full and timely access to all relevant information as well as the advice and services of the Company Secretary, with a view to ensuring that Board procedures and all applicable laws and regulations are followed. Each Director is normally able to seek independent professional advice in appropriate circumstances at the Company's expense, upon making request to the Board. Individual attendance records of each Director at the respective Board and committee meetings are set out in the section of "Directors' Attendance Record at Meetings" of this report.

Corporate Governance Report

Continuous Professional Development

Pursuant to code provision A.6.5 of the Code, all Directors should participate in continuous professional development to develop and refresh their knowledge and skills. This is to ensure that their contribution to the Board remains informed and relevant. Up to the date of this report, all Directors have participated in continuous professional development by attending seminars or programmes or studying relevant materials on the topics related to corporate governance and regulations.

The individual training record of each Director received for the year ended 31 December 2014 is summarized below:

Name of Directors	Attending seminar(s) or programme(s)/ studying relevant materials in relation to the business or directors' duties
	Yes/No
Executive Directors	
Ms. Ma Zheng *(Chairman)*	Yes
Mr. Pan Feng (resigned on 4 February 2015)	Yes
Mr. Wong Pui Yiu	Yes
Independent non-executive Directors	
Mr. Wan Tze Fan Terence *(Committee Chairman)*	Yes
Mr. Chung Chin Keung	Yes
Mr. Wang Xiao Bing	Yes

All Directors also understand the importance of continuous professional development and are committed to participate in any suitable training or study relevant materials in order to develop and refresh their knowledge and skills.

During the year under review, there was no conflict of interest in any matters with the substantial shareholders and Directors of the Company. In addition, if the Board considers a Director to be having a conflict of interest, that Director will be required to abstain from voting.

Corporate Governance Report

(D) Chairman and chief executive officer

For the year 2014, we still did not have an officer with the title of "Chief Executive Officer". The Code envisages that the management of the Board should rest with the Chairman, whereas the day-to-day management of the Company's business should rest with the Chief Executive. Ms. Ma Zheng, the Chairman, is also a director of the Company's production plant in Yichang City. This constitutes a deviation of code provision A.2.1 of the Code. The Board holds the view that this arrangement is appropriate for the Company but we do not compromise accountability and independent decision making for this since we have an audit committee, all members of which are independent non-executive Directors, to help to ensure the accountability and independence of Ms. Ma Zheng.

(E) Appointment and re-election of directors

According to the Articles of Association (a) every director, including those appointed for a specific term, should be subjected to retirement by rotation at least once every three years; and (b) all directors appointed to fill casual vacancy should be subject to election by shareholders at the next following general meeting of the Company after their appointment.

(F) Independent non-executive directors

During the year under review, the Company had three independent non-executive Directors, they were Mr. Wan Tze Fan Terence, Mr. Chung Chin Keung and Mr. Wang Xiao Bing. Except for Mr. Chung Chin Keung and Mr. Wang Xiao Bing who are appointed for a specific term of two years, Mr. Wan Tze Fan Terence is not appointed for any specific terms. This constitutes a deviation of code provision A.4.1 of the Code which requires that non-executive Directors should be appointed for specific terms. However, he is subject to retirement by rotation at least once every three years in accordance with the Articles of Association. The Board has discussed and concluded that the current practice of appointing non-executive directors without specific terms but otherwise subject to retirement and re-election is fair and reasonable, and therefore will not change the terms of appointment of Mr. Wan Tze Fan Terence.

Pursuant to the code provision A.4.3 of the Code, any further appointment of independent non-executive Director serving more than 9 years should be subject to a separate resolution to be approved by the shareholders of the Company. Mr. Wan Tze Fan Terence is an independent non-executive Director serving the Company for more than 9 years. Any further appointment of Mr. Wan Tze Fan Terence should follow the requirements of paragraph A.4.3 of Appendix 15 of the GEM Listing Rules. The Board considers that Mr. Wan Tze Fan Terence continues to be independent as he has satisfied all the criteria for independence set out in Rule 5.09 of the GEM Listing Rules.

Corporate Governance Report

(G) Responsibilities of directors

The Board will make sure every newly appointed director will receive the necessary information for his proper understanding of the operations and business of the Group and that he will be fully aware of his responsibilities under statute and common law, the GEM Listing Rules and other regulatory requirements and governance policies of the Company. The Directors will continually update themselves with legal and regulatory development, business and market changes and the development of the Company so as to facilitate the discharge of their responsibilities.

(H) Remuneration committee

The Board has established a remuneration committee with specific written terms of reference in compliance with the code provision B.1.2 of the Code. These terms of reference were already reviewed by all Directors before they were adopted. During the year under review, the remuneration committee comprised only of the independent non-executive Directors, namely Mr. Wan Tze Fan Terence, Mr. Chung Chin Keung and Mr. Wang Xiao Bing. Mr. Wan Tze Fan Terence is the chairman of the remuneration committee. The remuneration committee had held one meeting during 2014 and was attended by Mr. Wan Tze Fan Terence and Mr. Chung Chin Keung.

The role and function of the remuneration committee include determination of the specific remuneration packages of all executive Directors, including benefits in kind, pension rights and compensation payments, including any compensation payable for loss or termination of their office or appointment, and make recommendations to the Board of the remuneration package. During the year under review, the remuneration committee adopted the approach under the code provision B.1.2(c)(ii) of the Code to make recommendations to the Board on the remuneration packages of executive Directors and senior management.

(I) Nomination committee

The Company established the nomination committee on 22 March 2012 with written terms of reference in compliance with the code provision A.5.2 of the Code. The primary role and function of the nomination committee, among other things, are to (i) review the structure, size and composition of the Board at least once a year and make recommendations on any proposed changes to the Board to complement the Company's corporate strategy; (ii) assess the independence of independent non-executive Directors; and (iii) make recommendations to the Board on the appointment and re-appointment of Directors. The nomination committee comprises three members, Mr. Wan Tze Fan Terence, Mr. Chung Chin Keung and Mr. Wang Xiao Bing, all of them are independent non-executive Directors. Mr. Wan Tze Fan Terence is the Chairman of the nomination committee.

The nomination committee had held one meeting during the year under review. The nomination committee reviewed the structure, size and composition of the Board.

Corporate Governance Report

(J) Audit committee

The Company established an audit committee with written terms of reference in compliance with Rules 5.28 and 5.29 of the GEM Listing Rules and code provision C.3.3 of the Code. The primary role and function of the audit committee, among other things, are to (i) review the financial controls, internal controls and risk management systems of the Group; (ii) review and monitor the external auditors' independence and objectivity and the effectiveness of the audit process in accordance with applicable standards; and (iii) review the financial statements and the quarterly, interim and annual reports of the Group. During the year under review, the audit committee comprised three members, Mr. Wan Tze Fan Terence, Mr. Chung Chin Keung and Mr. Wang Xiao Bing, all of them are independent non-executive Directors. Mr. Wan Tze Fan Terence is the chairman of the audit committee.

The audit committee had held four meetings during the year under review. The audit committee has reviewed and provided supervision over the financial reporting system and internal control procedures of the Group and reviewed the Company's annual report and financial statements, interim report and quarterly reports and to provide advice and comments thereon to the Board that such reports were prepared in accordance with the applicable accounting standards and requirements. The audit committee also met with the external auditors to discuss auditing, internal control, statutory compliance and financial reporting matters before recommending the annual financial reports to the Board for approval.

The audit committee is satisfied with their review of the audit fee and audit process and has recommended the Board to re-appoint the existing auditors at the forthcoming annual general meeting.

The Group's 2014 annual report, 2014 quarterly reports and 2014 interim report had been reviewed by the audit committee.

Corporate Governance Report

Directors' Attendance Record at Meetings

Details of the attendance of the Directors at the meetings of the Board and its respective committees during the year ended 31 December 2014 are as follows:

Name of Directors	Board Meeting Attended/ Eligible to attend	Audit Committee Attended/ Eligible to attend	Remuneration Committee Meeting Attended/ Eligible to attend	Nomination Committee Meeting Attended/ Eligible to attend	General Meeting Attended/ Eligible to attend
Number of meetings held during the financial year	39	4	1	1	3
Executive Directors					
Ms. Ma Zheng *(Chairman)*	37/39	3/4	0/1	0/1	0/3
Mr. Pan Feng (resigned on 4 February 2015)	27/39	3/4	0/1	0/1	0/3
Mr. Wong Pui Yiu	39/39	2/4	0/1	0/1	3/3
Independent non-executive Directors					
Mr. Wan Tze Fan Terence *(Committee Chairman)*	28/39	4/4	1/1	1/1	0/3
Mr. Chung Chin Keung	27/39	4/4	1/1	1/1	0/3
Mr. Wang Xiao Bing	25/39	3/4	0/1	0/1	0/3

Directors' and Auditors' Responsibilities in respect of the Financial Statements

The Directors acknowledge their responsibilities for preparing the financial statements of the Company and the Group for the year ended 31 December 2014.

The Board is responsible for presenting a balanced, clear and understandable assessment of annual and interim reports, inside information announcements and other disclosures required under the GEM Listing Rules and other regulatory requirements.

The management provides such explanations and information to the Board so as to enable the Board to make an informed assessment of the financial information and position of the Group put to the Board for approval.

The responsibilities of the external auditors of the Company for reporting responsibilities on the financial statements are set out in the independent auditors' report on pages 36 and 37.

Corporate Governance Report

(K) Auditors' remuneration

The audit committee of the Company is responsible for considering the appointment of the external auditors and reviewing any non-audit functions performed by the external auditors, including whether such non-audit functions can lead to any potential material adverse effect on the Company. During the year under review, an amount of approximately HK$1,100,000 (2013: approximately HK$880,000) was charged to the Group's consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2014 for audit services provided by the external auditors. The fee analysis of the non-audit services provided by the external auditors for the year ended 31 December 2014 is as follows:

Services	Fees
Acting as reporting accountants in connection with	
– Rights issue	HK$110,000
– Redemption of Convertible Bonds and disposal of subsidiaries	HK$250,000
Total	HK$360,000

(L) Internal control

The Directors of the Company acknowledged that that they have the overall responsibility for the Company's internal control, financial control and risk management and shall monitor its effectiveness from time to time. Therefore, the Company has already adopted a well-designed internal control system to safeguard the assets of the Company and the shareholders' investments and to ensure the reliability of financial reporting as well as compliance with the relevant requirement of GEM Listing Rules. In view of the immaterial change of the internal control system in 2014, the audit committee has assigned the finance department of the Company to review designated parts of the system and a report will be presented to the audit committee in due course. The Board considers that the existing internal control system of the Group basically covers the current operating conditions of the Group. However, with the sustained development of the Group's business and continual increase in management standard, the internal control system of the Group shall need continuous revision and improvement.

(M) Company secretary

Mr. Wong Chun Sing is the Company Secretary of the Company. As an employee of the Company, he is responsible to the Board for ensuring the board procedures are followed and that the Board is briefed on legislative, regulatory and corporate governance development. During the year under review, Mr. Wong confirmed that he undertook not less than 15 hours of relevant professional training. His biography is set out in the "Biographical Details of Directors and Senior Management" of this annual report.

Corporate Governance Report

(N) Communication with shareholders

Communication with shareholders is given a high priority. The Company aims to provide its shareholders with high standards of disclosure and financial transparency through the publication of annual, interim and quarterly reports, announcements and circulars made through websites of the Company and of the Stock Exchange.

The Board also maintains an on-going dialogue with shareholders and make use of general meetings to communicate with shareholders. The Company encourages all shareholders to attend general meetings which provides a useful forum for shareholders to exchange views with the Board. The Chairman of the Board and members of relevant committees and senior management of the Company are available to answer shareholders' questions in all general meetings.

(O) Investor relations

The Company disclosed all necessary information to shareholders in compliance with GEM Listing Rules. The Company will also reply to enquires from shareholders on request.

During the year under review, there was no significant change in the Articles of Association.

(P) Shareholders' rights

As one of the measures to safeguard shareholders' interest and rights, separate resolutions are proposed at shareholders' meetings on each substantial issue, including the election of individual directors, for shareholders' consideration and voting. All resolutions put forward at shareholders' meeting will be voted by poll pursuant to the GEM Listing Rules and the poll voting results will be posted on the GEM website and the Company's website after the relevant shareholders' meeting.

(Q) Right to convene extraordinary general meeting

Extraordinary general meeting may be convened by the Board on requisition of shareholders holding not less than one-tenth of the paid up capital of the Company or by such shareholders who made the requisition (the "Requisitionists") (as the case may be) pursuant to Article 58 of the Articles of Association. Such requisition must state the object of business to be transacted at the meeting and must be signed by the Requisitionists and deposited at the registered office of the Company or the Company's principal place of business in Hong Kong. Shareholders should follow the requirements and procedures as set out in such Article for convening an extraordinary general meeting. Shareholders may put forward proposals at general meeting of the Company by sending the same to the Company's head office and principal place of business in Hong Kong.

For putting forward any enquiries to the Board, shareholders may send written enquiries to the Company. Shareholders may send their enquiries or requests in respect of their rights to the Company's head office and principal place of business in Hong Kong.

Independent Auditors' Report

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TO THE SHAREHOLDERS OF CHINA PRIMARY ENERGY HOLDINGS LIMITED
(中國基礎能源控股有限公司)
(FORMERLY KNOWN AS CHINA PRIMARY RESOURCES HOLDINGS LIMITED
(中國基礎資源控股有限公司))
(Incorporated in the Cayman Islands with limited liability)

We have audited the consolidated financial statements of China Primary Energy Holdings Limited (the "Company") (formerly known as China Primary Resources Holdings Limited) and its subsidiaries (collectively referred to as the "Group") set out on pages 38 to 137, which comprise the consolidated and company statements of financial position as at 31 December 2014, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

AUDITORS' RESPONSIBILITY

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

Independent Auditors' Report

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

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

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

OPINION

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

BDO Limited
Certified Public Accountants

Li Pak Ki
Practising Certificate Number: P01330

Hong Kong, 24 March 2015

Consolidated Statement of Profit or Loss and Other Comprehensive Income

FOR THE YEAR ENDED 31 DECEMBER 2014

	Notes	2014 HK$'000	2013 HK$'000
Turnover	6	**88,428**	29,939
Other income and gains and losses	8	**(1,885)**	979
Cost of sales		**(88,223)**	(41,448)
Staff costs, including directors' remuneration	15	**(15,950)**	(10,133)
Depreciation		**(5,605)**	(4,880)
Amortisation of land use rights	18	**(771)**	(775)
Amortisation of other intangible assets	22	**(344)**	–
Impairment loss on trade receivables	26	**(4,218)**	(4,027)
Other operating expenses		**(17,187)**	(14,183)
Share of profit of an associate	23	**75**	–
Finance costs	9	**(521)**	(17)
Loss before income tax	10	**(46,201)**	(44,545)
Income tax	11	**(60)**	(33)
Loss for the year		**(46,261)**	(44,578)
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss:			
Available-for-sale investments			
– Changes in fair value		**(5,427)**	780
– Impairment loss recognised in profit or loss		**3,863**	–
		(1,564)	780
Exchange differences on translation of foreign operations		**(7,382)**	8,077
Exchange differences reclassified to profit or loss upon disposal of subsidiaries		**(9,809)**	–
Share of other comprehensive income of an associate		**20**	–
Other comprehensive income for the year		**(18,735)**	8,857
Total comprehensive income for the year		**(64,996)**	(35,721)
(Loss)/profit attributable to:			
Owners of the Company		**(46,605)**	(44,578)
Non-controlling interests		**344**	–
		(46,261)	(44,578)
Total comprehensive income attributable to:			
Owners of the Company		**(65,297)**	(35,721)
Non-controlling interests		**301**	–
		(64,996)	(35,721)
			(Restated)
Basic and diluted loss per share (HK$)	14	**(0.068)**	(0.082)

Consolidated Statement of Financial Position

AS AT 31 DECEMBER 2014

	Notes	2014 HK$'000	2013 HK$'000
Non-current assets			
Property, plant and equipment	17	**151,224**	115,269
Land use rights	18	**32,570**	31,726
Goodwill	21	**24,660**	–
Other intangible assets	22	**25,643**	–
Interest in an associate	23	**5,269**	–
Available-for-sale investments	24	**33**	10,071
Total non-current assets		**239,399**	157,066
Current assets			
Inventories	25	**18,176**	19,821
Trade receivables	26	**45,702**	33,820
Other receivables, deposits and prepayments	27	**61,039**	111,008
Amount due from an associate	23	**410**	–
Investments held for trading	28	**122**	704
Cash and cash equivalents	29	**8,708**	20,934
		134,157	186,287
Assets classified as held for sale	19	**–**	207,612
Total current assets		**134,157**	393,899
Total assets		**373,556**	550,965
Current liabilities			
Trade payables	30	**21,597**	9,655
Other payables and accruals		**58,570**	17,161
Customers' deposit		**507**	406
Convertible bonds	31	**–**	246,250
Obligations under finance leases	32	**305**	–
Borrowings	33	**37,479**	–
		118,458	273,472
Liabilities associated with assets classified as held for sale	19	**–**	29,510
Total current liabilities		**118,458**	302,982

Consolidated Statement of Financial Position

AS AT 31 DECEMBER 2014

	Notes	2014 HK$'000	2013 HK$'000
Net current assets		**15,699**	90,917
Non-current liabilities			
Deferred tax liabilities	34	**8,055**	–
Obligations under finance leases	32	**698**	–
Total non-current liabilities		**8,753**	–
Total liabilities		**127,211**	302,982
NET ASSETS		**246,345**	247,983
Equity			
Share capital	35	**51,306**	30,180
Reserves		**186,030**	183,898
Equity attributable to owners of the Company		**237,336**	214,078
Non-controlling interests		**9,009**	33,905
TOTAL EQUITY		**246,345**	247,983

These financial statements were approved and authorised for issue by the board of directors on 24 March 2015.

