ANNUAL REPORT 2018

東方明珠石油有限公司
Pearl Oriental Oil Limited

Stock Code: 0632

Contents

Corporate Information

DIRECTORS

Executive Directors:

Liu Gui Feng *(Chairlady)*
Fan Amy Lizhen *(Vice Chairlady)*
Xiao Li *(Chief Executive Officer)*
Cheung Kam Shing, Terry
Tang Yau Sing
Lin Qing Yu

Independent Non-Executive Directors:

Xing Yong
Shi Wen Jiang
Chen Zhong Min
Jiang Cai Yi
Zhang Yue Yang
He Jun
Chen Xue Hui
Hu Jing
Lyu Jia Lian

SOLICITORS

Dentons Hong Kong LLP
Anthony Siu & Co.

PRINCIPAL BANKERS

Bank of Communications Co., Ltd.
Industrial and Commercial Bank of China (Asia) Limited

COMPANY SECRETARY

Law Chun Choi

AUDITOR

Cheng & Cheng Limited

AUTHORISED REPRESENTATIVES

Cheung Kam Shing, Terry
Law Chun Choi

REGISTERED OFFICE

Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

PRINCIPAL OFFICE

Suites 1905-07, 19th Floor
Tower 6, The Gateway, Harbour City
Kowloon, Hong Kong

BERMUDA RESIDENT REPRESENTATIVE

Conyers Corporate Services (Bermuda) Limited

BERMUDA PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Conyers Corporate Services (Bermuda) Limited
2 Church Street
Hamilton HM 11
Bermuda

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

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

WEBSITE AND OTHER INFORMATION

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

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

STOCK CODE

632

Financial Highlights

	Notes	2018 HK$'000	2017 HK$'000
For the year ended 31 December			
Revenue		**74,036**	35,594
Loss for the year		**(58,702)**	(351,669)
Loss attributable to owners		**(58,415)**	(351,633)
Loss per share			
Basic (cents)			
— For loss for the year		**(1.80)**	(10.83)
Diluted (cents)			
— For loss for the year		**(1.80)**	(10.83)
Average shareholders' equity		**166,342**	371,365
Average capital employed		**206,807**	449,246
At 31 December			
Total indebtedness	1	**102,585**	58,300
Shareholders' equity		**137,134**	195,549
Capital employed	2	**177,212**	236,402
Ratio			
Return on average capital employed (%)	3	**(28.4%)**	(78.3%)
Return on average equity (%)	4	**(35.1%)**	(94.7%)
Total debt to total capital (%)	5	**42.6%**	22.8%

Notes:

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

Chairlady's Statement

Dear Shareholders,

On behalf of the board of directors, I am pleased to present the annual report of Pearl Oriental Oil Limited and its subsidiaries for the year ended 31 December, 2018.

The operating environment for the business remained challenging in 2018. Oil prices (WTI) expected to grow in early 2018 because it was USD50 per barrel in 2017 but rebounded gradually to around USD70 per barrel. Most of the projections have indicated that oil prices are on the recovery path. Nevertheless, the markets are still confronted with ongoing uncertainties and challenges. Therefore, we will make correct assessment of the situation, and as opportunities arise, will consider seeking new investors to expand our gas and oil business and/or to explore new business developments.

In response to this overall situation, the Company will continue to bring in new investors, on one hand develop 4 drilling wells in US oilfield, as well as maintain and improve the existing oil wells so as to take advantage of the mitigation of Sino-US trade war. The Company fully utilized the favourable policy introduced to the public arising from US election to increase its production, sales and efficiency. Meanwhile, the Company strictly controlled the operation cost and achieving breakthroughs in its original operating status, as well as using the domestic foreign investment law so as to take advantage of introducing new investors to commence petrochemical trade with domestic and international companies, thereby creating more advantages for the future development of the group company.

On behalf of the board of directors of the Company, I would like to take this opportunity to express my appreciation to our customers, suppliers, business associates and shareholders for their support, I would also like to offer special thanks to our staff for their invaluable service and contributions throughout the year.

