INTERNATIONAL STANDARD RESOURCES
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International Standard Resources Holdings Limited
標準資源控股有限公司

(Incorporated in Hong Kong with limited liability)
(Stock Code: 91)
(Warrant Code: 1425)

ANNOUNCEMENT OF FINAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2015

The Board of Directors (the "**Board**" or "**Directors**") of International Standard Resources Holdings Limited (the "**Company**") hereby announces the results of the Company and its subsidiaries (the "**Group**") for the year ended 31 December 2015 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS
FOR THE YEAR ENDED 31 DECEMBER 2015

	Notes	**2015** **HK$'000**	2014 HK$'000
Revenue	3	**58,229**	130,628
Cost of sales		**(54,812)**	(126,314)
Gross profit		**3,417**	4,314
Other income		**3,432**	1,263
Other gains and losses	4	**93,943**	6,801
Administrative expenses		**(54,508)**	(42,986)
Amortisation of production sharing contract	8	**(104,738)**	(107,154)
Impairment loss on production sharing contract	8	**(419,819)**	–
Loss from operations		**(478,273)**	(137,762)
Finance costs	5(a)	**(67,454)**	(85,423)
Loss before tax	5	**(545,727)**	(223,185)
Income tax	6	**121,270**	26,085
Loss for the year		**(424,457)**	(197,100)
Attributable to:			
Owners of the Company		**(423,744)**	(196,428)
Non-controlling interests		**(713)**	(672)
		(424,457)	(197,100)
Loss per share	7		
Basic and diluted (cents per share)		**(8.98)**	(5.00)

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2015

	2015	2014
	HK$'000	*HK$'000*
Loss for the year	**(424,457)**	(197,100)
Other comprehensive expenses		
Items that may be reclassified subsequently to profit or loss:		
Exchange differences on translation of foreign operations	**(89,845)**	(8,278)
Reclassification of other capital reserve upon dissolution of an associate	**–**	(1,805)
Other comprehensive expenses for the year, net of income tax	**(89,845)**	(10,083)
Total comprehensive expenses for the year	**(514,302)**	(207,183)
Attributable to:		
Owners of the Company	**(513,589)**	(206,511)
Non-controlling interests	**(713)**	(672)
	(514,302)	(207,183)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 31 DECEMBER 2015

	Notes	2015 HK$'000	2014 HK$'000
Non-current assets			
Property, plant and equipment		**93,194**	69,994
Intangible assets	8	**1,915,274**	2,565,708
Available-for-sale financial assets		**1,000**	1,000
		2,009,468	2,636,702
Current assets			
Loan receivables		**11,570**	–
Financial assets at fair value through profit or loss		**85,373**	38,592
Trade and other receivables	9	**100,324**	100,503
Cash and bank balances		**124,920**	109,932
		322,187	249,027
Current liabilities			
Other borrowing, unsecured		**12,908**	14,431
Convertible notes-liability portion, unsecured	10	**–**	593,767
Convertible notes-embedded derivatives, unsecured	10	**–**	165,285
Trade and other payables	11	**46,363**	46,811
Tax payables		**3,679**	3,295
		62,950	823,589
Net current assets (liabilities)		**259,237**	(574,562)
Total assets less current liabilities		**2,268,705**	2,062,140

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 31 DECEMBER 2015

	Notes	2015 HK$'000	2014 HK$'000
Non-current liabilities			
Bonds	12	**104,197**	79,289
Convertible notes-liability portion, unsecured	10	**376,402**	–
Convertible notes-embedded derivatives, unsecured	10	**193,493**	–
Deferred tax liabilities		**488,222**	641,427
		1,162,314	720,716
Net assets		**1,106,391**	1,341,424
Capital and reserves			
Share capital	13	**1,831,702**	1,552,433
Reserves		**(721,437)**	(207,848)
Equity attributable to owners of the Company		**1,110,265**	1,344,585
Non-controlling interests		**(3,874)**	(3,161)
Total equity		**1,106,391**	1,341,424

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2015

	Attributable to the owners of the Company										
	Share capital *HK$'000*	Share premium *HK$'000*	Capital redemption reserve *HK$'000*	Special capital reserve *HK$'000*	Other capital reserve *HK$'000*	Warrant reserve *HK$'000*	Exchange reserve *HK$'000*	Accumulated losses *HK$'000*	Total *HK$'000*	Non-controlling interests *HK$'000*	Total equity *HK$'000*
At 1 January 2014	73,589	1,413,455	5,318	579,799	1,805	21,007	293,705	(876,646)	1,512,032	(2,489)	1,509,543
Loss for the year	–	–	–	–	–	–	–	(196,428)	(196,428)	(672)	(197,100)
Other comprehensive expenses											
Exchange differences on translation of foreign operations	–	–	–	–	–	–	(8,278)	–	(8,278)	–	(8,278)
Reclassification of other capital reserve upon dissolution of an associate	–	–	–	–	(1,805)	–	–	–	(1,805)	–	(1,805)
Other comprehensive expenses for the year	–	–	–	–	(1,805)	–	(8,278)	–	(10,083)	–	(10,083)
Total comprehensive expenses for the year	–	–	–	–	(1,805)	–	(8,278)	(196,428)	(206,511)	(672)	(207,183)
Issue of shares upon exercise of warrants *(note 14)*	45,899	6,044	–	–	–	(12,879)	–	–	39,064	–	39,064
Transition to no-par value regime *(note 13(b))*	1,424,817	(1,419,499)	(5,318)	–	–	–	–	–	–	–	–
Transfer upon expiration of warrants *(note 13(c))*	8,128	–	–	–	–	(8,128)	–	–	–	–	–
At 31 December 2014 and 1 January 2015	1,552,433	–	–	579,799	–	–	285,427	(1,073,074)	1,344,585	(3,161)	1,341,424
Loss for the year	–	–	–	–	–	–	–	(423,744)	(423,744)	(713)	(424,457)
Other comprehensive expenses											
Exchange differences on translation of foreign operations	–	–	–	–	–	–	(89,845)	–	(89,845)	–	(89,845)
Other comprehensive expenses for the year	–	–	–	–	–	–	(89,845)	–	(89,845)	–	(89,845)
Total comprehensive expenses for the year	–	–	–	–	–	–	(89,845)	(423,744)	(513,589)	(713)	(514,302)
Issue of shares upon conversion of convertible notes *(note 10)*	44,047	–	–	–	–	–	–	–	44,047	–	44,047
Issue of shares upon exercise of warrants *(note 14)*	53,810	–	–	–	–	–	–	–	53,810	–	53,810
Issue of new shares upon open offer *(note 13(d))*	181,412	–	–	–	–	–	–	–	181,412	–	181,412
At 31 December 2015	1,831,702	–	–	579,799	–	–	195,582	(1,496,818)	1,110,265	(3,874)	1,106,391

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

1. BASIS OF PREPARATION

(a) General information

International Standard Resources Holdings Limited (the "Company") is a limited liability company incorporated in Hong Kong and its shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited. The address of its registered office and the principal place of business of the Company is Unit E, 29/F, Tower B, Billion Centre, No. 1 Wang Kwong Road, Kowloon.

The financial information relating to the years ended 31 December 2015 and 2014 included in this preliminary announcement of annual results 2015 do not constitute the Company's statutory annual consolidated financial statements for those years but is derived from those financial statements. Further information relating to these statutory financial statements required to be disclosed in accordance with section 436 of the Companies Ordinance is as follows:

The Company has delivered the financial statements for the year ended 31 December 2014 to the Registrar of Companies as required by section 662(3) of, and Part 3 of Schedule 6 to, the Companies Ordinance and will deliver the financial statements for the year ended 31 December 2015 in due course.

The Company's auditor has reported on the financial statements of the Group for both years. The independent auditor's report was unqualified; did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying its reports; and did not contain a statement under sections 406(2), 407(2) or (3) of the Companies Ordinance.

The principal activities of the Group are coalbed methane gas exploration and exploitation in the People's Republic of China (the "PRC"), sale of electronic components and treasury which includes securities trading and money lending.

The consolidated financial statements are presented in Hong Kong dollars (the "HK$"), which is also the functional currency of the Company. In addition, the functional currencies of certain entities that operate outside Hong Kong are determined based on the currency of the primary environment in which the group entities operate.

(b) Basis of preparation of the consolidated financial statements

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

The provision of the new Hong Kong Companies Ordinance (Cap. 622) regarding preparation of accounts and directors' reports and audits became effective for the Company for the financial year ended 31 December 2015. Further, the disclosure requirements set out in the Listing Rules regarding annual accounts have been amended with reference to the new Companies Ordinance and to streamline with HKFRSs. Accordingly the presentation and disclosure of information in the consolidated financial statements for the financial year ended 31 December 2015 have been changed to comply with these new requirements. Comparative information in respect of the financial year ended 31 December 2014 are presented or disclosed in the consolidated financial statements based on the new requirements. Information previously required to be disclosed under the predecessor Companies Ordinance or Listing Rules but not under the new Companies Ordinance or amended Listing Rules are not disclosed in these consolidated financial statements.

The consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments that are measured at fair values at the end of each reporting period.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

Application of new and revised HKFRSs

The Group has applied the following amendments to HKFRSs issued by the HKICPA for the first time in the current year:

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

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

New Hong Kong Companies Ordinance (Cap.622)

In addition, the requirements of Part 9 "Accounts and Audit" of the new Hong Kong Companies Ordinance (Cap. 622) come into operation during the financial year, as a result, there are changes to presentation and disclosures of certain information in the consolidated financial statements.