Ma Zheng
Director

Wong Pui Yiu
Director

Statement of Financial Position

AS AT 31 DECEMBER 2014

	Notes	2014 HK$'000	2013 HK$'000
Non-current assets			
Interests in subsidiaries	20	**390,479**	540,197
Available-for-sale investments	24	**33**	5,460
Total non-current assets		**390,512**	545,657
Current assets			
Other receivables, deposits and prepayments	27	**221**	85,223
Cash and cash equivalents		**493**	45
Total current assets		**714**	85,268
Total assets		**391,226**	630,925
Current liabilities			
Other payables and accruals		**2,153**	11,129
Amounts due to subsidiaries	20	**157,677**	157,718
Convertible bonds	31	**–**	246,250
Total current liabilities		**159,830**	415,097
Net current liabilities		**(159,116)**	(329,829)
NET ASSETS		**231,396**	215,828
Equity			
Share capital	35	**51,306**	30,180
Reserves	37	**180,090**	185,648
TOTAL EQUITY		**231,396**	215,828

These financial statements were approved and authorised for issue by the board of directors on 24 March 2015.

Ma Zheng	**Wong Pui Yiu**
Director	*Director*

Consolidated Statement of Changes in Equity

FOR THE YEAR ENDED 31 DECEMBER 2014

	Equity attributable to owners of the Company								
	Share capital HK$'000	**Share premium account** HK$'000 (Note a)	**Convertible bonds reserve** HK$'000	**Statutory surplus reserve** HK$'000 (Note b)	**Available-for-sale financial assets reserve** HK$'000 (Note c)	**Exchange translation reserve** HK$'000 (Note d)	**Accumulated losses** HK$'000	**Non-controlling interests** HK$'000	**Total equity** HK$'000
Balance at 1 January 2013	**30,180**	**443,564**	**17,922**	**5,110**	**784**	**73,579**	**(321,340)**	**33,905**	**283,704**
Loss for the year	–	–	–	–	–	–	(44,578)	–	(44,578)
Other comprehensive income	–	–	–	–	780	8,077	–	–	8,857
Total comprehensive income	–	–	–	–	780	8,077	(44,578)	–	(35,721)
Balance at 31 December 2013 and at 1 January 2014	**30,180**	**443,564**	**17,922**	**5,110**	**1,564**	**81,656**	**(365,918)**	**33,905**	**247,983**
(Loss)/profit for the year	**–**	**–**	**–**	**–**	**–**	**–**	**(46,605)**	**344**	**(46,261)**
Other comprehensive income	**–**	**–**	**–**	**–**	**(1,564)**	**(17,128)**	**–**	**(43)**	**(18,735)**
Total comprehensive income	**–**	**–**	**–**	**–**	**(1,564)**	**(17,128)**	**(46,605)**	**301**	**(64,996)**
Rights issue (Note 35)	**15,090**	**35,613**	**–**	**–**	**–**	**–**	**–**	**–**	**50,703**
Share issue expenses in relation to rights issue (Note 35)	**–**	**(778)**	**–**	**–**	**–**	**–**	**–**	**–**	**(778)**
Subscription of shares (Note 35)	**6,036**	**32,594**	**–**	**–**	**–**	**–**	**–**	**–**	**38,630**
Redemption of the Convertible Bonds and disposal of subsidiaries (Note 40)	**–**	**–**	**(17,922)**	**–**	**–**	**–**	**17,922**	**(33,905)**	**(33,905)**
Acquisition of non-controlling interests (Note 41)	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**4,914**	**4,914**
Capital contribution to a non-wholly owned subsidiary by non-controlling shareholder	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**3,794**	**3,794**
Transfer to statutory surplus reserve	**–**	**–**	**–**	**69**	**–**	**–**	**(69)**	**–**	**–**
Balance at 31 December 2014	**51,306**	**510,993**	**–**	**5,179**	**–**	**64,528**	**(394,670)**	**9,009**	**246,345**

Consolidated Statement of Changes in Equity

FOR THE YEAR ENDED 31 DECEMBER 2014

Notes:

(a) The share premium account of the Group includes: (i) the premium arising from the issue of shares of the Company at a premium less share issue expenses; and (ii) the difference between the nominal value of the share capital and share premium of the subsidiaries acquired pursuant to the reorganisation scheme (the "Group Reorganisation") in preparation for the public listing of the Company's shares on the Growth Enterprise Market (the "GEM") of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") over the nominal value of the shares of the Company issued in exchange therefor.

(b) Subsidiaries of the Company established in the People's Republic of China (the "PRC") are required to transfer 10% of their profit after income tax calculated in accordance with the PRC accounting regulations to the statutory surplus reserve until the reserve reaches 50% of their respective registered capital, upon which any further appropriation will be at the recommendation of the directors of the subsidiaries. Such reserve may be used to reduce any loss incurred by the subsidiaries or be capitalised as paid-up capital of the subsidiaries. Except for a newly acquired PRC subsidiary, no appropriation has been made by the Company's remaining PRC subsidiaries during the year ended 31 December 2014 as these subsidiaries have incurred losses.

(c) Available-for-sale financial assets reserve comprises the cumulative net change in the fair value of available-for-sale investments held at the end of reporting period and is dealt with in accordance with the accounting policy in Note 4(j)(ii).

(d) Exchange translation reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations. This reserve is dealt with in accordance with the accounting policy in Note 4(p).

Consolidated Statement of Cash Flows

FOR THE YEAR ENDED 31 DECEMBER 2014

	Notes	2014 HK$'000	2013 HK$'000
Operating activities			
Loss before income tax		**(46,201)**	(44,545)
Adjustments for:			
Depreciation	17	**14,974**	13,737
Amortisation of land use rights	18	**771**	775
Amortisation of other intangible assets	22	**344**	–
Bank interest income	8	**(69)**	(35)
Investment income from unlisted investment funds	8	**–**	(493)
Finance costs	9	**521**	17
Impairment losses on available-for-sale investments	8	**3,863**	–
Fair value (gain)/loss on investments held for trading	8	**(120)**	18
Gain on disposal of property, plant and equipment	8	**(235)**	–
Loss on the Redemption and Disposal	8	**234**	–
Recovery of bad debts	8	**(584)**	–
Write off of property, plant and equipment	8	**–**	94
(Reversal of write down)/write down of inventories	10	**(524)**	2,626
Write off of inventories	10	**–**	644
Share of profit of an associate		**(75)**	–
Impairment loss on trade receivables	26	**4,218**	4,027
Operating loss before working capital changes		**(22,883)**	(23,135)
Decrease in inventories		**4,458**	11,923
Increase in trade receivables		**(7,975)**	(6,038)
(Increase)/decrease in other receivables, deposits and prepayments		**(25,486)**	1,396
Increase in amount due from an associate		**(410)**	–
Decrease in investments held for trading		**702**	1,219
Decrease in trade payables		**(1,640)**	(115)
Increase in other payables and accruals		**12,764**	1,770
Increase/(decrease) in customers' deposit		**101**	(598)
Effect of foreign exchange differences		**661**	1,236
Cash used in operations		**(39,708)**	(12,342)
Income tax paid		**(63)**	(33)
Bank interest income received		**69**	35
Net cash used in operating activities		**(39,702)**	(12,340)

Consolidated Statement of Cash Flows

FOR THE YEAR ENDED 31 DECEMBER 2014

	Notes	2014 HK$'000	2013 HK$'000
Investing activities			
Purchases of property, plant and equipment		**(17,952)**	(1,604)
Purchases of available-for-sale investments		**–**	(4,611)
Net cash outflow from the Redemption and Disposal	40	**(36,331)**	–
Acquisition of subsidiaries, net of cash acquired	41	**(51,417)**	–
Proceeds from disposal of available-for-sale investments		**4,611**	31,718
Proceeds from disposal of property, plant and equipment		**3,574**	–
Investment income received		**–**	493
Net cash (used in)/generated from investing activities		**(97,515)**	25,996
Financing activities			
Proceeds from borrowings		**44,479**	–
Repayment of obligations under finance leases		**(68)**	–
Proceeds from rights issue	35(ii)	**49,925**	–
Proceeds from subscription of shares	35(iii)	**31,317**	–
Interest paid		**(208)**	(17)
Net cash generated from/(used in) financing activities		**125,445**	(17)
Net (decrease)/increase in cash and cash equivalents		**(11,772)**	13,639
Cash and cash equivalents at beginning of year		**20,935**	7,112
Effect of foreign exchange rate changes		**(455)**	184
Cash and cash equivalents at end of year		**8,708**	20,935
Analysis of the balances of cash and cash equivalents			
Cash at banks and in hand		**8,708**	20,935

Notes to the Financial Statements

31 DECEMBER 2014

1. ORGANISATION AND OPERATIONS

The Company is a limited liability company incorporated in the Cayman Islands, as an exempted company under the Companies Law (2001 Revision) of the Cayman Islands on 5 September 2001. The address of its registered office is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands and its principal place of business is in Hong Kong. The Company's shares are listed on the GEM of the Stock Exchange.

The principal activity of the Company is investment holding. The Group engages in the manufacture and sale of Polyethylene pipes ("PE pipes") and transmission and distribution of natural gas which operates primarily in the PRC market. The activities of the subsidiaries are set out in Note 20 to the financial statements.

As disclosed in Note 19, the Group ceased its mining activities in the independent sovereign state of Mongolia since November 2010 and completed the disposal of its mining business to the holder of the Company's Convertible Bonds during the year.

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

(a) Adoption of new/revised HKFRSs – effective on 1 January 2014

In the current year, the Group has adopted the following new/revised HKFRSs issued by the Hong Kong Institute of Certified Public Accountants that are relevant to its operations and effective for the current accounting period.

Amendments to HKAS 32	Offsetting Financial Assets and Financial Liabilities
Amendments to HKAS 36	Recoverable Amount Disclosures for Non-Financial Assets

Notes to the Financial Statements

31 DECEMBER 2014

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(Continued)*

(a) Adoption of new/revised HKFRSs – effective on 1 January 2014 *(Continued)*

Amendments to HKAS 32 – Offsetting Financial Assets and Financial Liabilities

The amendments clarify the offsetting requirements by adding appliance guidance to HKAS 32 which clarifies when an entity "currently has a legally enforceable right to set off" and when a gross settlement mechanism is considered equivalent to net settlement. The amendments are applied retrospectively. The adoption of these amendments has no material impact on these financial statements as the Group does not have any offsetting arrangements.

Amendments to HKAS 36 – Recoverable Amount Disclosures for Non-Financial Assets

The amendments remove the unintended disclosure requirement made by HKFRS 13 on the recoverable amount of a cash-generating unit which is not impaired. In addition, the amendments require the disclosure of the recoverable amounts for the assets or cash-generating units for which an impairment loss has been recognised or reversed during the reporting period, and expand the disclosure requirements regarding the fair value measurement for these assets or units if their recoverable amounts are based on fair value less costs of disposal. The amendments have had no impact on the financial position or performance of the Group. Disclosures about the Company's impairment on its investment costs in subsidiaries and amounts due from subsidiaries are included in Note 20 to the financial statements.

Notes to the Financial Statements

31 DECEMBER 2014

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (Continued)

(b) New/revised HKFRSs that have been issued but are not yet effective

The following new/revised HKFRSs, potentially relevant to the Group's financial statements, have been issued, but are not yet effective and have not been early adopted by the Group:

HKFRSs (Amendments)	Annual Improvements 2010-2012 Cycle[2]
HKFRSs (Amendments)	Annual Improvements 2011-2013 Cycle[1]
HKFRSs (Amendments)	Annual Improvements 2012-2014 Cycle[3]
Amendments to HKAS 1	Disclosure Initiative[3]
Amendments to HKFRS 10 and HKAS 28 (2011)	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation[3]
Amendments to HKAS 27	Equity Method in Separate Financial Statements[3]
HKFRS 9 (2014)	Financial Instruments[5]
HKFRS 15	Revenue from Contracts with Customers[4]

1 Effective for annual periods beginning on or after 1 July 2014

2 Effective for annual periods beginning, or transactions occurring, on or after 1 July 2014

3 Effective for annual periods beginning on or after 1 January 2016

4 Effective for annual periods beginning on or after 1 January 2017

5 Effective for annual periods beginning on or after 1 January 2018

Notes to the Financial Statements

31 DECEMBER 2014

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (Continued)

(b) New/revised HKFRSs that have been issued but are not yet effective *(Continued)*

Annual Improvements 2010-2012 Cycle, 2011-2013 Cycle and 2012-2014 Cycle

The amendments issued under the annual improvements process make small, non-urgent changes to a number of standards where they are currently unclear. They include amendments to HKAS 16 Property, Plant and Equipment to clarify how the gross carrying amount and accumulated depreciation are treated where an entity uses the revaluation model. The carrying amount of the asset is restated to revalued amount. The accumulated depreciation may be eliminated against the gross carrying amount of the asset. Alternatively, the gross carrying amount may be adjusted in a manner consistent with the revaluation of the carrying amount of the asset and the accumulated depreciation is adjusted to equal the difference between the gross carrying amount and the carrying amount after taking into account accumulated impairment losses.

Amendments to HKAS 1 – Presentation of Financial Statements

The amendments to HKAS 1 are designed to further encourage companies to apply professional judgment in determining what information to disclose in their financial statements. For example, the amendments make clear that materiality applies to the whole of financial statements and that the inclusion of immaterial information can inhibit the usefulness of financial disclosures. Furthermore, the amendments clarify that companies should use professional judgment in determining where and in what order information is presented in the financial statements.

Notes to the Financial Statements

31 DECEMBER 2014

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (Continued)

(b) New/revised HKFRSs that have been issued but are not yet effective *(Continued)*

Amendments to HKFRS 10 and HKAS 28 (2011) – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

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

Amendments to HKAS 16 and HKAS 38 – Clarification of Acceptable Methods of Depreciation and Amortisation

The amendments to HKAS 16 prohibit the use of a revenue-based depreciation method for items of property, plant and equipment. The amendments to HKAS 38 introduce a rebuttable presumption that amortisation based on revenue is not appropriate for intangible assets. This presumption can be rebutted if either the intangible asset is expressed as a measure of revenue or revenue and the consumption of the economic benefits of the intangible asset are highly correlated.