Liu Gui Feng
Chairlady

Hong Kong, 29 March 2019

Profiles of Directors and Senior Management

PROFILES OF DIRECTORS

Executive Directors

MS. LIU GUI FENG

Ms. Liu, aged 68, is currently the Chairlady of the Company. She graduated from the CEO Course organized by Tsinghua University. She has served as the chairlady of Changchun Xinda Petroleum Group Co., Ltd. (長春新大石油集團有限公司) since 1996. Ms. Liu is responsible for formulating the strategies of the Group and she joined the Group in 2018.

MS. FAN AMY LIZHEN

Ms. Fan, aged 57, is currently the Vice Chairlady of the Company. She served as an Executive Director of the Hong Kong listed company Chevalier Pacific Holdings Limited (Stock Code: 0508.HK) from 2 October 2009 to 5 November 2010. In 2005, Ms. Fan co-founded Flying Eagle Aviation Limited and has been its chairperson since then. She assisted Flying Eagle Aviation Limited to obtain Aircraft General Terms Agreement (AGTA) license from Boeing which permits licensee to operate aircraft related businesses worldwide. In 2005, Ms. Fan founded Great Dragon Petroleum Limited which is engaged in trading of oil related products. Ms. Fan also served Nomura (Hong Kong) Limited as Senior Consultant in China Affairs.

MS. XIAO LI

Ms. Xiao, aged 56, is currently the Chief Executive Officer of the Company. She studied law in the law college of Yanbian University from 1981 to 1985. She served as the chairlady of Liaoning Yifeng Petro-Chemical Co., Ltd. (遼寧省億豐石油化工有限公司) from 2008 to 2018. She has been the chairlady of Liaoning Dandong Petro-Chemical Co., Ltd. (遼寧省丹東石化有限公司) since 2018.

MR. CHEUNG KAM SHING, TERRY

Aged 56, holds a Bachelor degree of Social Sciences from the University of Hong Kong and a Master degree of Financial Economics from the University of London. He has more than 30 years extensive experience in securities trading, investment banking, fund management, private equity and other financial areas. Mr. Cheung served as Executive Director of Culturecom Holdings Limited (Stock Code: 0343) during the period from 2000 to 2005, Chief Operating Officer of Greater China Professional Services Limited (Stock Code: 8193) during the period from July 2010 to March 2015 and Independent Non-executive Director during the period from 22 December 2014 to 14 March 2015 and Executive Director during the period from March 2015 to October 2015 of Greens Holdings Limited (Stock Code: 1318). He is currently an Independent Non-executive Director of China Medical System Holdings Limited (Stock Code: 0867).

Profiles of Directors and Senior Management

MR. TANG YAU SING

Aged 56, holds a Bachelor degree of Social Sciences from the University of Hong Kong. He is a fellow member of the Hong Kong Institute of Certified Public Accountants, a fellow member of the Association of Chartered Certified Accountants in the United Kingdom, a member of the Taxation Institute of Hong Kong and the Hong Kong Institute of Directors. He has over 25 years of experience in accounting, auditing and financial advisory and held key management position in numerous listed companies in Hong Kong and United States. Mr. Tang has been an Executive Director of Winto Group (Holdings) Limited since July 2017. He was Executive Director of Million Stars Holdings Limited (previously known as Odella Leather Holding Limited) (Stock code: 8093) for the period from February 2017 to November 2017, Executive Director and Company Secretary of Changgang Dunxin Enterprise Company Limited (Stock Code: 2229) for the period from March 2016 to June 2016, Executive Director and Chief Financial Officer of New Sports Group Limited (Stock Code: 0299) for the period from November 2012 to May 2016, Vice President and Company Secretary of China Environmental Technology Holdings Limited (Stock Code: 0646) for the period from March 2014 to April 2016 and Chairman and Executive Director of Greens Holdings Limited (Stock Code: 1318) for the period from December 2014 to November 2015, Chief Financial Officer of China Agritech Inc. (previously listed on NASDAQ) for the period from October 2008 to January 2012.