New and revised HKFRSs issued but not yet effective

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

Amendments to HKFRSs	Annual Improvements to HKFRSs 2012-2014 Cycle[1]
HKFRS 9	Financial Instruments[2]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]
Amendments to HKFRS 10, HKFRS 12 and HKAS 28 (2011)	Investment Entities: Applying the Consolidation Exception[1]
Amendments to HKFRS 11	Accounting for Acquisitions of Interests in Joint Operations[1]
HKFRS 15	Revenue from Contracts with Customers[2]
Amendments to HKAS 1	Disclosure Initiative[1]
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation[1]
Amendments to HKAS 16 and HKAS 41	Agriculture: Bearer Plants[1]

1 Effective for annual periods beginning on or after 1 January 2016, with earlier application permitted.

2 Effective for annual periods beginning on or after 1 January 2018, with earlier application permitted.

3 Effective date to be determined.

HKFRS 9 Financial Instruments

HKFRS 9 issued in 2009 introduced new requirements for the classification and measurement of financial assets. HKFRS 9 was subsequently amended in 2010 to include requirements for the classification and measurement of financial liabilities and for derecognition, and in 2013 to include the new requirements for general hedge accounting. Another revised version of HKFRS 9 was issued in 2014 mainly to include a) impairment requirements for financial assets and b) limited amendments to the classification and measurement requirements by introducing a 'fair value through other comprehensive income' (FVTOCI) measurement category for certain simple debt instruments.

Key requirements of HKFRS 9:

- all recognised financial assets that are within the scope of HKAS 39 Financial Instruments: Recognition and Measurement are required to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms that give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are generally measured at FVTOCI. All other debt investments and equity investments are measured at their fair value at the end of subsequent accounting periods. In addition, under HKFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.

- with regard to the measurement of financial liabilities designated as at fair value through profit or loss, HKFRS 9 requires that the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. Under HKAS 39, the entire amount of the change in the fair value of the financial liability designated as fair value through profit or loss is presented in profit or loss.

- in relation to the impairment of financial assets, HKFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under HKAS 39. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.

- the new general hedge accounting requirements retain the three types of hedge accounting mechanisms currently available in HKAS 39. Under HKFRS 9, greater flexibility has been introduced to the types of transactions eligible for hedge accounting, specifically broadening the types of instruments that qualify for hedging instruments and the types of risk components of non-financial items that are eligible for hedge accounting. In addition, the retrospective quantitative effectiveness test has been removed. Enhanced disclosure requirements about an entity's risk management activities have also been introduced.

The Directors of the Company do not anticipate that the application of HKFRS 9 will have a material impact of the Group's consolidated financial statements.

The Directors of the Company do not anticipate that the application of these other new and revised standards and amendments will have a material impact on the Group's consolidated financial statements.

3. REVENUE AND SEGMENT REPORTING

(a) Revenue

The principal activities of the Group are coalbed methane gas exploration and exploitation in the PRC, sale of electronic components and treasury including securities trading and money lending.

An analysis of the amount of each significant category of revenue from principal activities during the year is as follows:

	2015	2014
	HK$'000	*HK$'000*
Sale of electronic components	**55,299**	127,918
Sale of coalbed methane products	**1,951**	2,570
Interest income from money lending	**979**	140
	58,229	130,628

(b) Segment information

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

– Electronic components
– Coalbed methane
– Treasury (i.e. securities trading and money lending)

(i) Segment results, assets and liabilities

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

Segment assets include all tangible, intangible assets and current assets with the exception of interest in an associate and other corporate assets. Segment liabilities include trade and other payables attributable to the activities of the individual segments and borrowings managed directly by the segments.

Revenue and expenses are allocated to the reportable segments with reference to sales generated by those segments and the expenses incurred by those segments or which otherwise arise from the depreciation or amortisation of assets attributable to those segments.

The measure used for reporting segment profit is "segment result". Segment result includes the operating profit generated by the segment and finance costs directly attributable to the segment, without allocation of head office or corporate administration costs. Income tax is not allocated to reportable segment.

Information regarding the Group's reportable segments as provided to the Group's most senior executive management for the purposes of resource allocation and assessment of segment performance for the years ended 31 December 2015 and 2014 is set out below:

Year ended 31 December 2015

	Electronic components *HK$'000*	**Coalbed methane** *HK$'000*	**Treasury** *HK$'000*	**Total** *HK$'000*
Reportable segment revenue from external customers	**55,299**	**1,951**	**979**	**58,229**
Inter-segment revenue	**–**	**–**	**–**	**–**
Reportable segment revenue	**55,299**	**1,951**	**979**	**58,229**
Reportable segment results	**(12,510)**	**(547,205)**	**50,441**	**(509,274)**
Amortisation of production sharing contract	**–**	**104,738**	**–**	**104,738**
Allowance for doubtful debts	**10,765**	**–**	**–**	**10,765**
Depreciation	**38**	**11,284**	**99**	**11,421**
Fair value change of convertible notes-embedded derivatives	**–**	**(19,472)**	**–**	**(19,472)**
Gain on disposal of financial assets at fair value through profit or loss	**–**	**–**	**(7,713)**	**(7,713)**
Gain on redemption of convertible notes	**–**	**(18,205)**	**–**	**(18,205)**
Gain on restructuring of convertible notes	**–**	**(19,705)**	**–**	**(19,705)**
Impairment loss on production sharing contract	**–**	**419,819**	**–**	**419,819**
Interest expenses	**–**	**57,529**	**–**	**57,529**
Net gain on revaluation of financial assets at fair value through profit or loss	**–**	**–**	**(42,884)**	**(42,884)**
Other income	**(30)**	**(1,326)**	**(1,473)**	**(2,829)**
Reportable segment assets	**4,614**	**2,010,010**	**219,251**	**2,233,875**
Additions to non-current segment assets during the year	**–**	**40,357**	**–**	**40,357**
Reportable segment liabilities	**19,897**	**599,151**	**3,922**	**622,970**

Year ended 31 December 2014

	Electronic components *HK$'000*	Coalbed methane *HK$'000*	Treasury *HK$'000*	Total *HK$'000*
Reportable segment revenue from external customers	127,918	2,570	140	130,628
Inter-segment revenue	–	–	–	–
Reportable segment revenue	127,918	2,570	140	130,628
Reportable segment results	(1,544)	(212,317)	14,070	(199,791)
Amortisation of production sharing contract	–	107,154	–	107,154
Depreciation	38	2,930	122	3,090
Fair value change of convertible notes-embedded derivatives	–	8,929	–	8,929
Gain on disposal of financial assets at fair value through profit or loss	–	–	(4,486)	(4,486)
Interest expenses	–	85,158	–	85,158
Net gain on revaluation of financial assets at fair value through profit or loss	–	–	(10,907)	(10,907)
Other income	(44)	(541)	(445)	(1,030)
Reportable segment assets	15,391	2,635,712	135,911	2,787,014
Additions to non-current segment assets during the year	–	13,696	–	13,696
Reportable segment liabilities	18,142	782,949	3,850	804,941

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

	2015	2014
	HK$'000	*HK$'000*
Revenue		
Reportable segment revenue	**58,229**	130,628
Elimination of inter-segment revenue	**–**	–
Consolidated revenue	**58,229**	130,628
Profit or loss		
Reportable segment results	**(509,274)**	(199,791)
Other income	**603**	233
Other gains and losses	**(1,697)**	367
Unallocated head office and corporate expenses	**(35,359)**	(23,994)
Consolidated loss before tax	**(545,727)**	(223,185)
Assets		
Reportable segment assets	**2,233,875**	2,787,014
Unallocated head office and corporate assets	**97,780**	98,715
Consolidated total assets	**2,331,655**	2,885,729
Liabilities		
Reportable segment liabilities	**622,970**	804,941
Tax payable	**3,679**	3,295
Deferred tax liabilities	**488,222**	641,427
Unallocated head office and corporate liabilities	**110,393**	94,642
Consolidated total liabilities	**1,225,264**	1,544,305

(iii) Geographical information

In presenting geographical information, revenue is based on the geographical location of the external customers. Specified non-current assets, which represent property, plant and equipment, intangible assets and available-for-sale financial assets, are based on the geographical location of assets.

	Hong Kong	**PRC**	**Total**
	HK$'000	***HK$'000***	***HK$'000***
2015			
Revenue	**56,278**	**1,951**	**58,229**
Specified non-current assets	**1,777**	**2,007,691**	**2,009,468**
2014			
Revenue	128,058	2,570	130,628
Specified non-current assets	2,534	2,634,168	2,636,702

(iv) Information about major customers

Revenue from customers from the electronics components segment contributing 10% or more of the total revenue of the Group is as follows:

	2015	2014
	HK$'000	*HK$'000*
Customer A*	**10,623**	N/A
Customer B	**25,347**	62,659
Customer C**	**6,867**	N/A
Customer D	**8,422**	43,753
	51,259	106,412

* Customer A is a new customer in 2015.