Amendments to HKAS 27 – Equity Method in Separate Financial Statements

The amendments allow an entity to apply the equity method in accounting for its investments in subsidiaries, joint ventures and associates in its separate financial statements.

Notes to the Financial Statements

31 DECEMBER 2014

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (Continued)

(b) New/revised HKFRSs that have been issued but are not yet effective *(Continued)*

HKFRS 9 (2014) – Financial Instruments

HKFRS 9 introduces new requirements for the classification and measurement of financial assets. Debt instruments that are held within a business model whose objective is to hold assets in order to collect contractual cash flows (the business model test) and that have contractual terms that give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding (the contractual cash flow characteristics test) are generally measured at amortised cost. Debt instruments that meet the contractual cash flow characteristics test are measured at fair value through other comprehensive income if the objective of the entity's business model is both to hold and collect the contractual cash flows and to sell the financial assets. Entities may make an irrevocable election at initial recognition to measure equity instruments that are not held for trading at fair value through other comprehensive income. All other debt and equity instruments are measured at fair value through profit or loss.

HKFRS 9 includes a new expected loss impairment model for all financial assets not measured at fair value through profit or loss replacing the incurred loss model in HKAS 39 and new general hedge accounting requirements to allow entities to better reflect their risk management activities in financial statements.

HKFRS 9 carries forward the recognition, classification and measurement requirements for financial liabilities from HKAS 39, except for financial liabilities designated at fair value through profit or loss, where the amount of change in fair value attributable to change in credit risk of the liability is recognised in other comprehensive income unless that would create or enlarge an accounting mismatch. In addition, HKFRS 9 retains the requirements in HKAS 39 for derecognition of financial assets and financial liabilities.

Notes to the Financial Statements

31 DECEMBER 2014

2. *ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (Continued)*

(b) New/revised HKFRSs that have been issued but are not yet effective *(Continued)*

HKFRS 15 – Revenue from Contracts with Customers

The new standard establishes a single revenue recognition framework. The core principle of the framework is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods and services. HKFRS 15 supersedes existing revenue recognition guidance including HKAS 18 Revenue, HKAS 11 Construction Contracts and related interpretations.

HKFRS 15 requires the application of a 5-step approach to revenue recognition:

Step 1: Identify the contract(s) with a customer
Step 2: Identify the performance obligations in the contract
Step 3: Determine the transaction price
Step 4: Allocate the transaction price to each performance obligation
Step 5: Recognise revenue when each performance obligation is satisfied

HKFRS 15 includes specific guidance on particular revenue related topics that may change the current approach taken under HKFRS. The standard also significantly enhances the qualitative and quantitative disclosures related to revenue.

The Group is in the process of making an assessment of the potential impact of these new/revised HKFRSs in the period of their initial application.

Notes to the Financial Statements

31 DECEMBER 2014

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (Continued)

(c) Disclosure Requirements of New Companies Ordinance

The disclosure requirements of the new Companies Ordinance, Cap. 622 will apply to the Company in its first financial year beginning on or after 3 March 2014 (i.e. the financial year ending 31 December 2015).

The directors consider that there will be no impact on the Group's financial position or performance, however the new Companies Ordinance, Cap. 622, would have impacts on the presentation and disclosures in the consolidated financial statements. The Statement of Financial Position of the Company will be presented in the notes rather than a separate statement and the related notes need not be included, while generally the statutory disclosures will be simplified.

3. BASIS OF PREPARATION

(a) Statement of compliance

These financial statements have been prepared in accordance with all applicable HKFRSs, Hong Kong Accounting Standards ("HKASs") and Interpretations (hereinafter collectively referred to as the "HKFRSs") and the disclosure requirements of the Hong Kong Companies Ordinance. In addition, the financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the GEM of the Stock Exchange.

(b) Basis of measurement

These financial statements have been prepared under the historical cost convention except for certain financial instruments, which are measured at fair values as explained in the accounting policies set out below.

Notes to the Financial Statements

31 DECEMBER 2014

4. PRINCIPAL ACCOUNTING POLICIES

(a) Business combination and basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries. Inter-company transactions and balances between group companies together with unrealised profits are eliminated in full in preparing the consolidated financial statements. Unrealised losses are also eliminated unless the transaction provides evidence of impairment on the asset transferred, in which case the loss is recognised in profit or loss.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated statement of profit or loss and comprehensive income from the dates of acquisition or up to the dates of disposal, as appropriate. Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group.

Acquisition of subsidiaries or businesses is accounted for using the acquisition method. The cost of an acquisition is measured at the aggregate of the acquisition-date fair value of assets transferred, liabilities incurred and equity interests issued by the Group, as the acquirer. The identifiable assets acquired and liabilities assumed are principally measured at acquisition-date fair value. The Group's previously held equity interest in the acquiree is re-measured at acquisition-date fair value and the resulting gains or losses are recognised in profit or loss. The Group may elect, on a transaction-by-transaction basis, to measure the non-controlling interests that represent present ownership interests in the subsidiary either at fair value or at the proportionate share of the acquiree's identifiable net assets. All other non-controlling interests are measured at fair value unless another measurement basis is required by HKFRSs. Acquisition-related costs incurred are expensed unless they are incurred in issuing equity instruments in which case the costs are deducted from equity.

Any contingent consideration to be transferred by the acquirer is recognised at acquisition-date fair value. Subsequent adjustments to consideration are recognised against goodwill only to the extent that they arise from new information obtained within the measurement period (a maximum of 12 months from the acquisition date) about the fair value at the acquisition date. All other subsequent adjustments to contingent consideration classified as an asset or a liability are recognised in profit or loss.

4. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(a) Business combination and basis of consolidation *(Continued)*

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

When the Group loses control of a subsidiary, the profit or loss on disposal is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interest. Amounts previously recognised in other comprehensive income in relation to the subsidiary are accounted for in the same manner as would be required if the relevant assets or liabilities were disposed of.

Subsequent to acquisition, the carrying amount of non-controlling interests that represent present ownership interests in the subsidiary is the amount of those interests at initial recognition plus such non-controlling interest's share of subsequent changes in equity. Total comprehensive income is attributed to such non-controlling interests even if this results in those non-controlling interests having a deficit balance.

(b) Subsidiaries

A subsidiary is an investee over which the Company is able to exercise control. The Company controls an investee if all three of the following elements are present: power over the investee, exposure, or rights, to variable returns from the investee, and the ability to use its power to affect those variable returns. Control is reassessed whenever facts and circumstances indicate that there may be a change in any of these elements of control.

Notes to the Financial Statements

31 DECEMBER 2014

4. *PRINCIPAL ACCOUNTING POLICIES (Continued)*

(b) Subsidiaries *(Continued)*

Investments in subsidiaries are stated in the Company's statement of financial position at cost less any impairment losses. The results of subsidiaries are accounted for by the Company on the basis of dividends received and receivable.

(c) Associates

An associate is an entity over which the Group has significant influence and that is neither a subsidiary nor a joint arrangement. Significant influence is the power to participate in the financial and operating policy decisions of the investee but not control or joint control over those policies.

Associates are accounted for using the equity method whereby they are initially recognised at cost and thereafter, their carrying amount are adjusted for the Group's share of the post-acquisition change in the associates' net assets except that losses in excess of the Group's interest in the associate are not recognised unless there is an obligation to make good those losses.

4. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(c) Associates *(Continued)*

Profits or losses arising on transactions between the Group and its associates are recognised only to the extent of unrelated investors' interests in the associate. The investor's share in the associate's profits or losses resulting from these transactions is eliminated against the carrying value of the associate. Where unrealised losses provide evidence of impairment of the asset transferred they are recognised immediately in profit or loss.

Any premium paid for an associate above the fair value of the Group's share of the identifiable assets, liabilities and contingent liabilities acquired is capitalised and included in the carrying amount of the associate. Where there is objective evidence that the investment in an associate has been impaired, the carrying amount of the investment is tested for impairment in the same way as other non-financial assets.

(d) Goodwill

Goodwill is initially recognised at cost being the excess of the aggregate of consideration transferred and the amount recognised for non-controlling interests over the fair value of identifiable assets, liabilities and contingent liabilities acquired.

Where the fair value of identifiable assets, liabilities and contingent liabilities exceed the fair value of consideration paid, the excess is recognised in profit or loss on the acquisition date, after re-assessment.

Goodwill is measured at cost less impairment losses. For the purpose of impairment testing, goodwill arising from an acquisition is allocated to each of the relevant cash-generating units that are expected to benefit from the synergies of the acquisition. A cash-generating unit to which goodwill has been allocated is tested for impairment annually, and whenever there is an indication that the unit may be impaired.

Notes to the Financial Statements

31 DECEMBER 2014

4. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(d) Goodwill *(Continued)*

For goodwill arising on an acquisition in a financial year, the cash-generating unit to which goodwill has been allocated is tested for impairment before the end of that financial year. When the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated to reduce the carrying amount of any goodwill allocated to the unit first, and then to the other assets of the unit pro-rata on the basis of the carrying amount to each asset in the unit. Any impairment loss for goodwill is recognised in profit or loss and is not reversed in subsequent periods.

(e) Other intangible assets

(i) Acquired intangible assets

Intangible assets acquired separately are initially recognised at cost. The cost of intangible assets acquired in a business combination is its fair value at the date of acquisition. Subsequently, intangible assets with finite useful lives are carried at cost less accumulated amortisation and accumulated impairment losses.

Amortisation is provided on a straight-line basis over their estimated useful lives as follows:

Customer relationships	10 years
Exclusive rights of natural gas operations	23 years

Intangible assets with indefinite useful lives are carried at cost less any accumulated impairment losses. The amortisation expense is recognised in profit or loss and included in other operating expenses.

Notes to the Financial Statements

31 DECEMBER 2014

4. *PRINCIPAL ACCOUNTING POLICIES (Continued)*

(e) Other intangible assets *(Continued)*

(ii) Impairment

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment annually by comparing their carrying amounts with their recoverable amounts, irrespective of whether there is any indication that they may be impaired. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount.

An impairment loss is recognised as an expense immediately.

When an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years.

Intangible assets with finite lives are tested for impairment when there is an indication that an asset may be impaired (see Note 4(h)).

(f) Property, plant and equipment

Property, plant and equipment, other than construction in progress, are stated at cost less accumulated depreciation and any accumulated impairment losses. Cost includes professional fees and, for qualifying assets, borrowing costs capitalised in accordance with the Group's accounting policy in Note 4(s). In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciation. Depreciation of property, plant and equipment commences when the assets are ready for their intended use. All other repairs and maintenance are recognised as an expense in profit or loss during the financial period in which they are incurred.

Notes to the Financial Statements

31 DECEMBER 2014

4. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(f) Property, plant and equipment *(Continued)*

The land and building elements of a lease of land and building are considered separately for the purpose of lease classification, unless the lease payments cannot be allocated reliably between the land and building elements, in which case, the entire lease is generally treated as a finance lease and accounted for as property, plant and equipment.

Depreciation is charged so as to write off the cost of assets over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis. The principal annual rates are as follows:

Leasehold land and buildings	Over the lease terms
Leasehold improvements	Over the remaining term of the lease but not exceeding 4 years
Computer equipment	20% – 33%
Natural gas pipelines	3.33%
Plant and machinery	10%
Furniture, fixtures and office equipment	20% – 33%
Motor vehicles	20%

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets, or where shorter, the term of the relevant lease.

Construction in progress is stated at cost less impairment losses. Cost comprises direct costs of construction as well as borrowing costs capitalised during the periods of construction and installation. Capitalisation of these costs ceases and the construction in progress is transferred to the appropriate class of property, plant and equipment when substantially all the activities necessary to prepare the assets for their intended use are completed. No depreciation is provided for in respect of construction in progress until it is completed and ready for its intended use.

Notes to the Financial Statements

31 DECEMBER 2014

4. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(f) Property, plant and equipment *(Continued)*

An asset is written down immediately to its recoverable amount if its carrying amount is higher than the asset's estimated recoverable amount.

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

(g) Land use rights

Land use rights represent up-front payments to acquire long-term interests in lessee-occupied properties. These payments are stated at cost and are amortised over the period of the lease on a straight-line basis as an expense.

(h) Impairment of other assets

At the end of each reporting period, the Group reviews the carrying amounts of the following assets to determine whether there is any indication that those assets have suffered an impairment loss or impairment loss previously recognised no longer exists or may have decreased:

– property, plant and equipment under cost model;
– land use rights under operating leases;
– interests in subsidiaries (except for those classified as held for sale (see Note 4(t)); and
– interest in an associate

If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Notes to the Financial Statements

31 DECEMBER 2014

4. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(h) Impairment of other assets *(Continued)*

Recoverable amount is the higher of 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 for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

(i) Inventories

Inventories are initially recognised at cost, and subsequently at the lower of cost and net realisable value. Cost, including an appropriate portion of overhead expenses, is assigned to inventories by the method most appropriate to the particular class of inventory, is calculated using weighted average method. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and cost necessary to make the sale.

4. PRINCIPAL ACCOUNTING POLICIES (Continued)

(j) Financial assets

Financial assets are recognised and derecognised on trade date where the purchase or sale of a financial asset is under a contract whose terms require delivery of the investment within the timeframe established by the market concerned, are initially measured at fair value, plus transaction costs that are directly attributable to the acquisition of the financial assets, except for those financial assets classified at fair value through profit or loss, which are initially measured at fair value. The Group's financial assets are subsequently accounted for as follows, depending on their classification:

(i) *Loans and receivables*

Trade and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as loans and receivables. Loans and receivables are measured at amortised cost using the effective interest method, less any identified impairment losses. Interest income is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

(ii) *Available-for-sale investments*

These assets are non-derivative financial assets that are designated as available for sale or are not included in other categories of financial assets. Subsequent to initial recognition, these assets are carried at fair value with changes in fair value recognised in other comprehensive income, except for impairment losses and foreign exchange gains and losses on monetary instruments, which are recognised in profit or loss.

For available-for-sale equity investments that do not have quoted market price in an active market and whose fair value cannot be reliably measured and derivatives that are linked to and must be settled by delivery of such unquoted equity instruments, they are measured at cost less any identified impairment losses.

Notes to the Financial Statements

31 DECEMBER 2014

4. *PRINCIPAL ACCOUNTING POLICIES (Continued)*

(j) Financial assets *(Continued)*

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

These assets include financial assets held for trading and financial assets designated upon initial recognition as at fair value through profit or loss. Financial assets are classified as held for trading if they are acquired for the purpose of sale in the near term.

Subsequent to initial recognition, financial assets at fair value through profit or loss are measured at fair value, with changes in fair value recognised in profit or loss in the period in which they arise.

(iv) Impairment loss of financial assets

Financial assets, other than those at fair value through profit or loss, are assessed for indicators of impairment at the end of each reporting period. Financial assets are impaired where there is objective evidence that as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been impacted.

For equity securities, a significant or prolonged decline in the fair value of the security below its cost is considered to be objective evidence of impairment.

For all other financial assets, objective evidence of impairment may include:

– significant financial difficulty of the debtor;

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

– granting concession to a debtor because of debtor's financial difficulty;

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

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

4. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(j) Financial assets *(Continued)*

(iv) Impairment loss of financial assets (Continued)

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

– For trade and other current receivables, 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, where the effect of discounting is material. This assessment is made collectively where financial assets carried at amortised cost 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 has been determined had no impairment loss been recognised in prior years.

– For available-for-sale equity investments carried at fair value, where a decline in the fair value constitutes objective evidence of impairment, the amount of the loss is removed from equity and recognised in profit or loss. Any increase in fair value subsequent to an impairment loss is recognised in other comprehensive income.

– For available-for-sale equity investment that is carried at cost, the amount of impairment loss is measured as the difference between the carrying amount of the asset and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss is not reversed.

Notes to the Financial Statements

31 DECEMBER 2014

4. *PRINCIPAL ACCOUNTING POLICIES (Continued)*

(j) Financial assets *(Continued)*

(iv) Impairment loss of financial assets (Continued)

Impairment losses are written off against the corresponding assets directly, except for impairment losses recognised in respect of trade 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 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 and subsequent recoveries of amounts previously written off directly are recognised in profit or loss.