MR. LIN QING YU

Mr. Lin, aged 44, served as General Manager of Hong Yu Economic Trade Co., Ltd. (鴻宇經貿有限公司) from 2006 to 2008, General Manager of Jilin Xinda Petrol-Chemical Industry Co., Ltd. (吉林新大石油化工有限公司) from 2008 to 2011, and has been the Chairman and legal representative of Jilin Shengde Industrial Group Co., Ltd. (吉林聖德實業集團有限公司) since December 2011 till now. He was the representative of Nong'an County People's Congress from 2008 to 2013, has been the vice president of Jilin Enterprise Directors Association (吉林省企業家協會) since 2012 till now, and graduated from Economics and Management in the Open College of the Central Communist Party School (中共中央黨校函授學院) in 1996.

Independent Non-executive Directors ("INEDs")

MR. XING YONG

Mr. Xing, aged 46, graduated from Southwest Jiaotong University majoring in MBA, completed his postgraduate course and obtained his Master's degree, and is a graduate of business management of Dongbei University of Finance and Economics. He has worked for Tianjin Huamao Energy Development Co., Ltd. (天津華貿能源發展有限公司) since December 2017.

MR. SHI WEN JIANG

Mr. Shi, aged 52, has been the general manager of Nanjing Sanjiu Chemical Co., Ltd. (南京三久化工有限責任公司) since 2008.

MR. CHEN ZHONG MIN

Mr. Chen, aged 67, serves as the executive deputy manager of Nong'an Petro-Chemical Co., Ltd. under Changchun Xinda Petroleum Group (長春新大石油集團農安石油化工有限公司).

MR. JIANG CAI YI

Mr. Jiang, aged 59, has been the head of Liaoning Jianggong Law Firm (遼寧江公律師事務所) since 2003.

MR. ZHANG YUE YANG

Mr. Zhang, aged 28, graduated from Master of Accounting of Fordham University, New York, United States and Bachelor of Science-Accounting from University of Colorado Denver, Denver.

MR. HE JUN

Mr. He, aged 47, has been the deputy general manager and chief financial officer of Changchun Xinda Petroleum Group Co., Ltd. since 2007.

MS. CHEN XUE HUI

Ms. Chen, aged 53, served as a Chinese Certified Public Accountant, graduated from Hubei Liangshi School (湖北省糧食學校) in 1987 specializing in financial and accounting, and is working in the Financial Audit Department of Hubei Jinheng Accountant Affairs Co., Ltd. (湖北金恒會計師事務有限公司).

MS. HU JING

Ms. Hu, aged 56, started her career in the refining and chemical industry in 1978 and worked in Jingmen Petrochemical Refinery Technical School (荊門石化煉廠技校), Jingmen Petrochemical Refinery Ketone-Benzene Workshop (荊門石化煉廠硐苯車間), Jingmen Petrochemical News Agency (荊門石化報社) and Fujian Petrochemical Refinery (福建石化煉), accumulating extensive experience in terms of oil refinery over years.

MS. LYU JIA LIAN

Ms. Lyu, aged 20, graduated from the University of California - Irvine in the United States.

PROFILE OF SENIOR MANAGEMENT

MR. ZHANG KAI, PROJECT MANAGER

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

Management Discussion and Analysis

RESULTS AND REVIEW OF OPERATIONS

For the year ended 31 December 2018 (the "Year"), the Company and its subsidiaries (the "Group") recorded a consolidated revenue of HK$74,036,000 (2017: HK$35,594,000) mainly contributed from the trading of oil-related products business. Basic loss per share for the Year was HK$1.80 cents (2017: HK$10.83 cents). Loss per share was based on the weighted average of 3,245 million shares (2017: 3,245 million shares) in issue for the Year.

Gross loss for the Year amounted HK$1,745,000 (2017: HK$1,160,000), which was mainly due to relatively low crude oil and gas prices over a long term.

The loss attributable to the owners of the Company for the Year was HK$58,415,000 because the Company had a gross loss but with huge finance costs and legal and professional fees of approximately HK$19,645,000 and HK$7,755,000 respectively. The loss attributable to owners of the Company for the year ended 31 December 2017 was HK$351,633,000, mainly attributable to the impairment loss on carrying amount of the Group's intangible assets amount to HK$344,545,000, impairment loss on carrying amount of the Group's property, plant and equipment amount to HK$49,861,000.

BUSINESS REVIEW

Trading Business

After careful consideration and for the purpose of maximizing shareholders' return, the Group started the trading of oil-related products business to extend its business to down-stream of the production chain since 2017.