** Customer C contributed less than 10% of the Group's total revenue for the year ended 31 December 2014.

4. OTHER GAINS AND LOSSES

	2015	2014
	HK$'000	*HK$'000*
Allowance for doubtful debts	**(10,765)**	–
Fair value change of convertible notes-embedded derivatives	**19,472**	(8,929)
Gain on disposal of financial assets at fair value through profit or loss	**7,713**	4,486
Gain on dissolution of an associate	**–**	1,805
Gain on redemption of convertible notes	**18,205**	–
Gain on restructuring of convertible notes	**19,705**	–
Loss on disposal of property, plant and equipment	**–**	(34)
Net gain on revaluation of financial assets at fair value through profit or loss	**42,884**	10,907
Net foreign exchange loss	**(3,271)**	(1,434)
	93,943	6,801

5. LOSS BEFORE TAX

Loss before tax is arrived at after charging:

		2015	2014
		HK$'000	*HK$'000*
(a)	**Finance costs**		
	Imputed interest on convertible notes	**57,529**	85,158
	Imputed interest on bonds	**9,925**	265
		67,454	85,423
(b)	**Staff costs (including directors' emoluments)**		
	Salaries, wages and other benefits	**24,268**	22,095
	Contributions to defined contribution retirement plans	**1,590**	1,305
	Total staff costs	**25,858**	23,400

		2015	2014
		HK$'000	*HK$'000*
(c)	**Other items**		
	Allowance for doubtful debts	**10,765**	–
	Amortisation of production sharing contract	**104,738**	107,154
	Auditor's remuneration		
	– Audit services	**550**	500
	– Non-audit services	**290**	125
	Cost of inventory recognised as expenses	**54,812**	126,314
	Depreciation of property, plant and equipment	**12,399**	4,011
	Impairment loss on production sharing contract	**419,819**	–
	Loss on disposal of property, plant and equipment	**–**	34
	Operating lease charges in respect of land and buildings	**2,468**	3,608

6. INCOME TAX

	2015	2014
	HK$'000	*HK$'000*
Current tax		
PRC Corporate Income Tax	**67**	64
Hong Kong Profits Tax	**398**	639
Deferred tax		
Origination and reversal of temporary differences	**(131,139)**	(26,788)
Net gain on revaluation of financial assets at fair value through profit or loss	**9,404**	–
Tax credit	**(121,270)**	(26,085)

(i) The provision for Hong Kong Profits Tax is calculated at 16.5% (2014:16.5%) of the estimated assessable profits for the year.

(ii) The Company's wholly-owned subsidiary, Canada Can-Elite Energy Limited ("Can-Elite"), incorporated under the laws of British Columbia, Canada, is subject to Income Tax Act (Canada) at a rate of 28% (2014: 28%).

Pursuant to the tax treaty agreement between the government of the PRC and the government of Canada for the avoidance of double taxation and the prevention of fiscal evasion with respect to taxes on income, tax payable in the PRC on profits, income or gains arising in the PRC shall be deducted from any Canadian tax payable in respect of such profits, income or gains. No provision for Canadian tax has been made as the Group has no assessable profits derived from Canada during the years ended 31 December 2015 and 2014.

(iii) The subsidiaries in the PRC are subject to PRC Corporate Income Tax rate of 25% (2014: 25%).

(iv) Pursuant to the PRC tax law, a 10% withholding tax is levied on dividends declared to foreign investors from the PRC. A lower withholding tax rate may be applied if there is a tax treaty arrangement between the PRC and jurisdiction of the foreign investors. According to the tax treaty between Hong Kong Special Administrative Region and the PRC for avoidance of double taxation and prevention of fiscal evasion, dividends declared from the PRC subsidiaries to Hong Kong holding companies are subject to 5% withholding income tax.

7. LOSS PER SHARE

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

	2015	2014
	HK$'000	*HK$'000*
Loss for the purpose of basic loss per share (loss for the year attributable to owners of the Company)	**423,744**	196,428

	2015	2014
Weighted average number of ordinary shares for the purpose of basic loss per share:		
Issued ordinary shares at 1 January	**4,069,417,989**	3,679,433,991
Effect of exercise of warrants	**98,196,142**	251,757,005
Effect of new shares issued upon open offer	**246,433,533**	–
Effect of conversion of convertible notes	**306,849,315**	–
Weighted average number of ordinary shares at 31 December	**4,720,896,979**	3,931,190,996

No adjustment was made in calculating diluted loss per share for both years as the conversion of convertible notes and exercise of warrants would result in decrease in loss per share. Accordingly, the diluted loss per share is same as the basic loss per share.

8. INTANGIBLE ASSETS

	Production sharing contract ("PSC") *HK$'000*
Cost	
At 1 January 2014	4,188,083
Exchange adjustments	(17,467)
At 31 December 2014 and 1 January 2015	4,170,616
Exchange adjustments	(232,669)
At 31 December 2015	3,937,947
Accumulated amortisation and impairment	
At 1 January 2014	1,503,903
Charge for the year	107,154
Exchange adjustments	(6,149)
At 31 December 2014 and 1 January 2015	1,604,908
Charge for the year	104,738
Impairment loss	419,819
Exchange adjustments	(106,792)
At 31 December 2015	2,022,673
Carrying amount	
At 31 December 2015	1,915,274
At 31 December 2014	2,565,708

Notes:

(a) Through the acquisition of 100% equity interest in Merit First Investments Limited on 26 November 2008, the Group has obtained the interest in a coalbed methane PSC which was entered into between Can-Elite, a wholly-owned subsidiary of the Company, and China United Coalbed Methane Corporation Limited ("China United") on 8 November 2007. The interests of China United and Can-Elite under the PSC are in the proportion of 30% and 70% respectively, or in proportion to their participating interests in the development costs.

On 21 March 2008, the PSC was approved by the Ministry of Commerce of the PRC in respect of (i) the execution and implementation of the PSC; (ii) the terms of the PSC; and (iii) 70:30 profit sharing ratio between Can-Elite and China United. Beijing Z&D Law Firm, the legal advisor of the Company as to the PRC laws, advised that China United and Can-Elite had obtained all relevant approvals in relation to the execution and implementation of the PSC.

On 28 February 2009, Can-Elite and China United entered into a modification agreement, which formed an integral part of PSC, pursuant to which (i) the contract area has been increased from 356.802 to 567.843 square kilometres by an additional area of 211.041 square kilometres adjacent to the original contract area, at zero costs; and (ii) during the exploration period from 1 April 2008 to 31 March 2013, the number of wells to be drilled by Can-Elite under the PSC has been increased from 8 to 11 wells and the exploration costs shall be increased from RMB17,850,000 to RMB28,400,000. All other terms of the PSC shall remain unchanged. The modification agreement to the PSC was approved by the Ministry of Commerce of the PRC on 16 March 2009.

On 29 August 2013, a supplemental agreement was made between China United and Can-Elite pursuant to which, the exploration period for the contract area under the PSC has been extended for two more years to 31 March 2015 during which Can-Elite shall expend at least RMB15,000,000 per year for exploration.

On 23 December 2015, Can-Elite has entered into the third modification agreement to the modified PSC with China United. Pursuant to the third modification agreement, among other things, the exploration area of approximately 567.843 square kilometers, located in Su'nan, Anhui Province as set out under the modified PSC has been divided into Area A and Area B, consisting of 23.686 and 544.157 square kilometers, respectively. The exploration period of Area A has been extended for a period up to the date in which the relevant authorities of the Government of the PRC grant the approval for the overall development program, whereas the exploration period of Area B has been extended for two more years from 1 April 2015 to 31 March 2017. During the extended exploration period, Can-Elite shall expend at least RMB8,000,000 per year for the exploration of Area A, and at least RMB40,000,000 for the exploration of Area B, respectively.

The PSC provides a term of thirty consecutive years commencing from 1 April 2008, with production period not more than twenty consecutive years commencing on a date determined by the joint management committee which is set up by Can-Elite and China United, pursuant to the PSC, to oversee the operations in the contract area.

Can-Elite and China United shall reimburse the cost incurred during the development and production periods in the proportion of 70% and 30% respectively, or in proportion to their participating interests of each coalbed methane field. Upon extraction of the coalbed methane and liquid hydrocarbons, the coalbed methane and liquid hydrocarbons products shall be sold by China United and the proceeds will be deposited into a joint bank account opened by Can-Elite and China United, and the profits be distributed between the parties in the proportion of their participating interests in the development costs, or any other marketing approaches and procedures to be agreed between Can-Elite and China United.

For all assistance to be provided by China United, administrative fees in the sum of US$30,000 and US$50,000 were payable by Can-Elite to China United during the exploration period, and the development and production period, respectively, as agreed by Can-Elite and China United with reference to the administrative fee payable by other foreign investors to China United in other production sharing contracts. In the opinion of the directors of the Company, the administrative fee payable by the Can-Elite is comparable to that payable by other foreign investors with China United in other production sharing contracts.

The PSC is amortised on straight-line basis over the remaining contract terms of 23.9 years (2014: 24.9 years) of the PSC.

Set out below is the summary of assets, liabilities and results of the CBM business under the PSC included in the consolidated financial statements for the year:

		2015	2014
		HK$'000	*HK$'000*
(i)	**Results for the year**		
	Revenue	**1,951**	2,570
	Administrative expenses	**(22,995)**	(13,205)
	Finance cost	**(57,529)**	(85,158)
	Amortisation of PSC	**(104,738)**	(107,154)
	Impairment loss on PSC	**(419,819)**	–
	PRC Corporate Income Tax	**(67)**	(64)
	Reversal of deferred tax liabilities	**131,139**	26,788
(ii)	**Other comprehensive expense**		
	Exchange difference on translation of foreign operations	**(89,969)**	(8,270)
(iii)	**Assets and liabilities**		
	Intangible assets-PSC	**1,915,274**	2,565,708
	Plant and machinery	**87,596**	62,994
	Other payables	**(16,348)**	(9,446)
	Other borrowing	**(12,908)**	(14,431)
	Tax liabilities	**(16)**	(14)
	Deferred tax liabilities	**(478,818)**	(641,427)
(iv)	**Capital commitments** *(note 15(a))*		
	Contracted but not provided for	**27,549**	26,558

On 23 December 2015, Can-Elite entered into the third modification agreement to the modified PSC with China United. Pursuant to the third modification agreement, among other things, the exploration area of approximately 567.843 square kilometers, located in Su'nan, Anhui Province as set out under the modified PSC has been divided into Area A and Area B, consisting of 23.686 and 544.157 square kilometers, respectively. The exploration period of Area A has been extended for a period up to the date in which the relevant authorities of the Government of the PRC grant the approval for the overall development program, whereas the exploration period of Area B has been extended for two more years from 1 April 2015 to 31 March 2017. During the extended exploration period, Can-Elite shall expend at least RMB8,000,000 per year for the exploration of Area A, and at least RMB40,000,000 for the exploration of Area B, respectively.