(v) Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset, or where appropriate, a shorter period.

(vi) Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire; or it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

4. PRINCIPAL ACCOUNTING POLICIES (Continued)

(k) Financial liabilities and equity instrument issued by the Group

(i) Classification as debt or equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangement.

(ii) Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Group are recorded at the proceeds received, net of direct issue costs.

(iii) Compound instruments

Convertible bonds that contain liability and equity components

The component parts of compound instruments, comprising convertible bonds issued by the Group, are classified separately as financial liabilities and equity in accordance with the substance of the contractual arrangement. At the date of issue, the fair value of the liability component is estimated using the prevailing market interest rate for a similar non-convertible instrument. This amount is recorded as a liability on an amortised cost basis using the effective interest method until extinguished upon conversion or at the instrument's maturity date. The equity component is determined by deducting the amount of the liability component from the fair value of the compound instrument as a whole. This is recognised and included in equity, net of income tax effects, and is not subsequently re-measured.

Issue costs were apportioned between the liability and equity components of the compound instruments based on their relative carrying amounts at the date of issue. The portion relating to the equity component was charged directly to equity.

Notes to the Financial Statements

31 DECEMBER 2014

4. *PRINCIPAL ACCOUNTING POLICIES (Continued)*

(k) Financial liabilities and equity instrument issued by the Group *(Continued)*

(iii) Compound instruments (Continued)

In subsequent periods, the liability component of the convertible bonds is carried at amortised cost using the effective interest method. The equity component, represented by the option to convert the liability component into ordinary shares of the Company, will remain in convertible bonds – equity component until the embedded option is exercised in which case the balance stated in convertible bonds – equity component will be transferred to share premium. Where the option remains unexercised at the expiry dates, the balance stated in convertible bonds – equity component will be released to the retained profits. No gain or loss is recognised upon conversion or expiration of the option.

(iv) Other financial liabilities

Other financial liabilities are initially measured at fair value, net of transaction costs.

Other financial liabilities are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis.

(v) Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or they expire.

(vi) Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or where appropriate, a shorter period.

Notes to the Financial Statements

31 DECEMBER 2014

4. PRINCIPAL ACCOUNTING POLICIES (Continued)

(l) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and deposits held at call with banks, and other short-term highly liquid investments with original maturities of three months or less that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

(m) Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to lessee. All other leases are classified as operating lease.

The Group as lessee

Assets held under finance leases are initially recognised as assets at their fair value or, if lower, the present value of the minimum lease payments. The corresponding lease commitment is shown as a liability. Lease payments are analysed between capital and interest. The interest element is charged to profit or loss over the period of the lease and is calculated so that it represents a constant proportion of the lease liability. The capital element reduces the balance owed to the lessor.

The total rental payable under the operating leases are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

Notes to the Financial Statements

31 DECEMBER 2014

4. *PRINCIPAL ACCOUNTING POLICIES (Continued)*

(n) Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of each reporting period, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

(o) Income taxes

Income taxes for the year comprise current tax and deferred tax.

(i) Current tax

Current tax is based on the profit or loss from ordinary activities adjusted for items that are non-assessable or disallowable for income tax purposes and is calculated using tax rates that have been enacted or substantively enacted at the end of reporting period.

4. *PRINCIPAL ACCOUNTING POLICIES (Continued)*

(o) Income taxes *(Continued)*

(ii) Deferred tax

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

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

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and an associate, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

Notes to the Financial Statements

31 DECEMBER 2014

4. *PRINCIPAL ACCOUNTING POLICIES (Continued)*

(o) Income taxes *(Continued)*

(ii) Deferred tax (Continued)

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

Income tax is recognised in profit or loss except when it relates to items recognised in other comprehensive income in which case the income tax is recognised in other comprehensive income.

(p) Foreign currencies

Functional and presentation currency

Items included in the financial statements of each of the group entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in Hong Kong dollars ("HK$"), which is the functional currency of the Company, and the presentation currency for the consolidated financial statements.

Notes to the Financial Statements

31 DECEMBER 2014

4. *PRINCIPAL ACCOUNTING POLICIES (Continued)*

(p) Foreign currencies *(Continued)*

Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of monetary items and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period except for the differences arising on the retranslation of non-monetary items in respect of which gains or losses are recognised in other comprehensive income, in which case, the exchange differences are also recognised in other comprehensive income.

On consolidation, the statements of financial position of the group entities denominated in foreign currencies are translated into HK$ at the applicable rates of exchange ruling at the end of reporting period while income and expenses items are translated at an average rate for the period, unless exchange rates fluctuated significantly during the period, in which case the exchange rates at the dates of the transactions are used. The resulting translation differences are recognised in other comprehensive income and accumulated in the exchange translation reserve. Exchange differences recognised in profit or loss of group entities' individual financial statements on translation of long-term monetary items forming part of the Group's net investment in foreign operations are reclassified to other comprehensive income and accumulated in equity as exchange translation reserve. Such accumulated translation differences are recognised in profit or loss in the period in which the foreign operation is disposed of.

Notes to the Financial Statements

31 DECEMBER 2014

4. *PRINCIPAL ACCOUNTING POLICIES (Continued)*

(p) Foreign currencies *(Continued)*

Goodwill and fair value adjustments arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the closing rate at the end of reporting period. Exchange differences arising are recognised in the exchange translation reserve.

(q) Employees' benefits

(i) Short term benefits

Salaries, annual bonuses, paid annual leaves and the cost of non-monetary benefits (other than termination 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 value.

(ii) Pension obligations

Contributions to the Mandatory Provident Fund scheme as required under the Hong Kong Mandatory Provident Fund Schemes Ordinance are charged to profit or loss when incurred. The Group has no further payment obligations once the contribution has been made.

The employees of the Group's entities which operate in the PRC are required to participate in a central pension scheme operated by the local municipal government. These subsidiaries are required to contribute certain percentages of its payroll costs to the central pension scheme. The contributions are charged to profit or loss as they become payable in accordance with the rules of the central pension scheme.

(iii) Termination benefits

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

4. PRINCIPAL ACCOUNTING POLICIES (Continued)

(r) Share-based payments

Where share options are awarded to employees and others providing similar services, the fair value of the options at the date of grant is recognised in profit or loss over the vesting period with a corresponding increase in the employee share option reserve within equity. Non-market vesting conditions are taken into account by adjusting the number of equity instruments expected to vest at the end of each reporting period so that, ultimately, the cumulative amount recognised over the vesting period is based on the number of options that eventually vest. Market vesting conditions are factored into the fair value of the options granted. As long as all other vesting conditions are satisfied, a charge is made irrespective of whether the market vesting conditions are satisfied. The cumulative expense is not adjusted for failure to achieve a market vesting condition.

Where the terms and conditions of options are modified before they vest, the increase in the fair value of the options, measured immediately before and after the modification, is also recognised in profit or loss over the remaining vesting period.

Where equity instruments are granted to persons other than employees and others providing similar services, the fair value of goods or services received is recognised in profit or loss unless the goods or services qualify for recognition as assets. A corresponding increase in equity is recognised. For cash-settled share based payments, a liability is recognised at the fair value of the goods or services received.

(s) Borrowing costs

Borrowing costs attributable directly to the acquisition, construction or production of qualifying assets which require a substantial period of time to be ready for their intended use or sale, are capitalised as part of the cost of those assets. Income earned on temporary investments of specific borrowings pending their expenditure on those assets is deducted from borrowing cost capitalised. All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

Notes to the Financial Statements

31 DECEMBER 2014

4. PRINCIPAL ACCOUNTING POLICIES (Continued)

(t) Non-current assets held for sale and disposal group

Non-current assets and disposal groups are classified as held for sale when:

- they are available for immediate sale;
- management is committed to a plan to sell;
- it is unlikely that significant changes to the plan will be made or that the plan will be withdrawn;
- an active programme to locate a buyer has been initiated;
- the asset or disposal group is being marketed at a reasonable price in relation to its fair value; and
- a sale is expected to complete within 12 months from the date of classification.

Non-current assets and disposal groups classified as held for sale are measured at the lower of:

- their carrying amount immediately prior to being classified as held for sale in accordance with the Group's accounting policy; and
- fair value less costs of disposal.

Following their classification as held for sale, non-current assets (including those in a disposal group) are not depreciated.

The results of operations disposed of were included in profit or loss up to the date of disposal.

4. PRINCIPAL ACCOUNTING POLICIES (Continued)

(u) 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 key management personnel of the Group or the Company's parent.

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

(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 the employees of 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 key management personnel of the entity (or of a parent of the entity).

Notes to the Financial Statements

31 DECEMBER 2014

4. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(u) Related parties *(Continued)*

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 and include:

(i) that person's children and spouse or domestic partner;

(ii) children of that person's spouse or domestic partner; and

(iii) dependents of that person or that person's spouse or domestic partner.

(v) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable.

(i) Revenue from sale of products is reduced for estimated customer returns, rebates and other similar allowances and excluded value added tax or other sales related taxes. It is recognised when the Group has delivered the products to the customer and the customer has accepted the products and collectability of the related receivable is reasonably assured.

(ii) Interest income is accrued on a time-apportioned basis by reference to the principal outstanding at the applicable interest rate.

(w) Contingent liabilities

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. It can also be a present obligation arising from past events that is not recognised because it is not probable that outflow of economic resources will be required or the amount of obligation cannot be measured reliably.

A contingent liability is not recognised but is disclosed in the financial statements. When a change in the probability of an outflow occurs so that the outflow is probable, it will then be recognised as a provision.

Notes to the Financial Statements

31 DECEMBER 2014

5. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

(a) Carrying value of non-current assets and impairment of assets

Non-current assets, including property, plant and equipment, land use rights and other intangible assets, are carried at cost less accumulated depreciation and amortisation, where appropriate, and impairment losses. These carrying amounts are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amounts may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. In estimating the recoverable amounts of assets, various assumptions, including future cash flows to be associated with the non-current assets and discount rates, are made. If future events do not correspond to such assumptions, the recoverable amounts will need to be revised, and this may have an impact on the Group's results of operations or financial position. The Company assessed the impairment on its investment costs in subsidiaries and amounts due from subsidiaries, details of which are set out in Note 20 to the financial statements.

Notes to the Financial Statements

31 DECEMBER 2014

5. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (Continued)

(b) Impairment of goodwill

Determining whether goodwill is impaired requires an estimation of fair value less costs of disposal of the cash-generating units to which goodwill has been allocated. The determination of fair value less costs of disposal requires the directors to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate the present value.

(c) Impairment of available-for-sale investments

The directors review available-for-sale investments at the end of each reporting period to assess whether they are impaired. The Group records impairment charges on available-for-sale equity investments when there has been a significant or prolonged decline in the fair value below their cost. The determination of what is significant or prolonged requires judgement. In making this judgement, the directors evaluate, among other factors, historical share price movements and the duration and extent to which the fair value of an investment is less than its cost.

(d) Impairment of trade and other receivables

The Group's management determines impairment of trade and other receivables on a regular basis. This estimate is based on the credit history of its customers and current market conditions. Management reassesses the impairment of trade and other receivables at the end of each reporting period.

(e) Net realisable value of inventories

Net realisable value of inventories is the estimated selling price in the ordinary course of business, less estimated costs of completion and selling expenses. These estimates are based on the current market conditions and the historical experience of selling products of a similar nature. It could change significantly as a result of competitors' actions in response to severe industry cycles. Management reassesses these estimations at the end of each reporting period to ensure inventories are shown at the lower of cost and net realisable value.

Notes to the Financial Statements

31 DECEMBER 2014

5. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (Continued)

(f) Purchase price allocation for business combinations

Accounting for business combinations requires the Group to allocate the cost of the acquisition to the specific assets acquired and liabilities assumed based on estimated fair values at the date of acquisition. The Group undertakes a process to identify all assets and liabilities acquired, including any identified intangible assets where appropriate. The judgments made in identifying all acquired assets, determining the estimated fair value assigned to each class of assets acquired and liabilities assumed, as well as assets' useful lives, may materially impact the Group's financial position and results of operations. In determining the fair values of the identifiable assets acquired and liabilities assumed, valuations were conducted by an independent professional valuer and estimated fair values are based on information available near the acquisition date and on expectations and assumptions that have been deemed reasonable by management.

(g) Income tax

There are certain transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for anticipated tax issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made. In addition, the realisation of the future income tax assets is dependent on the Group's ability to generate sufficient taxable income in future years to utilise income tax benefits and carry-forward income tax losses. Deviations of future profitability from estimates or in the income tax rate would result in adjustments to the value of future income tax assets and liabilities that could have a significant effect on earnings.

Notes to the Financial Statements

31 DECEMBER 2014

6. TURNOVER

Turnover, which is also revenue, represents the net invoiced amounts received and receivable for sales of PE pipes and natural gas to customers. An analysis of the Group's turnover is as follows:

	2014	2013
	HK$'000	HK$'000
Sale of PE pipes	**48,955**	29,939
Transmission and distribution of natural gas	**39,473**	–
	88,428	29,939

7. SEGMENT REPORTING

The Group determines its operating segments based on the reports reviewed by the chief operating decision-maker that are used to make strategic decisions.

The Group has two reportable segments for the year ended 31 December 2014. The segments are managed separately as each business offers different products and requires different business strategies. The following summary describes the operations in each of the Group's reportable segments:

– Manufacture and sale of PE pipes

– Transmission and distribution of natural gas

Segment assets exclude cash and cash equivalents and other unallocated head office and corporate assets as these assets are managed on a group basis.

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

There was no inter-segment sale or transfer during the year ended 31 December 2014. Central revenue and expenses are not allocated to the operating segments as they are not included in the measure of the segment result that is used by the chief operating decision-maker for assessment of segment performance.

Notes to the Financial Statements

31 DECEMBER 2014

7. SEGMENT REPORTING (Continued)

For the year ended 31 December 2013, the Group operates in a single segment which is manufacture and sale of PE pipes and trading of composite materials. Accordingly, no separate segment business information is presented.

(a) Reportable segments

For the year ended 31 December 2014

	Manufacture and sale of PE pipes HK$'000	Transmission and distribution of natural gas HK$'000	Total HK$'000
Revenue from external customers	48,955	39,473	88,428
Reportable segment (loss)/profit	(24,482)	1,041	(23,441)
Reportable segment assets	185,529	131,120	316,649
Reportable segment liabilities	(15,107)	(48,418)	(63,525)
Other segment information:			
Interest income			69
Loss on disposal of investments held for trading			(104)
Fair value gain on investments held for trading			120
Share of profit of an associate	–	75	75
Recovery of bad debts	584	–	584
Depreciation	(12,995)	(1,237)	(14,232)
Unallocated depreciation			(742)
Total depreciation			(14,974)
Amortisation of land use rights	(767)	(4)	(771)
Amortisation of other intangible assets	–	(344)	(344)
Impairment loss on trade receivables	(4,218)	–	(4,218)
Impairment loss on available-for-sale investments			(3,863)
Loss on the Redemption and Disposal			(234)
Finance costs			(521)
Additions to non-current assets	3,268	107,542	110,810
Unallocated additions to non-current assets			145
Total additions to non-current assets			110,955

Notes to the Financial Statements

31 DECEMBER 2014

7. SEGMENT REPORTING (Continued)

(b) Reconciliation of reportable segment loss, assets and liabilities

	2014 HK$'000
Loss before income tax	
Reportable segment loss	(23,441)
Unallocated other income and gains and losses	(2,704)
Share of profit of an associate	75
Corporate and other unallocated expenses	(19,610)
Finance costs	(521)
Consolidated loss before income tax	(46,201)

	2014 HK$'000
Assets	
Reportable segment assets	316,649
Interest in an associate	5,269
Cash and cash equivalents	8,708
Unallocated corporate assets	42,930
Consolidated total assets	373,556

	2014 HK$'000
Liabilities	
Reportable segment liabilities	(63,525)
Deferred tax liabilities	(8,055)
Unallocated corporate liabilities	(55,631)
Consolidated total liabilities	(127,211)

Notes to the Financial Statements

31 DECEMBER 2014

7. SEGMENT REPORTING (Continued)

(c) Geographical information

All operating assets and operations of the Group during the years ended 31 December 2014 and 2013 were located in the PRC.