Oil and Gas Business

During the Year, the Utah Gas and Oil Field recorded gas sale of around 3,371 (2017: 8,411) thousand cubic feet, which was sold to Anadarko's midstream operations and other purchasers. On the other hand, oil sale was around 873 (2017: 1,400) barrels. Plains All American Pipeline, L.P., USA is the purchaser to collect the Group's crude oil produced in the Utah Gas and Oil Field.

OPERATIONAL REVIEW AND UPDATE ON RESERVES

During the Year, no exploration activity had taken place.

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

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

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

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

To the best of the Company's knowledge, as at 31 December 2018, there was no material difference on the reserves of the Utah Gas and Oil Field from those reported in the ITR

PROSPECTS

For the future trend of oil and gas, according to the oil price in 2018, the oil price remained low at USD50 to USD70 per barrel. In terms of the quotes of US Henry Hub, the oil price remained at USD2.5 to USD2.9 per thousand mile and square, which is at a low level. However, the tension of trade relations between China and the US is easing up. As such, the oil price is expected to increase gradually. Therefore, we will intensify the development efforts on gas fields in the US to enhance economic efficiency.

Looking ahead in 2019, due to multiple negotiations of the trade war between China and the US from the second half of 2018 to the beginning of 2019, the trade war is alleviated gradually and has no significant impact on our Company. In 2019, the global supply of oil and gas will be smooth. The growth in the first half year will be steady and the price is expected to be positively stable. In 2018, both crude oil processing volume and the nominal consumption of oil in China were over 600 million tonnes. The degree of external reliance on the oil price was almost 70%. The importation of gas was 90.385 million tonnes, which significantly increased 31.9% year-on-year. The importation of gas of China is expected to be 143.0 billion cubic metre. It would bring numerous opportunities to the integration and combination of the oil and gas industry.

To continue the objective last year, the Company has focused its business on oil and gas exploration, production and field operations in the Utah Gas and Oil Field, which is mainly a gas field. The Utah Gas and Oil Field is located in Uintah Basin of Utah, Midwestern of the United States which has very long history and good location for oil and gas business with mature infrastructure and oilfield service facility including water, electricity, roads, pipeline network and other logistic facilities around.

In response to this overall situation, the Company will continue to bring in new investors, develop and mine oil and gas in the US, drill and maintain oil wells, increase production, sales and injection of resources, strictly control of operating costs and maintain normal production and operation. The Company will take advantage of the favorable condition of the decrease in the drilling costs and consider cooperating with deep-pocketed investors to expand the development of the Utah Gas and Oil Field, paving the way for expanding current businesses scale once the market environment improves. At the same time, the Company will explore new business opportunities, bringing new growth and momentum to the Group.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

The Group generally finances its operations with issue of new shares, borrowings and internally generated resources. At the Year end date, the Group had HK$102 million unsecured loans repayable within one year (2017: HK$58 million). The current ratio (calculated on the basis of the Group's current assets over current liabilities) has decreased to 0.14 as at 31 December 2018 (31 December 2017: 0.19).

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

FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

Save as disclosed in the "Prospects" section above, there were no future plans for material investments or capital assets.

EMPLOYEES AND REMUNERATION POLICIES

As at 31 December 2018, the number of employees of the Group was about 21 (2017: 20). The remuneration packages of employees are maintained at competitive levels and include monthly salaries, mandatory provident fund, medical insurance and share option schemes; and other employee benefits include meal and travelling allowances and discretionary bonuses.

Environmental, Social and Governance Report

REPORTING SCOPE AND STANDARD

This is the Environmental, Social and Governance ("ESG") Report prepared by the Group pursuant to the ESG Reporting Guide provided in Appendix 27 to the Listing Rules on the Stock Exchange of Hong Kong Limited. This report covers our operation for the financial year end 31 December 2018 and discloses information on the Group's ESG management approach, strategy, priorities, objectives, compliance with the relevant laws and regulations and our performance.

The Board has overall responsibility for the Group's ESG strategy and reporting and has determined to integrate the ideas of environmental and social responsibility into the Group's operation and management activities. The Board has reviewed and approved this ESG report.