(b) Impairment test on PSC

The recoverable amount of the PSC attributable to the Group has been determined based on a value-in-use calculations. The valuation was carried out by DTZ Debenham Tie Leung Limited, an independent firm of professional valuer not connected with the Group. For the purpose of impairment testing, the carrying amount of intangible assets has been allocated to an individual cash-generating unit.

For impairment assessment purposes, cash flow projections are prepared on the following assumptions:

Period of cash flow projections	22 years
Discount rate (pre-tax)	19.15%

The calculation is based on the pre-tax cash flow projections of the financial budgets approved by the management covering the 22-year period and a pre-tax discount rate of 19.15% (2014: 19.73%) which have duly reflected risks specific to the PSC, assuming that all key information provided by the management which included reserve quantity, feasibility of business plan, and exploitation method are appropriate and feasible. The cash flow projections are based on the budget sales and expected gross margins determined based on management's experience and expectation for the market development in the coalbed methane industry in the PRC. The CBM reserve quantity used in the valuation of the PSC as at 31 December 2015 is based on the reports included the technical reports issued by Netherland, Sewell & Associates, Inc. on 2 March 2011 and 31 October 2008, the technical reports prepared by an integrated geoscience and engineering consulting company on 23 March 2015 and the reserve evaluation report prepared in respect of the reserves located in Luling Block, being part of the contract area, which had been approved by the Office for Oil and Gas Profession of the Mineral Resources and Reserves Assessment Centre of the Ministry of Land and Resources of the PRC and was duly filed with the Ministry of Land and Resources of the PRC on 4 June 2014 after the compliance review. The completion of the approval and filing procedure signified that the risk assessment stage of Luling Block in the contract area has come to an end, and the PSC work will proceed to the design and development stage. Due to the significant decrease in the price of natural domestic gas, being one of the key factors in determining the recoverable amount of the PSC in 2015, the carrying amount of the PSC exceeds its estimated recoverable amount and an impairment loss of HK$419,819,000 (2014: Nil) has been recognised in the consolidated profit or loss for the year ended 31 December 2015.

9. TRADE AND OTHER RECEIVABLES

	2015	2014
	HK$'000	*HK$'000*
Trade receivables *(note (a))*	**14,403**	14,170
Less: Allowance for doubtful debts *(note (b))*	**(11,094)**	(329)
	3,309	13,841
Other receivables *(note (c))*	**95,206**	85,440
Deposits and prepayments	**1,809**	1,222
	97,015	86,662
	100,324	100,503

Notes:

(a) Ageing analysis of trade receivables

The ageing analysis of the trade receivables of the Group, net of allowance for doubtful debts, is as follows:

	2015	2014
	HK$'000	*HK$'000*
0-30 days	**2,241**	10,236
31-90 days	**2,373**	3,605
91-365 days	**9,460**	–
Over 365 days	**329**	329
	14,403	14,170
Less: Allowance for doubtful debts	**(11,094)**	(329)
	3,309	13,841

The credit terms granted to trade receivables in respect of sale of electronic components are due within 30 days to 90 days from the date of billing.

(b) Allowance for doubtful debts

Impairment losses in respect of trade receivables are recorded using an allowance account unless the Group is satisfied that recovery of the amount is remote, in which case the impairment loss is written off against trade receivables directly.

Movements in the allowance for doubtful debts during the year are as follows:

	2015	2014
	HK$'000	*HK$'000*
At 1 January	**329**	329
Allowance recognised on trade receivables	**10,765**	–
At 31 December	**11,094**	329

At 31 December 2015, the Group's trade receivables of HK$11,094,000 (2014: HK$329,000) were individually determined to be impaired. The individually impaired receivables related to customers that were in financial difficulties and management assessed that it is highly unlikely that the receivables can be recovered. The Group does not hold any collateral over the trade receivable balances.

There is no trade receivable past due but not impaired at the end of both reporting periods.

(c) Included in other receivables of the Group were aggregate sums of HK$85,000,000 (2014: HK$85,000,000) which were escrow monies placed at the escrow accounts of a firm of solicitors which acted as an escrow agent for the Group. The Group has instituted legal proceedings against the escrow agent for the return of these escrow sums as referred to in note 16(a). The Directors are of the opinion, based on the legal advice sought, that the escrow monies can be recovered in full and therefore no impairment is required as at 31 December 2015.

10. CONVERTIBLE NOTES, UNSECURED

On 28 January 2013, the Company issued convertible notes with principal amount of HK$655,000,000 and HK$40,000,000 to New Alexander Limited and Toprise Capital Limited, respectively (collectively referred to as the "Old Convertible Notes"). Both New Alexander Limited and Toprise Capital Limited are independent third parties of the Group.

The initial conversion price of the Old Convertible Notes was HK$0.065 per share, subject to anti-dilutive adjustment, the Old Convertible Notes bear interest at 2% per annum, payable semi-annually in arrears on 30 June and 31 December, and will mature on 31 December 2015. The holders of the Old Convertible Notes shall have the right to convert the whole or any part of the principal amount of the Old Convertible Notes into ordinary shares of the Company, at any time between the date of issue of the Old Convertible Notes and 31 December 2015.

The Old Convertible Notes contain two components, liability and embedded derivatives. The liability component is carried at amortised cost using the effective interest method. The embedded derivatives component is carried at fair value. The effective interest rate of the liability component for the Old Convertible Notes is 16.40% per annum.

The conversion price of the Old Convertible Notes was adjusted to HK$0.13 on 20 May 2013 and to HK$0.12 on 30 May 2013 upon completion of the share consolidation and rights issue with bonus warrants.

During the year ended 31 December 2013, Old Convertible Notes with principal amount of HK$18,000,000 were redeemed. At 31 December 2014, Old Convertible Notes with principal amount of HK$677,000,000 remained outstanding. During the year ended 31 December 2014, no Old Convertible Notes was redeemed.

On 30 January 2015, Old Convertible Notes with principal amount of HK$40,000,000 were converted into 333,333,333 ordinary shares. On 5 February 2015, the Company entered into a conditional agreement ("Convertible Notes Restructuring Agreement") with the noteholder, New Alexander Limited, holding the remaining part of the Old Convertible Notes with aggregate principal amount of HK$637,000,000, to restructure the terms of the Old Convertible Notes. Upon completion of the stipulated conditions precedent to the Convertible Notes Restructuring Agreement, on 20 March 2015, the Company issued new convertible notes with principal amount of HK$637,000,000 ("New Convertible Notes") for settlement of the Old Convertible Notes.

The initial conversion price of the New Convertible Notes was HK$0.12 per share, subject to anti-dilutive adjustment, the New Convertible Notes bear interest at 2% per annum, payable semi-annually in arrears on 30 June and 31 December, and will mature on 31 December 2018. The holders of the New Convertible Notes shall have the right to convert the whole or any part of the principal amount of the New Convertible Notes into ordinary shares of the Company, at any time between the date of issue of the New Convertible Notes and 31 December 2018.

The New Convertible Notes contain two components, liability and embedded derivatives. The liability component is classified as non-current liabilities and carried at amortised cost using the effective interest method. The embedded derivatives component is classified as non-current liabilities and carried at fair value. The effective interest rate of the liability component for the New Convertible Notes is 11.80% per annum.

The conversion price of the New Convertible Notes was adjusted to HK$0.11 on 17 September 2015 and to HK$0.10 on 19 November 2015 upon completion of the share issued under open offer and bonus issue of warrants as detailed in note 14.

The fair value of the embedded derivatives portion of the convertible notes that are not traded in active markets is determined using valuation techniques. The Group estimates the fair value of the embedded derivatives portion based on the independent professional valuations using the binomial lattice model which requires various sources of information and assumptions. The inputs to this model are taken from observable markets, but where this is not feasible, a degree of judgement is required in establishing the fair value.

The following key inputs and data were applied to the Binomial Lattice Model for the derivatives embedded in the convertible notes at 31 December 2015 and 2014.

	At 31/12/2015	At 31/12/2014
Share price	**HK$0.136**	HK$0.320
Conversion price	**HK$0.10**	HK$0.12
Risk-free rate	**0.75%**	0.13%
Expected dividend yield	**Nil**	Nil
Annualised volatility	**71.74%**	69.50%

During the year ended 31 December 2015, New Convertible Notes with principal amount of HK$135,000,000 were redeemed, resulting in a gain of HK$18,205,000 which was recognised in the consolidated statement of profit or loss.

The movements of the embedded derivatives portion (at fair value) and liability portion (at amortised cost) of the Old Convertible Notes and the New Convertible Notes are as follows:

Old Convertible Notes due on 31 December 2015

	Embedded derivatives portion *HK$'000*	**Liability portion** *HK$'000*	**Total** *HK$'000*
Carrying amount of convertible notes (with principal amount of HK$677,000,000) as at 1 January 2014	156,356	528,975	685,331
Imputed interest charged to consolidated statement of profit or loss	–	85,158	85,158
Increase in fair value charged to consolidated statement of profit or loss	8,929	–	8,929
Interest paid	–	(20,366)	(20,366)
Carrying amount of convertible notes (with principal amount of HK$677,000,000) as at 31 December 2014 and 1 January 2015	165,285	593,767	759,052
Conversion of convertible notes (with principal amount of HK$40,000,000)	(8,523)	(35,524)	(44,047)
Imputed interest charged to consolidated statement of profit or loss	–	19,118	19,118
Decrease in fair value credited to consolidated statement of profit or loss	(74,630)	–	(74,630)
Interest paid	–	(2,788)	(2,788)
Carrying amount immediately before restructuring	82,132	574,573	656,705
Fair value at the date of restructuring	(189,218)	(447,782)	(637,000)
Gain on restructuring	107,086	(126,791)	(19,705)
Carrying amount of convertible notes	–	–	–

New Convertible Notes due on 31 December 2018

	Embedded derivatives portion *HK$'000*	Liability portion *HK$'000*	Total *HK$'000*
Issue of convertible notes (with principal amount of HK$637,000,000) on 20 March 2015	189,218	447,782	637,000
Imputed interest charged to consolidated statement of profit or loss	–	38,411	38,411
Increase in fair value charged to consolidated statement of profit or loss	55,158	–	55,158
Redemption	(50,883)	(100,322)	(151,205)
Interest paid	–	(9,469)	(9,469)
Carrying amount of convertible notes (with principal amount of HK$502,000,000) as at 31 December 2015	193,493	376,402	569,895

At 31 December 2015, New Convertible Notes with principal amount of HK$502,000,000 remained outstanding.