(d) Information about major customers

For the year ended 31 December 2014, revenue from a customer in the transmission and distribution of natural gas segment amounted to HK$12,084,000 and contributed to more than 10% of the Group's total revenue.

For the year ended 31 December 2013, revenue from five customers in the manufacture and sale of PE pipes segment amounted to HK$3,713,000, HK$3,508,000, HK$3,318,000, HK$3,318,000 and HK$3,242,000 respectively. Each of them had contributed to more than 10% of the Group's total revenue.

8. OTHER INCOME AND GAINS AND LOSSES

	2014 HK$'000	2013 HK$'000
Investment income from unlisted investment funds	–	493
Sundry income	449	88
Bank interest income	69	35
(Loss)/gain on disposal of investments held for trading	(104)	475
Recovery of bad debts	584	–
Write off of property, plant and equipment	–	(94)
Gain on disposal of property, plant and equipment	235	–
Fair value gain/(loss) on investments held for trading	120	(18)
Exchange gains, net	859	–
Loss on the Redemption and Disposal (Note 40)	(234)	–
Impairment losses on available-for-sale investments (Note 24(a))	(3,863)	–
	(1,885)	979

Notes to the Financial Statements

31 DECEMBER 2014

9. FINANCE COSTS

	2014 HK$'000	2013 HK$'000
Interest expenses on borrowings	**521**	17

10. LOSS BEFORE INCOME TAX

	2014 HK$'000	2013 HK$'000
Loss before income tax is arrived at after charging/(crediting):		
Cost of inventories sold	**88,747**	38,178
(Reversal of write down)/write down of inventories (Note 25)	**(524)**	2,626
Write off of inventories	**–**	644
Auditors' remuneration	**1,100**	880
Minimum operating lease payments in respect of land and buildings	**1,749**	2,031
Depreciation of property, plant and equipment (Note 17)		
– Owned	**14,915**	13,737
– Held under finance leases	**59**	–

Note: Depreciation charge included an amount of HK$9,369,000 (2013: HK$8,857,000) recognised as cost of inventories sold for the year.

11. INCOME TAX

	Group	
	2014	2013
	HK$'000	HK$'000
Current tax – PRC		
– tax for the year	**63**	–
– under provision in respect of prior years	**–**	33
	63	33
Deferred tax liabilities (Note 34)		
– current year	**(3)**	–
Income tax	**60**	33

No provision has been made for Hong Kong profits tax as the Group has no assessable profit arising from Hong Kong during the current and prior years.

In accordance with the PRC Enterprise Income Tax Law approved by the National People's Congress on 16 March 2007 and became effective from 1 January 2008, the Group's subsidiaries in the PRC are subject to enterprise income tax ("EIT") at the unified EIT rate of 25%.

Notes to the Financial Statements

31 DECEMBER 2014

11. INCOME TAX (Continued)

Income tax for the year can be reconciled to accounting loss, at applicable tax rates:

	2014 **HK$'000**	2013 HK$'000
Loss before income tax	**(46,201)**	(44,545)
Income tax credit calculated at the statutory PRC EIT tax rate of 25% (2013: 25%)	**(11,550)**	(11,136)
Effect of different tax rates of subsidiaries operating in Hong Kong	**1,376**	808
Tax effect of expenses not deductible for taxation purposes	**5,815**	5,244
Tax effect of non-taxable items	**(344)**	(57)
Tax effect of temporary differences not recognised	**86**	15
Tax effect on unused tax losses not recognised	**4,677**	5,126
Under provision in respect of prior years	**–**	33
Income tax for the year	**60**	33

Notes to the Financial Statements

31 DECEMBER 2014

12. LOSS FOR THE YEAR ATTRIBUTABLE TO OWNERS OF THE COMPANY

The consolidated loss attributable to owners of the Company for the year ended 31 December 2014 includes a loss of HK$13,023,000 (2013: HK$5,662,000) which has been dealt with in the financial statements of the Company.

13. DIVIDEND

The board of directors does not recommend the payment of any dividend for the year ended 31 December 2014 (2013: Nil).

14. LOSS PER SHARE

The calculation of the basic and diluted loss per share attributable to owners of the Company is based on the loss for the year attributable to owners of the Company, and the weighted average number of ordinary shares of 682,946,000 (2013: 543,241,000 as restated) in issue during the year.

The basic and diluted loss per share are calculated as follows:

	2014 **HK$'000**	2013 HK$'000
Loss:		
Loss for the purposes of basic and diluted loss per share	**46,605**	44,578

Notes to the Financial Statements

31 DECEMBER 2014

14. LOSS PER SHARE (Continued)

	2014 '000	2013 '000 (Restated)
Number of shares:		
Weighted average number of ordinary shares for the purposes of basic and diluted loss per share	**682,946**	543,241

The weighted average number of ordinary shares for the purpose of calculation of loss per share for the year ended 31 December 2013 has been adjusted retrospectively for the rights issue of the Company on 4 June 2014 as detailed in Note 35(ii) to the financial statements.

Diluted loss per share for the years ended 31 December 2014 and 2013 are the same as the basic loss per share as there were no dilutive potential ordinary shares in issue in both years.

15. STAFF COSTS, INCLUDING DIRECTORS' REMUNERATION

	2014 HK$'000	2013 HK$'000
Salaries and allowances	**15,089**	9,719
Retirement benefit scheme contributions	**861**	414
	15,950	10,133

Staff salaries of HK$1,697,000 (2013: HK$1,741,000) were included in cost of inventories sold for the year.

Notes to the Financial Statements

31 DECEMBER 2014

16. DIRECTORS' REMUNERATION AND FIVE HIGHEST PAID INDIVIDUALS

(a) Executive directors and non-executive directors

	Fees HK$'000	Salaries and allowances HK$'000	Retirement benefit scheme contributions HK$'000	Total HK$'000
2014				
Executive directors:				
Ms. Ma Zheng	–	1,202	30	1,232
Mr. Wong Pui Yiu	–	721	17	738
Mr. Pan Feng (Note(i))	–	1,580	57	1,637
	–	3,503	104	3,607
Independent non-executive directors:				
Mr. Wan Tze Fan Terence	169	–	–	169
Mr. Chung Chin Keung	169	–	–	169
Mr. Wang Xiao Bing	169	–	–	169
	507	–	–	507

Notes to the Financial Statements

31 DECEMBER 2014

16. DIRECTORS' REMUNERATION AND FIVE HIGHEST PAID INDIVIDUALS (Continued)

(a) Executive directors and non-executive directors (Continued)

	Fees HK$'000	Salaries and allowances HK$'000	Retirement benefit scheme contributions HK$'000	Total HK$'000
2013				
Executive directors:				
Ms. Ma Zheng	–	1,200	25	1,225
Mr. Wong Pui Yiu	–	724	15	739
	–	1,924	40	1,964
Independent non-executive directors:				
Mr. Wan Tze Fan Terence	182	–	–	182
Mr. Chung Chin Keung	182	–	–	182
Mr. Wang Xiao Bing	182	–	–	182
	546	–	–	546

Notes:

(i) Mr. Pan Feng was appointed as an executive director on 1 March 2014 and subsequently resigned after the end of the reporting period on 4 February 2015.

(ii) During the current and prior years, no emolument was paid by the Group to any directors as an inducement to join, or upon joining the Group, or as compensation for loss of office. There were no arrangements under which a director waived or agreed to waive any remuneration during the current and prior years.

Notes to the Financial Statements

31 DECEMBER 2014

16. DIRECTORS' REMUNERATION AND FIVE HIGHEST PAID INDIVIDUALS (Continued)

(b) Five highest paid individuals

The five highest paid individuals during the year included three (2013: two) directors, details of whose remuneration are set out in Note 16(a) above. Details of the remuneration of the remaining two (2013: three) non-director, highest paid individuals for the year are as follows:

	2014	2013
	HK$'000	HK$'000
Basic salaries, share options and other benefits	**1,347**	1,547
Discretionary bonuses	**217**	177
Retirement benefit scheme contributions	**41**	30
	1,605	1,754

Their emoluments fell within the following band:

	Number of individuals	
	2014	2013
Nil – HK$1,000,000	**2**	3

The emoluments paid or payable to members of senior management other than directors were within the following band:

	Number of individuals	
	2014	2013
Nil – HK$1,000,000	**1**	1

Notes to the Financial Statements

31 DECEMBER 2014

17. PROPERTY, PLANT AND EQUIPMENT

The Group

	Leasehold land and buildings HK$'000 (Note)	Leasehold improvements HK$'000	Computer equipment HK$'000	Natural gas pipelines HK$'000	Plant and machinery HK$'000	Furniture, fixtures and office equipment HK$'000	Motor vehicles HK$'000	Construction in progress HK$'000	Total HK$'000
Cost									
At 1 January 2013	109,570	1,220	1,795	–	87,024	112	4,402	–	204,123
Additions	–	–	601	–	351	2	650	–	1,604
Write off	–	–	(696)	–	–	(1)	(63)	–	(760)
Exchange realignment	3,255	25	38	–	2,591	–	108	–	6,017
At 31 December 2013 and 1 January 2014	112,825	1,245	1,738	–	89,966	113	5,097	–	210,984
Acquired through business combinations	4,067	–	–	4,252	21,826	357	5,574	2,614	38,690
Additions	–	–	198	–	11,859	139	1,430	5,397	19,023
Disposal	(3,300)	(847)	–	–	–	–	(192)	–	(4,339)
Reclassification	–	–	–	–	605	–	–	(605)	–
Exchange realignment	(2,814)	(21)	(31)	(46)	(2,137)	2	(66)	11	(5,102)
At 31 December 2014	110,778	377	1,905	4,206	122,119	611	11,843	7,417	259,256
Accumulated depreciation and impairment									
At 1 January 2013	36,924	456	1,371	–	39,053	112	2,957	–	80,873
Depreciation	4,982	285	121	–	8,062	1	286	–	13,737
Write off	–	–	(615)	–	–	(1)	(50)	–	(666)
Exchange realignment	813	7	20	–	844	–	87	–	1,771
At 31 December 2013 and 1 January 2014	42,719	748	897	–	47,959	112	3,280	–	95,715
Depreciation	4,842	94	281	11	8,803	62	881	–	14,974
Disposal	(371)	(457)	–	–	–	–	(172)	–	(1,000)
Exchange realignment	(752)	(8)	(12)	–	(811)	–	(74)	–	(1,657)
At 31 December 2014	46,438	377	1,166	11	55,951	174	3,915	–	108,032
Net book value									
At 31 December 2014	64,340	–	739	4,195	66,168	437	7,928	7,417	151,224
At 31 December 2013	70,106	497	841	–	42,007	1	1,817	–	115,269

Notes to the Financial Statements

31 DECEMBER 2014

17. PROPERTY, PLANT AND EQUIPMENT (Continued)

Note: Since the land lease prepayment cannot be allocated reliably between the land and buildings elements at the inception of the lease, the entire lease prepayment is included in the cost of land and buildings as a finance lease in property, plant and equipment. The leasehold land and buildings of the Group are located in the PRC and held under a medium term lease.

At 31 December 2014, the carrying amount of the Group's motor vehicles includes an amount of HK$1,071,000 (2013: Nil) in respect of assets acquired under finance leases.

18. LAND USE RIGHTS

The Group's interest in land use rights represents prepaid operating lease payments and movements in the year are analysed as follows:

	2014	2013
	HK$'000	HK$'000
Outside Hong Kong, held on medium-term lease	**33,380**	32,513
Opening carrying amount	**32,513**	32,339
Acquired through business combinations	**2,407**	–
Amortisation	**(771)**	(775)
Exchange difference	**(769)**	949
Closing carrying amount	**33,380**	32,513
Less: Current portion included in other receivables, deposits and prepayments	**(810)**	(787)
Non-current portion	**32,570**	31,726

The Group held two leasehold land located in the PRC under lease terms of 50 years commencing on 28 February 2005 and on 17 December 2005 respectively.

Notes to the Financial Statements

31 DECEMBER 2014

19. ASSETS AND LIABILITIES UNDER DISPOSAL GROUP CLASSIFIED AS HELD FOR SALE

As disclosed in the 2010, 2011, 2012 and 2013 financial statements, on 27 October 2010, independent shareholders of the Company had approved the deed of settlement dated 17 September 2010 executed by the Company, the joint and several liquidators (the "Liquidators") of Lehman Brothers Commercial Corporation Asia Limited ("Lehman Brothers" or the "Bondholder") and Lehman Brothers in relation to the redemption of the 4.5% convertible bonds (the "Convertible Bonds") in the principal amount of HK$246,250,000 issued by the Company to Lehman Brothers in October 2007 (the "Original Deed of Settlement").

Details of the terms of the Original Deed of Settlement are set out in the Company's circular dated 11 October 2010. The Company paid HK$85 million to Lehman Brothers under the terms of the Original Deed of Settlement as partial consideration of the redemption of the Convertible Bonds, which amount was included in other receivables, deposits and prepayments as at 31 December 2013 (Note 27). The remaining consideration under the Original Deed of Settlement is represented by the transfer of the 100% of the issued share capital of Zhong Ping Resources Holdings Limited ("Zhong Ping") or all of the assets held directly or indirectly by Zhong Ping (the "Sale Interest") to Lehman Brothers or a party so directed by Lehman Brothers.

Pursuant to the Original Deed of Settlement, completion of the Original Deed of Settlement is conditional upon the fulfillment of certain conditions on or before 31 October 2011 or such later date as may be agreed between the Company and Lehman Brothers (the "Long Stop Date"). In order to allow more time for the transfer of the Sale Interest to Lehman Brothers, the Company, Lehman Brothers and the Liquidator mutually agreed to extend the Long Stop Date several times. Except for the extension of the Long Stop Date, all other terms and conditions of the Original Deed of Settlement remain unchanged and shall continue in full force and effect.

19. ASSETS AND LIABILITIES UNDER DISPOSAL GROUP CLASSIFIED AS HELD FOR SALE (Continued)

The Sale Interest included Zhong Ping's 70% interest in ARIA LLC ("ARIA"), a company incorporated in Mongolia with limited liability. ARIA in turn is the holder of the mining licence with an expiry date of 10 August 2035 in the green field mining exploration project, the Mungun-Undur Polymetallic Project (the "Project") located in Mungun-Undur, Khentii Province, Mongolia. The Project has prospects for silver, lead, zinc and tin mineralisation. Other than holding the 70% equity interest of ARIA, Zhong Ping is inactive and has little assets or liabilities of its own.

Following the approval of the Original Deed of Settlement on 27 October 2010, the Group had effectively discontinued and ceased its mining activities. Zhong Ping and ARIA have remained inactive, received no income and incurred no expenses since that date. The Group also reclassified the assets and liabilities of Zhong Ping and ARIA (the "Zhong Ping Group") as held for sale in the consolidated statement of financial position as at 31 December 2013 as set out below:

	2013 HK$'000
Mining rights	207,519
Cash and cash equivalents	1
Other receivables	92
Assets related to the mining business classified as held for sale	207,612
Other payables	255
Deferred tax liabilities	29,255
Liabilities of the mining business associated with assets classified as held for sale	29,510
Net assets of the mining business classified as held for sale	178,102

Notes to the Financial Statements

31 DECEMBER 2014

19. ASSETS AND LIABILITIES UNDER DISPOSAL GROUP CLASSIFIED AS HELD FOR SALE (Continued)

Pursuant to the Original Deed of Settlement, the Sale Interest represents 100% of the issued share capital of Zhong Ping (being the holder of the 70% equity interest in ARIA) or, at the sole and absolute discretion of the Bondholder, all of the assets held directly or indirectly by Zhong Ping. Subsequently, the Bondholder had elected to receive a transfer of the 70% equity interest in ARIA. As disclosed in the Company's circular dated 12 March 2014, the registration of the ARIA transfer could not be completed without a new joint venture agreement between a new shareholder and the non-controlling interest having been agreed, signed and registered with the Legal Entity Registration Office of Mongolia. Due to the prolonged commercial negotiation between the Bondholder and the non-controlling interest, it is unpredictable when a new joint venture agreement could be agreed and signed.