11. TRADE AND OTHER PAYABLES

	2015	2014
	HK$'000	*HK$'000*
Trade payables *(note (a))*	**1,995**	2,495
Other payables	**25,234**	20,320
Amounts due to non-controlling interests of a subsidiary	**14,154**	12,054
Accrued expenses	**4,980**	11,942
	46,363	46,811

Note:

(a) Ageing analysis of trade payables

The ageing analysis of the trade payables of the Group, based on the dates of the invoices, is as follows:

	2015	2014
	HK$'000	*HK$'000*
Current – within 1 month	**981**	968
More than 1 month but within 3 months	**856**	1,406
More than 3 months but within 6 months	**–**	24
More than 6 months	**158**	97
	1,995	2,495

12. BONDS

	Unlisted bond ("Bond I")	**Unlisted bond ("Bond II")**	**Total**
	HK$'000	*HK$'000*	*HK$'000*
	(Note (a))	*(Note (b))*	
At 1 January 2014	–	–	–
Issue of bonds, net of transaction cost	78,300	900	79,200
Interest charge	256	9	265
Less: Interest paid	(171)	(5)	(176)
At 31 December 2014 and 1 January 2015	78,385	904	79,289
Issue of bonds, net of transaction cost	21,600	–	21,600
Interest charge	9,839	86	9,925
Less: Interest paid	(6,547)	(70)	(6,617)
At 31 December 2015	103,277	920	104,197

Notes:

(a) During the year ended 31 December 2014, Bond I with an aggregate principal amount of HK$10,000,000 were issued to the subscriber through the placing agent and with an aggregate principal amount of HK$77,000,000 were issued to individual subscribers with the interest rate of 6% payable annually.

During the year ended 31 December 2015, Bond I with an aggregate principal amount of HK$1,000,000 were issued to the subscriber through the placing agent and with an aggregate principal amount of HK$23,000,000 were issued to individual subscribers with the interest rate of 6% payable annually.

Bond I will be matured and redeemed by the Company on the third anniversary of the date of issue correspondingly.

The imputed interest expenses on Bond I were calculated using effective interest method with average effective interest rate of 10.01% (2014: 9.98%) per annum.

(b) During the year ended 31 December 2014, Bond II with an aggregate principal amount of HK$1,000,000 were issued to the subscriber through the placing agent with the interest rate of 7% payable annually.

Bond II will be matured and redeemed by the Company on the fifth anniversary of the date of issue correspondingly.

The imputed interest expenses on Bond II was calculated using effective interest method with effective interest rate of 9.58% (2014: 9.58%) per annum.

13. SHARE CAPITAL

	Number of shares	Share capital *HK$'000*
Authorised:		
Ordinary shares of HK$0.02 each at 1 January 2014	12,500,000,000	250,000
At 31 December 2014, 1 January 2015 and 31 December 2015 *(note (a))*	N/A	N/A
Issued and fully paid:		
Ordinary shares of HK$0.02 each at 1 January 2014	3,679,433,991	73,589
Issue of shares upon exercise of warrants *(note 14)*	389,983,998	45,899
Transition to no-par value regime *(note (b))*	–	1,424,817
Lapsed of warrants *(note (c))*	–	8,128
At 31 December 2014 and 1 January 2015	4,069,417,989	1,552,433
Issue of shares upon conversion of convertible notes *(note 10)*	333,333,333	44,047
Issue of new shares upon open offer *(note (d))*	1,138,585,309	181,412
Issue of shares upon exercise of warrants *(note 14)*	159,021,443	53,810
At 31 December 2015	5,700,358,074	1,831,702

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

(a) New Companies Ordinance

Under the Hong Kong Companies Ordinance (Cap. 622), which effective from 3 March 2014, the concept of authorised share capital no longer exists and the Company's shares no longer have a par or nominal value. There is no impact on the number of shares in issue or the relative entitlement of any of the shareholders as a result of this transition.

(b) Transition to no-par value regime

In accordance with the transitional provisions set out in section 37 of Schedule 11 to the Hong Kong Companies Ordinance (Cap. 622) on 3 March 2014, any amount standing to the credit of the share premium account and the capital redemption reserve has become part of the Company's share capital.

(c) Lapse of warrants

On 23 June 2014, bonus warrants issued in 2013 had been lapsed. The warrant reserve was transferred to share capital.

(d) **Issue of new shares upon open offer**

On 14 October 2015, the Company issued 1,138,585,309 new ordinary shares at a subscription price of HK$0.168 per offer share on the basis of one offer share for every four shares held on 16 September 2015, being the record date of the open offer. Net proceeds from such share issue amounted to HK$181,412,000.

All the new shares issued during the year ended 31 December 2015 and 2014 ranked pari passu with the then existing shares in all respects.

14. WARRANTS

On 24 June 2013, 663,847,320 bonus warrants ("**2013 Warrants**") were issued on the basis of two bonus warrants for every one rights share taken up. Each 2013 Warrant entitled the holder to subscribe for one share of the Company at an initial exercise price of HK$0.10, subject to adjustments in accordance with the terms of the warrants. The 2013 Warrants were exercisable at any time during the period commencing from 24 June 2013 to 23 June 2014 (both dates inclusive).

During the year ended 31 December 2014, 389,645,561 ordinary shares were issued for cash at an exercise price of HK$0.10 per share pursuant to the exercise of the 2013 Warrants. The 2013 Warrants were lapsed on 23 June 2014.

On 27 November 2014, the Company issued a total of 542,543,940 bonus warrants ("**2014 Warrants**") on the basis of two bonus warrants for every fifteen shares of the Company held by the shareholders on 19 November 2014. The holders of these 2014 Warrants are entitled to subscribe in cash at any time during the period commencing from 27 November 2014 to 26 November 2015 (both dates inclusive) for 542,543,940 ordinary shares at an initial subscription price of HK$0.35 per share (subject to adjustment).

During the year ended 31 December 2014, 338,437 ordinary shares were issued for cash at subscription price of HK$0.35 per share pursuant to the exercise of the 2014 Warrants. At 31 December 2014, the outstanding number of 2014 Warrants were 542,205,503.

The subscription price of the 2014 Warrants was adjusted to HK$0.33 on 17 September 2015 and to HK$0.30 on 19 November 2015 upon completion of the share issued under open offer and bonus issue of new bonus warrants.

During the year ended 31 December 2015, 151,589,914 ordinary shares, 251,745 ordinary shares and 80,461 ordinary shares were issued for cash at a subscription price of HK$0.35 per share, HK$0.33 per share and HK$0.30 per share pursuant to the exercise of the 2014 Warrants. There are no 2014 Warrants outstanding as at 31 December 2015 as they had lapsed on 26 November 2015.

On 1 December 2015, the Company issued a total of 1,138,635,658 new bonus warrants ("**2015 Warrants**") on the basis of one bonus warrant for every five shares of the Company held by the shareholders on 18 November 2015. The holders of these 2015 Warrants are entitled to subscribe in cash at any time during the period commencing from 1 December 2015 to 30 November 2016 (both dates inclusive) for 1,138,635,658 ordinary shares at an initial subscription price of HK$0.091 per share (subject to adjustment).

During the year ended 31 December 2015, 7,099,323 ordinary shares were issued for cash at a subscription price of HK$0.091 per share pursuant to the exercise of the 2015 Warrants. At 31 December 2015, the outstanding number of 2015 Warrants were 1,131,536,335.

15. COMMITMENTS

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

	2015	2014
	HK$'000	*HK$'000*
Production sharing contract:		
– Contracted but not provided for	**27,549**	26,558

On 23 December 2015, Can-Elite entered into the third modification agreement to the modified PSC with China United. Pursuant to the third modification agreement, among other things, the exploration area of approximately 567.843 square kilometers, located in Su'nan, Anhui Province as set out under the modified PSC has been divided into Area A and Area B, consisting of 23.686 and 544.157 square kilometers, respectively. The exploration period of Area A has been extended for a period up to the date in which the relevant authorities of the Government of the PRC grant the approval for the overall development program, whereas the exploration period of Area B has been extended for two more years from 1 April 2015 to 31 March 2017. During the extended exploration period, Can-Elite shall expend at least RMB8,000,000 per year for the exploration of Area A, and at least RMB40,000,000 for the exploration of Area B, respectively.

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

	2015	2014
	HK$'000	*HK$'000*
Within 1 year	**1,379**	2,007
After 1 year but within 5 years	**281**	1,081
	1,660	3,088

Operating lease payments represent rentals payable by the Group for certain office premises in Hong Kong and the PRC. Leases and rentals are negotiated and fixed respectively for an average term of two years. The Company had no other material operating lease commitments at the end of both reporting periods.

16. CONTINGENCIES

(a) Legal proceedings

At the end of the reporting period, the Group had escrow monies in the sum of HK$85,000,000 placed at a firm of solicitors in Hong Kong, K&L Gates, as an escrow agent of the Group. Despite the repeated requests served to K&L Gates for the release of the escrow monies, the Group had not received the escrow monies. It was reported that a partner in K&L Gates was arrested by the Hong Kong Police and charged with theft and forgery with respect to escrow monies held in escrow accounts; the case was concluded in the Court of First Instance when the partner pleaded guilty and was sentenced to 12 years' imprisonment. The Group has instituted legal proceedings against K&L Gates, claiming for the return of the escrow monies. The Directors are of the opinion, based on the legal advice sought, that the escrow monies can be recovered in full, and therefore, no impairment is required as at 31 December 2015.

In May 2015, the Company, through a subsidiary, advanced a loan of HK$4,000,000 (the "Loan") to a borrower. The Loan was secured by a deed of mortgage whereby a property was mortgaged/charged to secure repayment of the Loan. The principal of the Loan became due and payable on 8 November 2015. The borrower, in breach of the loan agreement, failed to repay the principal of the Loan or any part thereof. In January 2016, the Group, through its solicitors, took out a writ of summons against the borrower claiming for, among other things, the unpaid principal and interest of the Loan and order of possession of the mortgaged/charged property. The Directors are of the opinion, based on the legal advice sought, that the Loan can be recovered in full and therefore, no impairment loss is required as at 31 December 2015.

(b) Environmental contingencies

The Group has not incurred any significant expenditure for environment remediation and is currently not involved in any environmental remediation. In addition, the Group has not accrued any amounts for environmental remediation relating to its operations. Under existing legislation, management believes that there are no probable liabilities that will have a material adverse effect on the financial position or operating results of the Group. The PRC government, however, has moved and may move further towards more rigorous enforcement of applicable laws and towards the adoption of more stringent environmental standards. Environmental liabilities are subject to considerable uncertainties which affect the Group's ability to estimate the ultimate cost of remediation efforts. These uncertainties include: (i) the exact nature and extent of the contamination at various sites including, but not limited to mines, concentrators and smelting plants irrespective of whether they are operating, closed or sold; (ii) the extent of required cleanup efforts; (iii) varying costs of alternative remediation strategies; (iv) changes in environmental remediation requirements; and (v) the identification of new remediation sites. The amount of such future costs is not determinable due to such factors as the unknown magnitude of possible contamination and the unknown timing and extent of the corrective actions that may be required. Accordingly, the outcome of environmental liabilities under proposed or future environmental legislation cannot be reasonably estimated at present, and could be material.

17. EVENTS AFTER THE REPORTING PERIOD

On 11 March 2016, the Company and Ever-Long Securities Company Limited ("Ever-Long") entered into the placing agreement, pursuant to which Ever-Long agreed to act as a placing agent, on a best effort basis, for the purposes of procuring the placees to subscribe for the bonds in an aggregate principal amount of up to HK$200,000,000 during the placing period, commencing from the date of placing agreement and ending on the date falling six months after the date of placing agreement, or such other period as may be agreed between the Company and Ever-Long in writing.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

During the year ended 31 December 2015, the Group was mainly engaged in coalbed methane ("**CBM**") exploration and production, electronic components trading and treasury businesses. Though revenue generated from electronic components trading accounted for about 94.97% of the Group's total revenue for the year, the Group will continue to focus and put resources on CBM exploration and production business.

Coalbed Methane Business

The Group explores, develops and produces CBM in Anhui Province with a total exploration area of 567.843 km^2. As at the end of the year of 2015, the CBM operation was still in exploration stage, a total of 30 exploration wells were drilled and 7 of which have been put into production, as such there were only marginal contributions to the Group from the CBM business for the year. Total revenue generated from CBM business in 2015 was HK$1,951,000 compared to last year's HK$2,570,000, a loss of HK$547,205,000 (2014: HK$212,317,000) was recorded mainly due to the amortisation of PSC of HK$104,738,000 (2014: HK$107,154,000), the imputed interest on convertible notes of HK$57,529,000 (2014: HK$85,158,000), and the impairment loss on PSC of HK$419,819,000 (2014: Nil) which was resulted from the significant price decrease of the domestic natural gas, being one of the key factor in determining the recoverable amount of the PSC, in 2015.

The Group, through its wholly-owned subsidiary, Canada Can-Elite Energy Limited ("**Can-Elite**"), entered into Production Sharing Contract (the "**PSC**") with China United Coalbed Methane Corporation Limited ("**China United**"), a state-owned company wholly owned by China National Offshore Oil Corporation and authorised by the government of the PRC to partner with foreign companies to explore, develop and produce CBM assets. Pursuant to the PSC, Can-Elite is the operator of the Anhui CBM assets and holds 70% of participating interests in the PSC for a term of 30 years started from 2008.

In December 2015, Can-Elite and China United entered into the third modification agreement, under which the contract area is divided into Area A (Part of Luling Block with an area of 23.686 km^2 that has its proven reserves submitted) and Area B (primary part of Su'nan Block with an area of 544.157 km^2, which the proven reserve yet to be submitted). Both parties further stipulated that Area A will start production with effect from the day the Overall Development Proposal (ODP) approved by relevant authorities of the government of the PRC; the exploration period of Area B has been provisionally postponed to 31 March 2017.

During the year, the Group tried a new design of drilling method and a pair of U-shaped horizontal wells were drilled at Area A, the drilling is expected to be completed in April 2016. After that, various work including exploration development plan, feasibility studies, work site design and getting project approvals will be carried out. The 9 newly installed exploration wells at Area B of Su'nan Block have finished fracturing operation and started the process of drainage and collection, out of which, 8 wells yielded gas successfully. Meanwhile, the drilling of one parametric well was finished as part of the preparation for the reserve reports for the areas where the 9 wells located. When exploration and collection of gas reaches requirement, new proven reserves can be obtained for an area of 30 to 50 km^2 at Su'nan Block, the report on newly increased proven reserves is expected to be compiled and submitted to the relevant bureau in 2016. Furthermore, the 2D seismic survey carried out across an area of 110 km^2 deep down at Su'nan Block was completed and the report of which was obtained. Based on the report, Can-Elite planned to embark on deep drilling of the parametric well. The drilling work is expected to be done in June 2016 once site selection and drilling team tender for the first well in the deep down area completed.

Board members and senior management of the Group had made several visits to cooperating partners, relevant authorities of the Central Government as well as governments of Anhui Province and Suzhou City, and has site visits with officers from these organisations during the year. On 31 July 2015, the Group, through Can-Elite, entered into the Strategic Cooperation Framework Agreement on Su'nan Coalbed Gas Integrated Development Project with Suzhou Municipal People's Government ("**Suzhou Municipal Government**"). According to the agreement, Suzhou Municipal Government will enhance its support to the Group in developing the CBM project by setting up a special coordination division with a view to include the project in energy development plans of the state and province; and will provide support in construction and environmental related areas so as to improve the operating environment of the Group; The Group also entered into the Investment Cooperation Agreement on Coalbed Gas Development and Utilisation Project with Suzhou Municipal Development and Reform Commission ("**Suzhou DRC**"). Suzhou DRC has agreed to support the Group to construct a primary and numbers of ancillary gas filling stations in Suzhou. According to the agreement, Suzhou DRC will assist the Group on choosing location of construction sites and acquiring licenses for processing coalbed gas. In January 2016, the Group, through its wholly-owned subsidiary, incorporated Can-Elite Coalbed Gas (Anhui) Co at Economic Development District of Suzhou to expedite the implementation of the two agreements and fully utilise the gas produced by supplying gas for vehicle and industrial use in one stop, i.e. collect gas from the wells, compress, canning and transport to the customers. Initial agreement of cooperation intention was reached with the target customers.

Electronic Components Business

The global economy has been fluctuating over the past year. The weak global demand dragged on the consumables market. As a result, revenue generated from electronic component segment dropped significantly to HK$55,299,000, representing a decrease of 56.77% compared to the year 2014. The Group will regularly review the range of products distributed to cope with the increasingly difficult business environment so as to generate stable revenue and return. However, it shall be expected that the situation will not be improved in the short run.

Treasury Business

The treasury business includes securities trading and money lending businesses.

The Group adopts a prudent approach to manage all its investments for short to medium term profit. The investment market had rebounded during the first half of the year. Taking the advantage of the booming stock markets, the Group had invested surplus funds in certain securities listed in Hong Kong.

During the year, the management performed regular review on the investment portfolio and monitored the stock market closely so as to seize opportunities of realising investment gains. Thus, the Group managed to record a profit of HK$50,597,000 (2014: HK$15,393,000) due to the gain on disposal and net gain on revaluation of financial assets at fair value through profit or loss. As at 31 December 2015, the Group held an investment portfolio with market value of approximately HK$85,373,000 (2014: HK$38,592,000).

The Group carries its money lending business by providing both secured and unsecured loans to corporations and individuals. Strict internal policies and on-going loan reviews are applied to ensure manageable business risk. Moreover, to meet the statutory requirements and to cope with the complexity of business environment, regular review and updates of internal policy are performed. In February 2015, the Hong Kong Monetary Authority introduced the new countercyclical measures for property mortgage loans (i.e. to lower the maximum loan-to-value ratio by 10 percentage points), demand for second mortgage thus increased, and benefited the Group's money lending business. Revenue generated from the business (i.e. interest income) increased from last year's HK$140,000 to approximately HK$979,000.

PROSPECTS

CBM is a quality, clean and efficient natural gas resource stored in coal seams. With the exploitation and utilisation plan of CBM become crystallised, it has strengthened the prevention on coal mine accidents and reduced air pollution. It also helped alleviate the problem of energy shortage and secured the provision of clean energy, as such the government has been paying more attention to CBM businesses. With the continuous support from government policies and favourable market environment, the ceaseless technology breakthroughs, approved new reserves and perfection in various complementary conditions, the CBM specialists embrace an 'Uprising Period' and 'Golden Decade' in CBM industry in the PRC.