On 15 January 2014, the Company, Lehman Brothers and the Liquidators entered into a supplemental deed for the redemption of the Convertible Bonds (the "Supplemental Deed"), pursuant to which the Bondholder agreed to accept the transfer of a 100% equity interest in Zhong Ping and revoke its election to receive the 70% equity interest in ARIA. Under such amendment, the transfer of the 100% equity interest in Zhong Ping can be effected without the approval and consent required for the transfer of the 70% equity interest in Mongolia as Zhong Ping is a BVI company and is wholly-owned by the Company.

Under the terms of the Supplemental Deed, the Company shall pay to Lehman Brothers (i) a non-refundable deposit in the sum of HK$6 million; (ii) an amount in Hong Kong dollar that is equal to RMB24,000,000 (equivalent to approximately HK$31 million); and (iii) transfer the 100% equity interest in Zhong Ping to Lehman Brothers. The Company paid the above mentioned non-refundable deposit in the sum of HK$6 million to Lehman Brothers on 15 January 2014 according to the Supplemental Deed.

On 28 March 2014, shareholders of the Company passed an ordinary resolution at the extraordinary general meeting of the Company to approve, ratify and confirm the Supplemental Deed. As set out in the Company's announcement dated 16 October 2014, all the conditions of the redemption of the Convertible Bonds have been fulfilled pursuant to the Supplemental Deed and the redemption of the Convertible Bonds and the disposal of the Zhong Ping Group has been completed and resulted in a loss of HK$234,000 as further detailed in Note 40 to the financial statements.

Notes to the Financial Statements

31 DECEMBER 2014

20. INTERESTS IN SUBSIDIARIES

	The Company	
	2014	2013
	HK$'000	HK$'000
Unlisted shares, at cost	**319,181**	470,749
Amounts due from subsidiaries (a)	**1,111,900**	1,069,104
	1,431,081	1,539,853
Less: Provision for impairment (b)	**(1,040,602)**	(999,656)
	390,479	540,197
Amounts due to subsidiaries (c)	**(157,677)**	(157,718)

(a) The balance as at 31 December 2013 included an amount of HK$5,000,000 which is unsecured and bore interest at the prime rate of The Hong Kong and Shanghai Banking Corporation Limited plus 1% per annum, and repayable within one year. The balance was unsettled as at 31 December 2014 and the repayment term was amended to without fixed repayment date. The balance was fully provided for as at 31 December 2014 and 2013. The remaining balances are unsecured, interest free and with no fixed terms of repayment. In the opinion of the directors, these balances in substance represent the Company's investments in the subsidiaries in the form of quasi equity loans.

(b) Accumulated impairment provision of HK$1,040,602,000 (2013: HK$999,656,000) was recognised as at 31 December 2014 because the related recoverable amounts of the investment costs and amounts due from subsidiaries with reference to the net assets or net liabilities of the respective subsidiaries were estimated to be less than their respective carrying amounts. Accordingly, the carrying amounts of the related investment costs in subsidiaries and amounts due from them are reduced to their respective recoverable amounts.

(c) The amounts due to subsidiaries classified as current liabilities are unsecured, interest free and repayable on demand.

Notes to the Financial Statements

31 DECEMBER 2014

20. INTERESTS IN SUBSIDIARIES (Continued)

Particulars of the Company's principal subsidiaries as at 31 December 2014 were as follows:

Name of company	Place of incorporation/ establishment and operation	Particulars of issued and paid up capital	Proportion of ownership interest: Group's effective interest	Held by the Company	Held by subsidiary	Principal activity
e-gameasia.com Ltd	BVI/Hong Kong	10,279,450 ordinary shares of HK$1 each	100%	100%	–	Investment holding
Billybala Software (BVI) Limited	BVI/Hong Kong	1 ordinary share of US$0.01 each	100%	100%	–	Investment holding
China Primary Energy Holdings Limited	BVI/Hong Kong	20,000,000 ordinary shares of US$1 each	100%	100%	–	Investment holding
Billybala iGame Limited	Hong Kong	7 ordinary shares of HK$1 each	100%	–	100%	Provision of administrative services to group companies
Yichang Fuliangjiang Joint Composite Limited (Note (iv))	PRC	HK$122,380,000	100%	–	100%	Production of PE pipes and trading of composite materials
China Primary Energy (Shenzhen) Limited (Note (iv))	PRC	HK$250,000,000	100%	–	100%	Investment holding
Yaoqixin Technology (Shenzhen) Co., Ltd (Note (iv))	PRC	HK$1,000,000	100%	–	100%	Provision of administrative services to group companies
Fujian China Primary Energy Limited (formerly known as Can Guang Petrochemical (Fujian) Co., Ltd) ("Fujian CP Energy") (Notes (ii) & (iv))	PRC	RMB 20,000,000	70%	–	70%	Transmission and distribution of natural gas

Notes to the Financial Statements

31 DECEMBER 2014

20. INTERESTS IN SUBSIDIARIES (Continued)

Name of company	Place of incorporation/ establishment and operation	Particulars of issued and paid up capital	Proportion of ownership interest: Group's effective interest	Held by the Company	Held by subsidiary	Principal activity
Nanjing Zhongchen Natural Gas Investment Company Limited (Notes (ii) & (iv))	PRC	RMB 900,000	49.7%	–	71%	Transmission and distribution of natural gas
Ningde Zhongchen Natural Gas Investment Company Limited (Notes (ii) & (iv))	PRC	RMB 900,000	49%	–	70%	Transmission and distribution of natural gas
Ningguo Ruide Natural Gas Company Limited ("Ningguo Ruide") (Notes (ii) & (iv))	PRC	RMB 10,000,000	100%	–	100%	Transmission and distribution of natural gas

Notes:

(i) The business structure of each of these subsidiaries is corporation.

(ii) The subsidiary was newly acquired during the year.

(iii) None of the subsidiaries had issued any debt securities at the end of the year.

(iv) The English name of the subsidiary represents the best effort by the Company's management to translate from its Chinese name as this subsidiary has no official English name.

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

Notes to the Financial Statements

31 DECEMBER 2014

21. GOODWILL

	The Group HK$'000
Arising from business combinations during the year and as at 31 December 2014	**24,660**

Impairment testing on goodwill

The Group recognised goodwill of HK$24,660,000 arising from acquisition of two similar businesses during the year (Note 41) which were allocated to the cash generating unit ("CGU") of transmission and distribution of natural gas in the PRC.

For the purpose of the goodwill impairment testing, the directors determined the recoverable amounts of the CGU from its fair value less costs of disposal based on the business valuations performed by an independent firm of professional valuers using the income approach. The income approach is based on cash flow projections from the financial budgets covering a five-year period plus extrapolated cash flow projections by applying a long-term growth rate of 3% beyond the five-year. Post-tax discount rates of 19.89% and 15.7% and gross margins of 24% and 13% are used for the two businesses acquired during the year.

The key assumptions have been determined based on past performance and management expectations of market development. The discount rates used reflect specific risks relating to the two businesses.

The directors concluded that the CGU demonstrates sufficient cash flows to justify the carrying value of the goodwill and no impairment of goodwill was necessary as at 31 December 2014.

Notes to the Financial Statements

31 DECEMBER 2014

22. OTHER INTANGIBLE ASSETS

The Group	Customer relationships HK$'000	Exclusive rights of natural gas operations HK$'000	Total HK$'000
Cost			
At 1 January 2014	–	–	–
Addition through business combinations	5,416	20,759	26,175
Exchange realignment	34	(222)	(188)
At 31 December 2014	5,450	20,537	25,987
Amortisation			
At 1 January 2014	–	–	–
Amortisation	271	73	344
At 31 December 2014	271	73	344
Net book value			
At 31 December 2014	5,179	20,464	25,643

Customer relationships and exclusive rights of natural gas operations were recognised by the Group upon the acquisition of Fujian CP Energy and Ningguo Ruide respectively (Note 41).

Customer relationships is amortised on a straight-line method over the period of 10 years. Ningguo Ruide obtained an operating license for a period of 30 years from 12 May 2008 to 11 May 2038 and is amortised on a straight-line method over the remaining term of 23 years from the date of acquisition.

Notes to the Financial Statements

31 DECEMBER 2014

23. INTEREST IN AN ASSOCIATE

	The Group	
	2014	2013
	HK$'000	HK$'000
Share of net assets	**5,269**	–
Amount due from an associate	**410**	–

Interest in an associate was acquired as part of the acquisition of Fujian CP Energy during the year (Note 41).

The amount due from an associate classified as current assets is unsecured, interest free and repayable on demand.

Details of the associate are as follows:

Name	Form of business structure	Place of establishment and operation	Percentage of paid-up capital held indirectly by the Company	Principal activity
Minsheng Natural Gas Company Limited#	Corporation	PRC	30%	Transmission and distribution of natural gas

The English name of the associate represents the best effort by the Company's management to translate from its Chinese name as this associate has no official English name.

23. INTEREST IN AN ASSOCIATE (Continued)

The following illustrates the summarised financial information of the associate:

As at 31 December 2014	**HK$'000**
Current assets	**10,458**
Non-current assets	**39,305**
Current liabilities	**(29,919)**
Non-current liabilities	**(2,279)**

Period from 9 June 2014 to 31 December 2014	**HK$'000**
Revenue	**52,488**
Profit for the period	**247**
Other comprehensive income	**68**
Total comprehensive income	**315**

Notes to the Financial Statements

31 DECEMBER 2014

24. AVAILABLE-FOR-SALE INVESTMENTS

	The Group		The Company	
	2014	2013	**2014**	2013
	HK$'000	HK$'000	**HK$'000**	HK$'000
Listed outside Hong Kong (a)	**33**	5,460	**33**	5,460
Unlisted outside Hong Kong (b)	**–**	4,611	**–**	–
	33	10,071	**33**	5,460

(a) This investment offers the Group the opportunity for return through dividend income and capital gains. The Group acquired approximately a 1% equity interest in the investee through share subscription in 2011. The Group intends to hold this investment for long term purpose.

The investee succeeded to have its shares listed and traded in the OTC Bulletin Board ("OTC") in the United States on 7 August 2012. However, there was no transaction of the investee's shares since August 2012 to October 2013 when trading of shares of the investee was resumed to the extent that there was an active market in the investee's shares. The Group engaged Greater China Appraisal Limited ("Greater China"), an independent firm of professional valuers with relevant professional qualification and experiences, to determine the fair value of the investment of approximately HK$5,460,000 as at 31 December 2013 by using the market approach.

There was a significant decline in the market value of this investment during the year. The directors consider that such a decline indicates that the investment has been impaired and an impairment loss of HK$3,863,000 (2013: Nil) has been recognised in profit or loss for the year (Note 8).

24. AVAILABLE-FOR-SALE INVESTMENTS (Continued)

(b) As at 31 December 2013, the investment represented capital contribution of RMB3,600,000 (equivalent to approximately HK$4,611,000) to a newly established company in the PRC with a registered capital of RMB 20,000,000. The Group held an 18% equity interest in this investee which will be engaged in environmental protection equipment research, water supply and drainage and sewage treatment. The investee was at the set up stage and had not yet started to provide services. The directors considered that its fair value could not be reliably measured and stated the investment at cost less any impairment. The Group disposed of its entire interest in the investee during the year ended 31 December 2014.

25. INVENTORIES

	The Group	
	2014	2013
	HK$'000	HK$'000
Raw materials	**7,076**	10,693
Work in progress	**129**	139
Finished goods	**10,971**	8,989
	18,176	19,821

During the year ended 31 December 2013, the Group made a provision of HK$2,626,000 to reduce the cost of finished goods to their net realisable value. The provision was recognised as cost of inventories sold for the year (Note 10).

During the year ended 31 December 2014, a provision of HK$524,000 made in prior years against the carrying value of finished goods has been reversed. This reversal arose due to an increase in net realisable value as a result of the sales occurred during the year. The reversal of write down was recognised in cost of inventories sold for the year (Note 10).

Notes to the Financial Statements

31 DECEMBER 2014

26. TRADE RECEIVABLES

	The Group	
	2014	2013
	HK$'000	HK$'000
Trade receivables	**77,070**	61,655
Less: Provision for impairment	**(31,368)**	(27,835)
	45,702	33,820

(a) The Group's trading terms from sales of PE pipes and composite materials with its customers are mainly on credit, except for new customers, where payment in advance is normally required. The credit period is generally one month and can be extended to three months or more for major customers. For the business of transmission and distributions of natural gas, payment in advance is normally required and some customers are on credit terms within 30 days. The Group sets a maximum credit limit for each customer and seeks to maintain strict control over its outstanding receivables. The sales department and the management of the responsible department for the sales together perform the credit control function to minimise credit risk. Overdue balances are reviewed and followed up regularly by senior management.

Notes to the Financial Statements

31 DECEMBER 2014

26. TRADE RECEIVABLES (Continued)

(b) The table below reconciled the provision for impairment loss of trade receivables for the year:

	The Group	
	2014	2013
	HK$'000	HK$'000
At 1 January	**27,835**	23,060
Impairment loss recognised	**4,218**	4,027
Exchange realignment	**(685)**	748
At 31 December	**31,368**	27,835

At 31 December 2014, the Group's trade receivables of HK$31,368,000 (2013: HK$27,835,000) were individually determined to be impaired. These receivables have been long outstanding and management assessed them to be irrecoverable. The Group does not hold any collateral over these balances.

(c) An aging analysis of the trade receivables (net of impairment loss) as at the end of reporting period, based on the invoice dates, is as follows:

	The Group	
	2014	2013
	HK$'000	HK$'000
Within 30 days	**14,668**	7,260
31 – 60 days	**3,525**	2,193
61 – 90 days	**1,477**	1,263
Over 90 days	**26,032**	23,104
	45,702	33,820

Notes to the Financial Statements

31 DECEMBER 2014

26. TRADE RECEIVABLES (Continued)

(d) An ageing analysis of trade receivables (net of impairment loss) that are neither individually nor collectively considered to be impaired is as follows:

	The Group	
	2014	2013
	HK$'000	HK$'000
Not past due	**21,131**	12,506
Less than 31 days past due	**9,531**	100
31 – 60 days past due	**3,615**	1,048
61 – 90 days past due	**363**	2,512
Over 90 days but less than 1 year past due	**2,715**	9,893
More than 1 year past due	**8,347**	7,761
	24,571	21,314
	45,702	33,820

Trade receivables that were neither past due nor impaired relate to customers for whom there was no recent history of default. Trade receivables that were past due but not impaired related to customers that have a good track record with the Group. Based on past experience, management believes that no impairment is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable. The Group does not hold any collateral over these balances.

Notes to the Financial Statements

31 DECEMBER 2014

27. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	The Group		The Company	
	2014	2013	**2014**	2013
	HK$'000	HK$'000	**HK$'000**	HK$'000
Other receivables and deposits	**47,989**	104,375	**–**	85,000
Prepayments	**23,785**	17,639	**221**	223
	71,774	122,014	**221**	85,223
Less: Provision for impairment loss on prepayments	**(10,735)**	(11,006)	**–**	–
	61,039	111,008	**221**	85,223

The balance as at 31 December 2014 mainly included deposits paid to suppliers of HK$2,909,000 (2013: HK$3,596,000), net of provision for impairment loss of HK$10,735,000 (2013: HK$11,006,000). The balance as at 31 December 2013 included payment of HK$85,000,000 to Lehman Brothers as partial consideration for the redemption of the Convertible Bonds (Notes 19 and 40).