On 5 March 2016, Premier of the PRC Li Keqiang in the "Report on the Work of the Government" reiterated the need to vigorously curb the haze problem, promote the use of electricity and gas in place of coal; increase the supply of natural gas and heighten the proportion of clean energy. Meanwhile, the "CBM Exploration and Development Action Plan" recently issued by the National Energy Administration of the PRC points out that, by 2020, (i) the proven geological reserve of CBM in the PRC to be increased by one trillion cubic meters; (ii) the drainage and collection capacity for CBM (coal gas) to reach 40 billion cubic meters, with almost full utilisation of 20 billion cubic meters from aboveground reserve and an utilisation rate of over 60% for 20 billion cubic meters from coal gas drainage; and (iii) 3 to 4 industry bases for CBM industry to be constructed, and in key coal mining areas, coal mining and gas production to be conducted simultaneously.

The restructuring of energy structure of the PRC calls for further increase in production and supply of natural gas. According to the "Overview of the Development of Gas Industry at Home and Abroad in 2015 and Prospect for 2016" published by the Research Institute of Petroleum Exploration and Development (RIPED), it is expected that the demand of the PRC for natural gas would exceed 200 billion cubic meters by 2016, and the external dependency will also climb to 33.7%. The percentage proportion of natural gas consumption in the PRC to one-off total energy consumption will reach 5.9% in 2015, however it is still much lower than the international average level of around 23%.

Moreover, gas price in the PRC was adjusted twice, in April and November 2015 respectively; the adjustments enabled gas price to be driven by market demand, and should be able to alter the situation in which the pricing of natural gas is historically lower than other forms of energy. The Group's CBM contract area in Anhui exhibits prominent market advantages because of the strong demand for natural gas in Eastern PRC and coastal regions. Thus, the development of CBM resources in the contract area not only can satisfy the increasing market demand of natural gas but also will bring a sustainable and steady returns to the Group.

In 2016, the Group will continue to focus on further collaboration with China United on the exploration and development of the CBM concession, for better progress and breakthroughs to prepare for the development of Area A. Choosing the best option of technical plans upon the result of the U-shaped experimental well; preparing development proposal and commencing trial sale of gas from exploration wells; and keeping up on the maintenance and safety measures for all production works within the collaborative blocks. In order to enhance the exploration at Area B, focus will be on drilling in certain areas to obtain additional proven reserves, as well as investigating the geological conditions and potential resources for the whole block. To this end, the 10 completed exploration wells and the parametric well will be drawn on to prepare reserve reports; and drilling in other zones (including the deeper zones) will be unfolded progressively. The effective coal area of Area B will be larger than 200 km^2, representing approximately more than 9 times of the areas with proven reserves of Area A. The geological conditions of the 2 areas are primarily similar, and information gathered from drilling work conducted has betokened a promising prospect for Area B in terms of natural gas resources.

In the coming years, the Group will continue to maintain good execution of the cooperative contract, timely seize market opportunities by gradually migrating from exploration to commercial production, with an aim to have stable production and better returns to the Group.

Meanwhile, Can-Elite and Shenzhen Clouds Energy Technology Limited, another wholly-owned subsidiary of the Group, will further strengthen their industry advantages, carry out technological promotion and collaborative applications, with an aim to deliver quality innovation services while adapting to reforms and developments in domains such as finance and energy in the PRC.

The Group will also closely monitor the development of its treasury business and electronic components business for a reasonable application of the Group's resources to benefit the Group and its shareholders.

FINANCIAL REVIEW

The Group's revenue for the year was HK$58,229,000 (2014: HK$130,628,000), representing a substantial decrease of 55.42%. Such decrease of revenue was mainly due to the significant decrease of contribution from the electronic components business which resulted from the slowdown of retail market as a whole since late 2014. The revenue generated by the sale of electronic components decreased by 56.77% from HK$127,918,000 in 2014 to HK$55,299,000 in 2015, representing 94.97% of the Group's revenue. The CBM exploration and exploitation operating subsidiary and the treasury segment contributed HK$1,951,000 (2014: HK$2,570,000) and HK$979,000 (2014: HK$140,000) to the Group in 2015, representing 3.35% and 1.68% of the Group's revenue respectively. The Group's gross profit decreased by 20.79% to HK$3,417,000 from HK$4,314,000 in 2014.

The Group's loss for the year was HK$424,457,000 (2014: HK$197,100,000). Substantial part of the Group's performance was mainly due to the accounting treatments of various items, such as the impairment loss on the PSC amounted to HK$419,819,000 (2014: Nil), gain on redemption of convertible notes amounted to HK$18,205,000 (2014: Nil), fair value gain on convertible notes' embedded derivatives amounted to HK$19,472,000 (2014: loss of HK$8,929,000), gain on restructuring of convertible notes amounted to HK$19,705,000 (2014: Nil), imputed interest on convertible notes amounted to HK$57,529,000 (2014: HK$85,158,000), imputed interest on bonds amounted to HK$9,925,000 (2014: HK$265,000), amortisation of the PSC amounted to HK$104,738,000 (2014: HK$107,154,000), net gain on revaluation of financial assets at fair value through profit or loss amounted to HK$42,884,000 (2014: HK$10,907,000), net foreign exchange loss of HK$3,271,000 (2014: HK$1,434,000), allowance for doubtful debts amounted to HK$10,765,000 (2014: Nil), depreciation on property, plant and equipment amounted to HK$12,399,000 (2014: HK$4,011,000) and the deferred tax credit amounted to HK$121,735,000 (2014: HK$26,788,000). The aggregate net result of the abovementioned accounting loss for 2015 is HK$396,445,000 (2014: HK$169,256,000). The accounting profit and loss mentioned above did not have actual impact on the cash flow position of the Group.

For comparison purpose, the loss after tax for 2015 and 2014, if excluding those accounting profit and loss, was HK$28,012,000 and HK$27,844,000 respectively.

The Group recorded a loss attributable to owners of the Company of approximately HK$423,744,000 (2014: HK$196,428,000), and basic and diluted loss per share was approximately HK8.98 cents (2014: HK5.00 cents). The Directors do not recommend the payment of a dividend in respect of the year ended 31 December 2015.

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 December 2015, the Group had current assets of HK$322,187,000 (2014: HK$249,027,000) and current liabilities of HK$62,950,000 (2014: HK$823,589,000) and cash and bank balances of HK$124,920,000 (2014: HK$109,932,000). The Group's current ratio, being a ratio of current assets to current liabilities, was approximately 511.81% (2014: 30.24%). The restructuring of the convertible notes falling due on 31 December 2015 proposed and completed in early 2015 improved current ratio as at 31 December 2015.

The Group's gearing ratio, being a ratio of net debt to total capital, was approximately 33.69% (2014: 35.64%). Net debt is calculated as total borrowings, as shown in the consolidated statement of financial position, less cash and bank balances. Total capital is calculated as equity, as shown in the consolidated statement of financial position, plus net debt.

In January 2015, convertible notes with principal amount of HK$40,000,000, which were carried with embedded derivatives portion of HK$8,523,000 and liability portion of HK$35,524,000, were converted into 333,333,333 new shares of the Company at a conversion price of HK$0.12 per share.

The Company further issued three-year bonds with an aggregate principal amount of HK$24,000,000 with interest rate of 6% per annum in January and February 2015. The net proceeds are intended to be used for the development of CBM business carried out in the contract area; and/or repayment of the whole or part of the convertible notes issued by the Company; and/or the general working capital of the Group as well as future business development.

In October 2015, the Company successfully raised net proceeds of approximately HK$181,000,000 by issuing 1,138,585,309 new ordinary shares on the basis of one offer share for every four shares held at a subscription price of HK$0.168 per offer share under an open offer. Net proceeds of HK$133,000,000 were used for the redemption of convertible notes with principal amount of HK$135,000,000. A discount of HK$2,000,000 is provided by the convertible noteholder.

During the year up to 26 November 2015, being the date of expiry of the bonus warrants issued in November 2014, 151,922,120 new ordinary shares were issued upon the exercise of 151,922,120 units of bonus warrants. Net proceeds of approximately HK$53,164,000 were raised for the general working capital of the Group, repayment of part of the convertible notes and potential investments to be identified.

On 1 December 2015, a total of 1,138,635,658 new bonus warrants were issued by the Company on the basis of one warrant for every five shares held on 18 November 2015, being the record date for ascertaining the entitlements of shareholders to the bonus warrant issue. The holders of these new bonus warrants are entitled to subscribe in cash for 1,138,635,658 new shares at an initial subscription price of HK$0.091 per share at any time during the period commencing from 1 December 2015 to 30 November 2016 (both dates inclusive). If all new bonus warrants are exercised, net proceeds of approximately HK$103,615,000 will be raised. The net proceeds received as and when subscription rights are exercised will be applied towards repayment of debts and as general working capital of the Group. For the year ended 31 December 2015, 7,099,323 new ordinary shares were issued upon the exercise of 7,099,323 units of new bonus warrants and net proceeds of approximately HK$646,000 were raised upon the exercise of the new bonus warrants.

The Group will constantly review its financial resources and will consider various plans to enhance its financial capabilities. The Group believes that to broaden its shareholders base would provide a solid ground for the Group to grow.

BONUS WARRANTS IN 2014

On 27 November 2014, the Company issued a total of 542,543,940 bonus warrants on the basis of two warrants for every fifteen shares of the Company held by the shareholders on 19 November 2014. The holders of these bonus warrants are entitled to subscribe in cash at any time during the period commencing from 27 November 2014 to 26 November 2015 (both dates inclusive) for 542,543,940 new shares at an initial subscription price of HK$0.35 per share (subject to adjustment). During the year, net proceeds of approximately HK$53,164,000 were raised for general working capital of the Group. According to the terms of the bonus warrants, on 26 November 2015, the subscription rights attached to the bonus warrants were expired and ceased to be valid for any purpose thereon.

RESTRUCTURING OF CONVERTIBLE NOTES DUE 2015 AND ISSUE OF NEW CONVERITBLE NOTES DUE 2018

On 5 February 2015, the Company entered into the convertible notes restructuring agreement with New Alexander Limited (the "**Noteholder**"), pursuant to which the Noteholder agreed to a consensual restructuring of its rights and obligations under the existing convertible notes due 31 December 2015 (the "**Convertible Notes Restructuring Agreement**"). Pursuant to an ordinary resolution passed at the extraordinary general meeting of the Company held on 12 March 2015, the special mandate for the issue of the new convertible notes with principal amount of HK$637,000,000 and bearing interest at 2% per annum due 2018 upon completion of the Convertible Notes Restructuring Agreement and issue and allot of the conversion shares was approved. All the conditions precedent under the Convertible Notes Restructuring Agreement were fulfilled and the completion took place on 20 March 2015.

OPEN OFFER

In October 2015, the Company raised net proceeds of approximately HK$181,000,000 by issuing 1,138,585,309 new ordinary shares on the basis of one offer share for every four shares held at a subscription price of HK$0.168 per offer share under an open offer. Net proceeds were primarily used for the partial repayment of convertible notes and as general working capital of the Group.

BONUS WARRANTS IN 2015

On 1 December 2015, the Company issued a total of 1,138,635,658 new bonus warrants on the basis of one warrant for every five shares of the Company held by the shareholders on 18 November 2015. The holders of these new bonus warrants are entitled to subscribe in cash at any time during the period commencing from 1 December 2015 to 30 November 2016 (both dates inclusive) for 1,138,635,658 new shares at an initial subscription price of HK$0.091 per share (subject to adjustment). As at 31 December 2015, 1,131,536,335 units of these new bonus warrants remained outstanding.

Subsequent to 31 December 2015 and up to the approval date of these consolidated financial statements, 33,297,666 new ordinary shares were issued upon the exercise of 33,297,666 units of the new bonus warrants and net proceeds of approximately HK$3,030,000 were raised for the general working capital of the Group.

COMMITMENTS

Details of the commitments of the Group are set out in note 15.

EXPOSURE TO FLUCTUATION IN EXCHANGE RATES AND RELATED HEDGES

The Group mainly operated in Hong Kong and the PRC with most of the transactions settled in Hong Kong dollars, Renminbi and United States dollars; the existing currency peg of Hong Kong dollars with United States dollars will likely continue in the near future, the exposure to foreign exchange fluctuation is minimal.

The Group currently does not have a foreign currency hedging policy. However, the management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

CONTINGENCIES

Save as disclosed in note 16, the Group had no other contingencies as at 31 December 2015.

LITIGATIONS

The Company had on various dates since January 2011 placed an aggregate amount of HK$85,000,000 (the "**Escrow Sum**") with a solicitor firm in Hong Kong, namely, K & L Gates, as an escrow agent (the "**Escrow Agent**"), of which HK$35,000,000 was intended to be used as earnest moneys to facilitate negotiation with a potential seller of a project for future investments, and under the money lending business of a subsidiary of the Company, a sum of HK$25,000,000 was advanced to a borrower as a loan which was agreed to be held in escrow by the Escrow Agent in January and a further sum of HK$25,000,000 was also advanced to a borrower as a loan in April held in escrow by the Escrow Agent. As the entire Escrow Sum had fallen due and became payable to the Group on 24 June 2011, despite the Group's repeated requests to K & L Gates for the release of the Escrow Sum, the Group had not received the Escrow Sum. In early July of 2011, the Group, through its solicitors, took out three separate writs of summons against K & L Gates, claiming for, among other things, the return of the aforementioned three sums which amounted to the Escrow Sum, plus interest and cost. The Group had filed statements of claims and will pursue the cases vigorously.

In May 2015, the Company, through a subsidiary, advanced a loan of HK$4,000,000 (the "**Loan**") to a borrower. The Loan was secured by a deed of mortgage whereby a property was mortgaged/charged to secure repayment of the Loan. The principal of the Loan became due and payable on 8 November 2015, the borrower, in breach of the loan agreement, has failed to repay the principal of the Loan or any part thereof. In January 2016, the Group, through its solicitors, took out a writ of summons against the borrower claiming for, among other things, the unpaid principal and interest of the Loan and order of possession of the mortgaged/charged property.

The Directors are of the opinion, based on the legal advice sought, that the Escrow Sum and the Loan can be recovered in full.

Save as disclosed above, so far as known to the Directors, there was no other litigation, arbitration or claim of material importance in which the Group is engaged or pending or which was threatened against the Group.

CHARGE ON ASSETS

The short-term bank deposits, amounted to HK$180,000, have been pledged as securities for banking facilities granted to the Group for the year ended 31 December 2015.

EVENTS AFTER THE REPORTING PERIOD

Save as disclosed in note 17, the Group had no other material event after the reporting period.

EMPLOYEES AND REMUNERATION POLICIES

As at 31 December 2015, the Group had 72 employees, of which 19 were in Hong Kong and 53 were in the PRC. Employee remuneration policy of the Group is reviewed periodically and is determined based on performance of the Group and employees' responsibilities, qualifications and performances. Remuneration packages comprised basic salary, discretionary bonus, medical schemes, share options, mandatory provident fund schemes for Hong Kong employees and the state-managed employee pension schemes for employees in the PRC.

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES

The Group had no material acquisition and disposal of subsidiaries during the year ended 31 December 2015.

AUDIT COMMITTEE

The audit committee of the Company ("**Audit Committee**") comprises the four independent non-executive directors ("**INEDs**") of the Company, chaired by Mr. Chan Tsz Kit and the other three members are Mr. Chan Yim Por Bonnie, Mr. Albert Saychuan Cheok *(Chairman)* and Mr. Wang Li. The final results of the Group for the year ended 31 December 2015 have been reviewed by the Audit Committee.

PRELIMINARY ANNOUNCEMENT OF FINAL RESULTS

The figures in respect of the preliminary announcement of the results of the Group for the year ended 31 December 2015 have been agreed to the amounts set out in the consolidated financial statements for the year by the auditor of the Company, HLM CPA Limited ("**HLM**"). The work performed by HLM in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by HLM on the preliminary announcement.

COMPLIANCE WITH CODE ON CORPORATE GOVERNANCE PRACTICES

During the year, the Company had complied with the code provisions of the Corporate Governance Code (the "**CG Code**") as set out in Appendix 14 to the Rules Governing the Listing of Securities (the "**Listing Rules**") on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") with an exception of code provisions A.4.1 and A.6.7, details of which will be explained below. In order to protect and enhance the benefits of the shareholders, the Board and its executive management will continue to monitor and review the governance policies so as to ensure that such policies comply with the increasingly stringent regulatory requirements.

Non-executive Directors (Deviation from Code Provision A.4.1)

Under the code provision A.4.1, non-executive directors should be appointed for a specific term, subject to re-election. None of the existing INEDs of the Company is appointed for a specific term. This constitutes a deviation from the code provision A.4.1. However, more than one-third of the Directors (including executive and non-executive) are subject to retirement by rotation at each annual general meeting under the Company's Articles of Association. As such, the Company considers that sufficient measures have been taken to ensure that the Company's corporate governance practices are no less exacting than those in the CG Code.

Attendance of Non-executive Directors at General Meetings (Deviation from Code Provision A.6.7)

Under the code provision A.6.7, independent non-executive directors and other non-executive directors, as equal board members, should give the board and any committees on which they serve the benefit of their skills, expertise and varied backgrounds and qualifications through regular attendance and active participation. They should also attend general meetings and develop a balanced understanding of the views of shareholders.

Due to personal and/or other overseas commitment, Mr. Wang Li, an INED, did not attend the extraordinary general meetings held on 12 March 2015 and 10 November 2015 which constitutes a deviation from the code provision A.6.7 during the year. However, at the respective general meetings of the Company, there were executive Directors and INEDs present to enable the Board to develop a balanced understanding of the views of the shareholders of the Company.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted a code of conduct regarding the directors' securities transactions on exactly the terms and required standard contained in the Model Code for Securities Transactions by Directors (the "**Model Code**") set out in Appendix 10 of the Listing Rules. Having made specific enquiry to all the Directors, they confirmed that they have complied with the required standards set out in the Model Code and its code of conduct regarding directors' securities transactions throughout the year.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES IN THE COMPANY

Neither the Company nor any of its subsidiary companies had purchased, sold or redeemed any listed securities of the Company during the year.

ANNUAL GENERAL MEETING

The Annual General Meeting of shareholders of the Company will be held upon despatch of the Annual Report. The notice of Annual General Meeting will be published and despatched to the shareholders in due course.

PUBLICATION OF RESULTS ANNOUNCEMENT AND ANNUAL REPORT

The Company's results announcement for the year ended 31 December 2015 containing all information required by Appendix 16 of the Listing Rules is published on the website of the Stock Exchange at www.hkexnews.hk and the Company's website at www.intl-standardresources.com. The Annual Report will be despatched to the shareholders and published on the above websites in due course.

AKNOWLEDGEMENT

On behalf of the Board, I would like to take this opportunity to express my sincere thanks to our shareholders for their support over the past year and to our staff for their contributions and diligence.

By order of the Board
International Standard Resources Holdings Limited
Albert Saychuan Cheok
Chairman

Hong Kong, 23 March 2016

As at the date of this announcement, the executive directors of the Company are Mr. Cheng Wai Keung, Mr. Tam Tak Wah and Ms. Tsang Ching Man and the independent non-executive directors of the Company are Mr. Chan Tsz Kit, Mr. Chan Yim Por Bonnie, Mr. Albert Saychuan Cheok (Chairman) and Mr. Wang Li.