Notes to the Financial Statements

31 DECEMBER 2014

27. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS (Continued)

The below table reconciled the provision for impairment loss of other receivables, deposits and prepayments for the year:

	The Group	
	2014	2013
	HK$'000	HK$'000
At 1 January	**11,006**	10,688
Exchange realignment	**(271)**	318
At 31 December	**10,735**	11,006

28. INVESTMENTS HELD FOR TRADING

	The Group	
	2014	2013
	HK$'000	HK$'000
Listed equity securities held at fair value		
– in Hong Kong	**122**	704

Notes to the Financial Statements

31 DECEMBER 2014

29. CASH AND CASH EQUIVALENTS

At the end of reporting period, cash and cash equivalents of the Group denominated in Renminbi ("RMB") amounted to HK$6,284,000 (2013: HK$18,506,000). The RMB is not freely convertible into other currencies. However, under the PRC's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

Cash at banks earns interest at floating rates based on daily bank deposit rates. The bank balances are deposited with creditworthy banks with no recent history of default. The carrying amounts of cash and cash equivalents approximate their fair values.

30. TRADE PAYABLES

An aging analysis of trade payables, based on the invoice dates, is as follows:

	The Group	
	2014	2013
	HK$'000	HK$'000
Within 30 days	**5,338**	382
31 – 60 days	**3,183**	389
61 – 90 days	**41**	6
Over 90 days	**13,035**	8,878
	21,597	9,655

Notes to the Financial Statements

31 DECEMBER 2014

31. CONVERTIBLE BONDS

The Group's and the Company's outstanding convertible bonds as at 31 December 2013 represented the 4.5% convertible bonds (the "Convertible Bonds") issued to Lehman Brothers on 31 October 2007 at the principal amount of HK$246,250,000. The Convertible Bonds matured on 31 October 2010 and no conversion had taken place since the Convertible Bonds were issued. In 2008, Lehman Brothers was put into liquidation.

Coupon interest of 4.5% per annum was payable semi-annually in arrears up to 31 October 2010. The effective interest of the Convertible Bonds was determined at 9.11% per annum using the effective interest method. The carrying value of the Convertible Bonds as at 31 December 2013 equalled the principal amount of HK$246,250,000.

The fair values of the liability components of the above convertible bonds were calculated using the market interest rates for equivalent non-convertible bonds. The residual amounts, representing the values of the equity conversion components, were included in equity.

As set out in Note 19 and detailed in the Company's announcement dated 16 October 2014, all the conditions of the redemption of the Convertible Bonds have been fulfilled pursuant to the Supplemental Deed and the redemption of the Convertible Bonds has been completed.

32. OBLIGATIONS UNDER FINANCE LEASES

	Minimum lease payment 2014 HK$'000	Present value 2014 HK$'000
Not later than one year	**383**	**305**
Later than one year and not later than two years	**765**	**698**
	1,148	
Less: Interest	**(145)**	
Present value of lease obligations	**1,003**	
Less: Due within one year, included under current liabilities		**(305)**
Due in the second to fifth years, included under non-current liabilities		**698**

The Group has entered into finance lease for a motor vehicle (2013:Nil) with a lease term of 2 years. Interest rate under the leases is fixed at 8.95% per annum. The lease does not have options to renew or any contingent rental provisions. Under the lease terms, the Group has the option to purchase the leased asset at a price that is expected to be sufficiently lower than the fair value of the leased asset at the end of the leases.

Finance lease liabilities are secured by the underlying assets where the lessor has the rights to revert in event of default. The carrying amount of the finance lease liabilities are denominated in Renminbi and approximate their fair values.

Notes to the Financial Statements

31 DECEMBER 2014

33. BORROWINGS

	The Group	
	2014	2013
	HK$'000	HK$'000
Interest bearing and unsecured borrowings	**37,479**	–

The Group's borrowings as at 31 December 2014 are unsecured, interest bearing at base rate of People's Bank of China plus 10% per annum and repayable within one year.

The Group's borrowings are denominated in Renminbi.

34. DEFERRED TAX

Below set out the details of the deferred tax liabilities recognised and movements during the year:

	Accelerated tax depreciation HK$'000	Fair value adjustments arising from acquisition of subsidiaries HK$'000	Total HK$'000
At 31 December 2013 and 1 January 2014	–	–	–
Through business combinations	(1,022)	(7,097)	(8,119)
Credited to profit or loss for the year (Note 11)	3	–	3
Exchange realignment	11	50	61
At 31 December 2014	**(1,008)**	**(7,047)**	**(8,055)**

As at 31 December 2014, the Group had unused tax losses arising in Hong Kong of HK$1,733,000 (2013: HK$$1,733,000) and the PRC of HK$68,846,000 (2013: HK$66,552,000) which are available for offset against future taxable profits of the group companies in which the losses arose for an indefinite period and for a period of five years respectively. Deferred tax assets have not been recognised in respect of these losses as they have arisen in group companies that have been loss-making for some years.

Notes to the Financial Statements

31 DECEMBER 2014

35. SHARE CAPITAL

	Number of shares '000	Amount HK$'000
Authorised:		
Ordinary shares of HK$0.0125 each at 1 January 2013	9,600,000	120,000
Share consolidation (Note (i))	(7,680,000)	–
Ordinary shares of HK$0.0625 each at 31 December 2013 and 2014	1,920,000	120,000
Issued and fully paid:		
Ordinary shares of HK$0.0125 each at 1 January 2013	2,414,405	30,180
Share consolidation (Note (i))	(1,931,524)	–
Ordinary shares of HK$0.0625 each at 31 December 2013	482,881	30,180
Rights issue (Note (ii))	241,441	15,090
Subscription of shares (Note (iii))	96,576	6,036
Ordinary shares of HK$0.0625 each at 31 December 2014	820,898	51,306

Notes to the Financial Statements

31 DECEMBER 2014

35. SHARE CAPITAL (Continued)

Notes:

(i) On 4 July 2013, an extraordinary general meeting of the Company was held and approved the consolidation of every five existing issued and unissued ordinary shares of the Company of HK$0.0125 each into one ordinary share of HK$0.0625 each in the issued and unissued share capital of the Company. Following the share consolidation, the authorised share capital of the Company comprised of 482,881,000 issued ordinary shares and 1,437,119,000 unissued ordinary shares of HK$0.0625 each.

(ii) A rights issue of one rights share for every two existing shares held by the members on the register of members on 9 May 2014 was made, at an issue price of HK$0.21 per rights share, resulting in the issue of 241,440,492 shares of HK$0.0625 each for a total cash consideration, before related issue costs and expenses of HK$778,000, of HK$50,703,000, of which HK$15,090,000 and HK$35,613,000 were credited to share capital and share premium account respectively (Note 37).

(iii) On 4 September 2014, the Company entered into the subscription agreement to allot and issue 96,576,196 new shares at HK$0.40 per new share to the subscriber who is an independent third party (the "Subscriber"). The subscription of shares was completed on 15 September 2014. Following the subscription of new shares, an amount of HK$6,036,000 and HK$32,594,000 were credited to share capital and share premium account respectively (Note 37).

Major non-cash transaction

On 15 January 2014, the Company entered into a loan agreement with the Subscriber, pursuant to which the Subscriber would advance loan of up to HK$38 million to the Company. Up to the date of the subscription agreement on 4 September 2014, the outstanding loan advanced by the Subscriber to the Company and accrued loan interest amounted to HK$7,000,000 and HK$313,000 respectively. The total proceeds from the subscription of shares is HK$38,630,000 and after the set off of the said outstanding balance of HK$7,313,000 owed by the Company to the Subscriber, the Company received the remaining cash proceeds of HK$31,317,000 from the Subscriber.

Notes to the Financial Statements

31 DECEMBER 2014

36. SHARE OPTION SCHEME

The Group maintained a share options scheme for employee compensation. All share-based employee compensation was settled in equity. The Group had no legal or constructive obligations to repurchase or settle the options.

On 8 May 2012, a share option scheme (the "Share Option Scheme") was adopted by the shareholders of the Company. The purpose of the Share Option Scheme is to provide incentives and rewards to eligible participants who would contribute to the success of the Group's operations. Under the terms of the Share Option Scheme, the Board may, at its discretion, grant options to any full-time employee and any director of the Company or its subsidiaries, including any executive, non-executive or independent non-executive directors. The total number of shares which may fall to be issued upon exercise of all of the outstanding options granted and yet to be exercised under the Share Option Scheme and other schemes of the Company must not exceed 30% of the shares in issue from time to time. The Share Option Scheme will remain in force for a period of ten years commencing the date on which the scheme becomes unconditional. The Share Option Scheme was adopted by the shareholders of the Company at the annual general meeting of the Company held on 8 May 2012.

The definition of eligible person in the Share Option Scheme include any suppliers, consultants, agents, advisors and distributors who, in the sole discretion of the Board, have contributed or may contribute to the Group. The total number of shares in respect of which options may be granted under the Share Option Scheme is not permitted to exceed 10% of the shares of the Company in issue as at the date of approval of the Share Option Scheme, without prior approval from the Company's shareholders. The number of shares in respect of which options may be granted to any individual in any 12-month period is not permitted to exceed 1% of the shares of the Company in issue at any point of time, without prior approval from the Company's shareholders.

Options granted to independent non-executive directors in excess of 0.1% of the Company's share capital or with a value in excess of HK$5 million must be approved in advance by the Company's shareholders.

Notes to the Financial Statements

31 DECEMBER 2014

36. SHARE OPTION SCHEME (Continued)

Any grant of options to a connected person (including but not limited to a Director, chief executive or substantial shareholder) or its associates must be approved by the independent non-executive Directors (excluding any independent non-executive Director who is the grantee of the options).

Where options are proposed to be granted to a connected person who is also a substantial shareholder or an independent non-executive Director or their respective associates and if such grant would result in the total number of Shares issued and to be issued upon exercise of the options granted and to be granted (including options exercised, cancelled and outstanding) in any 12-month period up to and including the date of grant to such person representing in aggregate over 0.1% of the total issued Shares and having an aggregate value, based on the closing price of the securities at the date of each grant, in excess of HK$5 million, then the proposed grant must be subject to the approval of shareholders of the Company taken on a poll in a general meeting. All connected persons of the Company must abstain from voting at such general meeting.

The exercise price for shares under the Share Option Scheme may be determined by the Board at its absolute discretion but in any event will not be less than the highest of: (i) the closing price of the Shares as stated in the daily quotations sheet of the Stock Exchange on the date of grant, which must be a Business Day, (ii) the average of the closing prices of the Shares as stated in the daily quotations sheets of the Stock Exchange for the five Business Days immediately preceding the date of grant; and (iii) the nominal value of the Share on the date of grant. Any options granted under the Share Option Scheme shall end in any event not later than ten years from the Commencement Date (as defined in the Share Option Scheme). A nominal value of HK$1.00 is payable on acceptance of each grant of options.

No share options were granted by the Company and no share options were exercised or lapsed under the Share Option Scheme during the years ended 31 December 2014 and 2013. At the end of reporting period and the date of approval of these financial statements, the Company had no share options outstanding under the Share Option Scheme.

Notes to the Financial Statements

31 DECEMBER 2014

37. RESERVES OF THE COMPANY

	Share premium account HK$'000 (Note)	Convertible bonds reserve HK$'000	Available for-sale financial assets reserve HK$'000	Accumulated losses HK$'000	Total equity HK$'000
Balance at 1 January 2013	430,677	17,922	784	(229,804)	219,579
Loss for the year	–	–	–	(34,711)	(34,711)
Other comprehensive income	–	–	780	–	780
Total comprehensive income for the year	–	–	780	(34,711)	(33,931)
Balance at 31 December 2013 and 1 January 2014	430,677	17,922	1,564	(264,515)	185,648
Loss for the year	–	–	–	(71,423)	(71,423)
Other comprehensive income	–	–	(1,564)	–	(1,564)
Total comprehensive income for the year	–	–	(1,564)	(71,423)	(72,987)
Redemption of convertible bonds		(17,922)	–	17,922	–
Rights issue (Note 35(ii))	35,613	–	–	–	35,613
Share issue expenses in relation to rights issue (Note 35(ii))	(778)	–	–	–	(778)
Subscription of shares (Note 35(iii))	32,594	–	–	–	32,594
Balance at 31 December 2014	**498,106**	**–**	**–**	**(318,016)**	**180,090**

Notes to the Financial Statements

31 DECEMBER 2014

37. RESERVES OF THE COMPANY (Continued)

Note:

The share premium account of the Company includes: (i) the premium arising from issues of shares of the Company at a premium less share issue expenses; and (ii) the excess of the then combined net assets of the subsidiaries acquired pursuant to the Group reorganisation over the nominal value of the Company's shares issued in exchange therefor.

Under the Companies Law (Revision) of the Cayman Islands, the share premium account is distributable to the shareholders of the Company, provided that immediately following the date on which the dividend is proposed to be distributed, the Company will be in a position to pay off its debts as and when they fall due in the ordinary course of business.

38. OPERATING LEASE

The Group

The Group is the lessee in respect of certain of its office premises held under operating leases. The leases run for an initial period of one to three years at fixed rental. None of the leases includes contingent rentals.

At the end of reporting period, the Group had outstanding minimum commitments under non-cancellable operating leases, which fall due as follows:

	2014 **HK$'000**	2013 HK$'000
Within one year	**1,836**	1,582
After one year but within five years	**733**	3,725
More than 5 years	**–**	3,521
	2,569	8,828

The Company

The Company did not have any significant operating lease commitments at the end of both reporting periods.

Notes to the Financial Statements

31 DECEMBER 2014

39. CAPITAL COMMITMENTS

	The Group		The Company	
	2014	2013	**2014**	2013
	HK$'000	HK$'000	**HK$'000**	HK$'000
Contracted for but not provided:				
– acquisition of property, plant and equipment	**307**	–	**–**	–

In addition, on 17 December 2014, the Group entered into an acquisition agreement (the "Acquisition Agreement") with an independent third party to acquire for 75% equity interest of Wuhu Shengyuteng Natural Gas Pipeline Company Limited ("Wuhu Shengyuteng") for cash consideration of RMB37,500,000 (equivalent to HK$46,849,000). As further mentioned in the Company's announcement dated 6 March 2015, the Group and the vendor has entered into a supplemental agreement to the Acquisition Agreement, pursuant to which both parties clarify all the conditions precedents to the completion of this acquisition and other than that all the material terms of the Acquisition Agreement remain unchanged. As at 31 December 2014, no deposit was paid and the transaction was subject to the fulfillment of certain conditions precedents and has not been completed at the date of authorisation for issue of these financial statements.

Notes to the Financial Statements

31 DECEMBER 2014

40. THE REDEMPTION OF THE CONVERTIBLE BONDS AND DISPOSAL OF SUBSIDIARIES

As referred to in Note 19, the redemption of the Convertible Bonds and disposal of the Zhong Ping Group (the "Redemption and Disposal") were completed by the Group on 16 October 2014 and resulted in a loss of HK$234,000 calculated as follows:

	HK$'000	HK$'000
Assets of the Zhong Ping Group incorporated by the Group		207,612
Less: Liabilities of the Zhong Ping Group incorporated by the Group		(29,510)
		178,102
Less: Amount due to the Company eliminated on consolidation		(484)
Net assets of the Zhong Ping Group		177,618
Total cash consideration paid		121,330
Total consideration for the Redemption and Disposal		298,948
Less: Carrying value of the Bonds	246,250	
Interest accrued on the Bonds written back	9,234	
Non-controlling interest of the Zhong Ping Group transferred to profit or loss	33,905	
Exchange reserve released on disposal of the Zhong Ping Group	9,809	
Amount due from the Zhong Ping Group written off	(484)	
		298,714
Loss on the Redemption and Disposal (Note 8)		234

Notes to the Financial Statements

31 DECEMBER 2014

40. THE REDEMPTION OF THE CONVERTIBLE BONDS AND DISPOSAL OF SUBSIDIARIES (Continued)

The analysis of the net cash outflow in respect of the Redemption and Disposal is as follows:

	HK$'000
Total consideration for the Redemption	(121,330)
Partial payment in previous years (Note 27)	85,000
Cash paid during the year	(36,330)
Cash and cash equivalents disposed of	(1)
Net cash outflow on the Redemption and Disposal	(36,331)

Notes to the Financial Statements

31 DECEMBER 2014

41. ACQUISITION OF SUBSIDIARIES

(a) On 10 April 2014, the Group entered into the sales and purchase agreement with an independent party to acquire for 70% equity interest of Fujian CP Energy. Fujian CP Energy is a limited liability company established in the PRC and principally engaged in the transmission and distribution of natural gas in the PRC. Fujian CP Energy directly holds 71% equity interest of Nanjing Zhongchen Natural Gas Investment Company Limited, 70% equity interest of Ningde Zhongchen Natural Gas Investment Company Limited and 30% equity interest of Minsheng Natural Gas Company Limited (collectively referred to as "Fujian CP Energy Group"). The acquisition was completed on 9 June 2014.

The fair value of identifiable assets and liabilities of Fujian CP Energy Group as at the date of acquisition were:

	HK$'000	HK$'000
Property, plant and equipment		25,707
Customer relationships		5,416
Interest in an associate		5,174
Inventories		1,134
Trade receivables		3,126
Other receivables, deposits and prepayments		9,942
Cash and cash equivalents		4,109
Trade payables		(11,681)
Other payables and accruals		(29,795)
Deferred tax liabilities		(1,499)
Non-controlling interests		(4,914)
		6,719
Total cash consideration pursuant to the sales and purchase agreement	29,164	
Less: shareholder's loan taken up by the Group	(4,344)	
Cash consideration for acquisition of 70% equity interest of the acquiree		24,820
Goodwill on acquisition		18,101

Notes to the Financial Statements

31 DECEMBER 2014

41. ACQUISITION OF SUBSIDIARIES *(Continued)*

(a) *(Continued)*

An analysis of the cash flows in respect of acquisition of Fujian CP Energy Group is as follows:

	2014 HK$'000
Cash consideration paid	(24,820)
Cash and cash equivalents acquired	4,109
Net cash outflow of cash and cash equivalents included in cash flows from investing activities	(20,711)

The fair values of property, plant and equipment of HK$25,707,000, customer relationships of HK$5,416,000 and interest in an associate of HK$5,174,000 at the date of acquisition were determined by an independent professional valuer.

The fair value of the trade receivables and other receivables, deposits and prepayments as at the date of acquisition amounted to HK$3,126,000 and HK$9,942,000 respectively. The gross contractual amounts of trade receivables and other receivables, deposits and prepayments were HK$3,126,000 and HK$11,679,000 respectively, of which other receivables of HK$1,737,000 are expected to be uncollectible.

The goodwill arising from the acquisition of Fujian CP Energy Group, which is not deductible for tax purposes, is attributed to anticipated profitability of its natural gas business, the acquired workforce and the value of expected synergies arising from the combination of the acquired business with the existing operations of the Group.

Since the acquisition date, Fujian CP Energy Group has contributed HK$36,985,000 to the Group's revenue and profit of HK$1,224,000 to the Group. If the acquisition had occurred on 1 January 2014, the Group's revenue and loss would have been HK$112,934,000 and HK$45,781,000 respectively. This pro forma information is for illustrative purposes only and is not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on 1 January 2014, nor is it intended to be a projection of future performance.

Notes to the Financial Statements

31 DECEMBER 2014

41. ACQUISITION OF SUBSIDIARIES (Continued)

(b) On 13 October 2014, the Group entered into an acquisition agreement to acquire for the entire equity interest of Ningguo Ruide. Ningguo Ruide is a limited liability company established in the PRC and principally engaged in the transmission and distribution of natural gas in the PRC. The acquisition was completed on 17 November 2014.

The fair value of identifiable assets and liabilities of Ningguo Ruide as at the date of acquisition were:

	HK$'000
Property, plant and equipment	**12,983**
Land use rights	**2,407**
Exclusive rights of natural gas operations	**20,759**
Inventories	**668**
Trade receivables	**3,717**
Other receivables, deposits and prepayments	**206**
Cash and cash equivalents	**933**
Trade payables	**(1,888)**
Other payables and accruals	**(1,837)**
Deferred tax liabilities	**(6,620)**
Total identifiable net assets at fair value	**31,328**
Cash consideration	**37,887**
Goodwill on acquisition	**6,559**

41. ACQUISITION OF SUBSIDIARIES *(Continued)*

(b) *(Continued)*

An analysis of the cash flows in respect of acquisition of Ningguo Ruide is as follows:

	2014
	HK$'000
Cash consideration	**(37,887)**
Consideration payable as at 31 December 2014	**6,248**
Cash consideration paid	**(31,639)**
Cash and cash equivalents acquired	**933**
Net cash outflow of cash and cash equivalents included in cash flows from investing activities	**(30,706)**

The fair values of property, plant and equipment of HK$12,983,000, exclusive rights of natural gas operations of HK$20,759,000 and land use rights of HK$2,407,000 at the date of acquisition were determined by an independent professional valuer.

The fair value and the gross contractual amounts of the trade receivables and other receivables, deposits and prepayments as at the date of acquisition amounted to HK$3,717,000 and HK$206,000 respectively. None of these receivables have been impaired and it is expected that the full contractual amounts can be collected.

The goodwill arising from the acquisition of Ningguo Ruide, which is not deductible for tax purposes, is attributed to anticipated profitability of its natural gas business, the acquired workforce and the value of expected synergies arising from the combination of the acquired business with the existing operations of the Group.

Since the acquisition date, Ningguo Ruide has contributed HK$2,488,000 to the Group's revenue and loss of HK$183,000 to the Group. If the acquisition had occurred on 1 January 2014, the Group's revenue and loss would have been HK$114,571,000 and HK$45,389,000 respectively. This pro forma information is for illustrative purposes only and is not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on 1 January 2014, nor is it intended to be a projection of future performance.

Notes to the Financial Statements

31 DECEMBER 2014

42. RELATED PARTY TRANSACTIONS

Transactions between the Company and its subsidiaries, which are related parties of the Company, have been eliminated on consolidation and are not disclosed below. Save as disclosed elsewhere in the financial statements, the Group had the following major transactions with related parties during the year and in the ordinary course of its business.

	2014	2013
	HK$'000	HK$'000
Purchases of natural gas from an associate	**8,904**	–

Members of key management during the year comprised only of the directors whose remuneration is set out in Note 16(a) to the financial statements.

43. BANKING FACILITIES

On 30 December 2014, the Group entered into a loan agreement with a bank in the PRC, whereby the bank has agreed to grant a loan facility of up to RMB16,000,000 (equivalent to HK$19,989,000) to the Group for a term of nine months. The loan bears interest at base rate of People's Bank of China plus 30% per annum. The Company's director, Ms Ma Zheng, the Company and two subsidiaries of the Company have executed guarantees in favour of the bank as securities for this loan financing. The Group has not utilised any loan facility as at 31 December 2014.

44. CAPITAL RISK MANAGEMENT

The Group's objective of managing capital is to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce cost of capital.

The capital structure of the Group consists of debts, which includes the borrowings disclosed in Note 33, cash and cash equivalents disclosed in Note 29 and equity attributable to owners of the Company, comprising share capital and reserves as disclosed in the consolidated statement of changes in equity.

The Group's risk management reviews the capital structure on a semi-annual basis. As part of this review, the management considers the cost of capital and the risks associated with each class of capital. The Group has a target gearing ratio of 5% to 15% determined as the proportion of net debts to total equity as defined above.

45. FINANCIAL RISK MANAGEMENT

The main risks arising from the Group's financial instruments in the normal course of the Group's business are credit risk, liquidity risk, interest rate risk, currency risk and price risk.

These risks are limited by the Group's financial management policies and practices described below.

(a) Credit risk

The Group's credit risk is primarily attributable to its trade and other receivables. Management has a credit policy in place and the exposures to these credit risks are monitored on an ongoing basis.

In respect of trade receivables, individual credit evaluations are performed on all customers requiring credit over a certain amount. These evaluations focus on the customers' past history of making payments when due and current ability to pay, and take into account information specific to the customers as well as pertaining to the economic environment in which the customers operate. Ongoing credit evaluation is performed on the financial condition of trade receivables. Normally, the Group does not obtain collateral from customers.

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. The default risk of the industry in which customers operate also has an influence on credit risk but to a lesser extent. At the end of reporting period, the Group did not have a significant concentration of credit risk.

Further quantitative disclosures in respect of the Group's exposure to credit risk arising from trade receivables and other receivables, deposits and prepayments are set out in Notes 26 and 27 respectively.

Notes to the Financial Statements

31 DECEMBER 2014

45. FINANCIAL RISK MANAGEMENT (Continued)

(b) Liquidity risk

The Group's policy is to regularly monitor its liquidity requirements to ensure that it maintains sufficient reserves of cash to meet its liquidity requirements in the short and longer term.

The following table shows the liquidity risk analysis of the Group as at 31 December 2014. All the Group's financial liabilities as at 31 December 2013 were due within one year or on demand.

	Carrying amount HK$'000	Total contractual undiscounted cash flow HK$'000	Within 1 year or on demand HK$'000	More than 1 year but less than 2 years HK$'000
2014				
Trade payables	21,597	21,597	21,597	–
Other payables and accruals	58,570	58,570	58,570	–
Customers' deposit	507	507	507	–
Obligations under finance leases	1,003	1,148	383	765
Borrowings	37,479	39,581	39,581	–
	119,156	121,403	120,638	765

All the Company's financial liabilities as at 31 December 2014 and 2013 are due within one year or on demand.

45. FINANCIAL RISK MANAGEMENT (Continued)

(c) Interest rate risk

The Group's interest rate risk arises primarily from borrowings and obligations under finance leases. Borrowings and obligations under finance leases at variable rates expose the Group to cash flow interest rate risk.

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

	2014		2013	
	Effective interest rate %	**HK'000**	Effective interest rate %	HK'000
Variable rate				
Bank balances	**0.837%**	**(7,048)**	0.170%	(20,700)
Borrowings	**6.200%**	**37,479**	–	–
Obligations under finance leases	**8.950%**	**1,003**	–	–
Total net borrowings		**31,434**		(20,700)

It is estimated that as at 31 December 2014, a general increase/decrease of 100 basis points in interest rates, with all other variables held constant, would decrease/increase the Group's loss after income tax and accumulated losses by HK$314,000 (2013: HK$207,000).

Notes to the Financial Statements

31 DECEMBER 2014

45. FINANCIAL RISK MANAGEMENT (Continued)

(d) Currency risk

Currency risk to the Group is minimal as most of the Group's transactions are carried out in the respective functional currencies of the group entities.

(e) Price risk – Commodity price risk

The Group is exposed to equity price changes arising from equity instruments classified as trading securities and available-for-sale equity securities.

The Group's listed investments are listed on the Stock Exchange in Hong Kong and OTC in the United States. Decisions to buy and sell trading securities are based on the performance of individual securities compared to that of the Index and other industry indicators, as well as the Group's liquidity needs. Listed investments held in the available-for-sale portfolio have been chosen based on their longer term growth potential and are monitored regularly for performance against expectations.

The sensitivity analysis on equity price risk includes the Group's financial instruments, which fair value or future cash flows will fluctuate because of changes in their corresponding or underlying asset's equity price. If the prices of the respective equity instruments had been 10% higher/lower, loss for the year would decrease/increase by HK$12,000 (2013: HK$81,000) and other component of equity would decrease/increase by HK$33,000 (2013: HK$63,000).

(f) Fair values

The fair values of the Group's financial assets and liabilities are not materially different from their carrying amounts as at 31 December 2014 and 2013.

(g) Fair values estimation

Fair value estimates are made at a specific point in time and based on relevant market information and information about the financial instruments. These estimates are subjective in nature and involve uncertainties and matters of significant judgement and therefore cannot be determined with precision. Changes in assumptions could significantly affect the estimates.

Notes to the Financial Statements

31 DECEMBER 2014

46. SUMMARY OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES BY CATEGORY

The carrying amounts of the Group's financial assets and financial liabilities as recognised at 31 December 2014 and 2013 may be categorised as follows:

	2014	2013
	HK$'000	HK$'000
Financial assets		
Loans and receivables at amortised cost (including cash and cash equivalents)	**102,809**	159,129
Fair value through profit or loss		
– Held for trading	**122**	704
Available-for-sale investments, at cost	**–**	4,611
Available-for-sale investments, at fair value	**33**	5,460
Financial liabilities		
Financial liabilities measured at amortised cost	**118,649**	273,066

The fair values of financial assets and financial liabilities are determined as follows:

– the fair value of financial assets with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market prices.

– the fair value of other financial assets are determined with reference to observable current market transactions and other relevant inputs derived from quoted prices of the underlying investments.

Notes to the Financial Statements

31 DECEMBER 2014

46. SUMMARY OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES BY CATEGORY (Continued)

The following table provides an analysis of financial instruments carried at fair value by level of fair value hierarchy:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

Level 3: Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

	The Group 2014			
	Level 1 HK$'000	**Level 2 HK$'000**	**Level 3 HK$'000**	**Total HK$'000**
Financial assets				
Investments held for trading				
– Listed	**122**	**–**	**–**	**122**
Available-for-sale investments	**33**	**–**	**–**	**33**

	The Group 2013			
	Level 1 HK$'000	Level 2 HK$'000	Level 3 HK$'000	Total HK$'000
Financial assets				
Investments held for trading				
– Listed	704	–	–	704
Available-for-sale investments	5,460	–	–	5,460

There were no transfers between levels during the year.

Notes to the Financial Statements

31 DECEMBER 2014

47. SIGNIFICANT EVENT AFTER THE REPORTING DATE

On 17 February 2015, the Company entered into the conditional subscription agreement (the "Subscription Agreement") with Golden Peak Minerals Limited (the "Subscriber"), pursuant to which the Subscriber has conditionally agreed to subscribe for and the Company has conditionally agreed to issue the five-year 4.5% coupon unlisted convertible bonds (the "Convertible Bonds") in principal amount of HK$60,000,000 at an initial conversion price of HK$1.0 per conversion share. An extraordinary general meeting will be held on 8 April 2015 to approve the Subscription Agreement and the transactions contemplated thereunder, including but not limited to the issue of the Convertible Bonds and allot and issue of the shares upon conversion of the Convertible Bonds. Further details are set out in the Company's announcement dated 17 February 2015 and the Company's circular dated 11 March 2015.

Financial Summary

(Expressed in Hong Kong dollars)

The following is a summary of the consolidated results and assets and liabilities of the Group, prepared for the last five years, as extracted from the audited consolidated financial statements of the Group. This summary does not form part of the audited financial statements.

Results

	Year ended 31 December				
	2014 HK$'000	2013 HK$'000	2012 HK$'000	2011 HK$'000	2010 HK$'000
Continuing operations					
Turnover	**88,428**	29,939	39,192	89,699	157,651
Other income and gains and losses	**(1,885)**	979	6,494	198	159
Cost of sales and operating expenses	**(132,223)**	(75,446)	(121,877)	(139,991)	(170,216)
Operating loss	**(45,680)**	(44,528)	(76,191)	(50,094)	(12,406)
Finance costs	**(521)**	(17)	(45)	(900)	(22,416)
Loss before income tax	**(46,201)**	(44,545)	(76,236)	(50,994)	(34,822)
Income tax (charge)/credit	**(60)**	(33)	(314)	–	821
Loss for the year from continuing operations	**(46,261)**	(44,578)	(76,550)	(50,994)	(34,001)
Discontinued operations					
Loss for the year from discontinued operations	**–**	–	–	–	(24,761)
Loss for the year	**(46,261)**	(44,578)	(76,550)	(50,994)	(58,762)
(Loss)/Profit attributable to:					
Owners of the Company	**(46,605)**	(44,578)	(76,550)	(50,994)	(57,170)
Non-controlling interests	**344**	–	–	–	(1,592)
	(46,261)	(44,578)	(76,550)	(50,994)	(58,762)

Assets and Liabilities

	31 December				
	2014 HK$'000	2013 HK$'000	2012 HK$'000	2011 HK$'000	2010 HK$'000
Total assets	**373,556**	550,965	582,189	656,670	761,976
Total liabilities	**(127,211)**	(302,982)	(298,485)	(300,493)	(371,964)
	246,345	247,983	283,704	356,177	390,012