STAKEHOLDERS ENGAGEMENT

We believe that stakeholder engagement is crucial from a sustainability perspective, as it supports our understanding of emerging risks and opportunities, and also facilitates the mitigation of these risks as well as the realisation of opportunities. Our stakeholder engagement framework reflects the view that it is vitally important to integrate a stakeholder engagement component into all aspects of our business, from project development to operation, management and decommissioning. Throughout the course of any given year we communicate with our stakeholders through various channels. These include visits to our offices, general meetings and our social community services, so that all stakeholders have a better understanding of our operations. We also actively participate in industry and professional organisations, both locally and internationally, to ensure that we keep track of emerging trends and business drivers, such as technological developments and new industry best practices.

ENVIRONMENTAL

The Group is committed to protecting natural resources and the global environment. Our commitment to emission reduction, energy and resources conservation encompasses every aspect of our operation.

In light of our business nature, our business of operating the Oil and Gas Field in Utah is thoroughly regulated by the relevant laws and regulations, including location and drilling of wells, producing and plugging wells, storage of products, disposal of waste and reclamation, and subjects to routine investigation from the government body. The Group is pleased to report that full compliance has been in place and there is no violation of the relevant laws and regulations noted.

For our operation in Hong Kong, carbon emissions are mainly indirect greenhouse gases emitted by electricity consumption and greenhouse gases emitted by plants. During the year, we have complied with the relevant laws and regulations that are important to the Group relating to emissions and generation of waste. First of all, the Group has taken energy saving measures among our offices and work spaces. The scheme includes adjusting the most suitable temperature of air-conditioning facilities and switching off all unnecessary lightings or air conditioning systems during non-office hours. We also encourage employees to turn off idle computers and other office equipment. In order to reduce greenhouse gas emissions, the Group stipulates that air-conditioners or heaters are available respectively only when the temperature in the plants is higher than 32 degrees Celsius or lower than the specified temperature respectively. During the reporting period, 19,611 kWh electricity has been consumed by the Group.

The Group emphasizes energy saving and encourages employees to reduce water consumption. We always remind our employees to consider whether it is necessary to print their documents. For those documents which are not statutory or important, employees are encouraged to print double-side and reuse all single-side printed paper.

EMPLOYMENT AND LABOUR PRACTICES

Employment

As a socially responsible enterprise, we are not only responsible to consumers, but also responsible to employees. When pursuing economic goals, we also bear social and environmental responsibilities in order to achieve sustainable development. The Group places considerable value on the staff management and has developed its human resources management procedures, striving to create a favourable working environment for employees and reduce labour and employment risks of the Company. The Group is committed to labour legislation, providing employees with appropriate holidays and paid leave pursuant to various local labour legislations stipulated by the national and local governments. The specific days of leave varies with reference to years of experience. Every year, the Board of the Group reviews and discusses the improvement measures and implementation of human resources management procedures. The remuneration committee is established for making appropriate annual update on remuneration policy.

The Group places considerable value on the career development of employees and has taken measures for employee retention. Employee development has two aspects in accordance with their abilities, one is the promotion to management position, and the other is the enhancement of professional and technical position. During the year, we have complied with the relevant laws and regulations that are important to the Group relating to the employee's rights and benefits, including the Employment Ordinance, Mandatory Provident Fund Schemes Ordinance, Employees' Compensation Ordinance and Minimum Wage Ordinance.

Health and Safety

The Group attaches importance to the health and safety of its employees. Each subsidiary has established occupational safety and health guidelines to create a safe working environment for employees and protect them from occupational hazards. The Group reviews the health and safety management system for its employees every year, and displays warning signs on facilities and machines which are dangerous or prone to accidents. In addition, the Group actively strengthens the occupational safety awareness of employees to reduce accident. During the year, we have complied with the Occupational Safety and Health Ordinance. The Group did not have any material accidents regarding safety production, and the condition of production is stable and safe.

Development and Training

The Group attaches great importance to the working performance and development of employees during their employment period. The Group has clear training program, in respect of apparel supply management and computer programming. All units are capable to provide training to new employees by following the guidelines, which encourage them to create values for the Group.

The Group mainly provides on-job training for its new entry-level employees. New employees are led by experienced staffs, giving new employees proper guidance on works and enhance their job knowledge and skills. They also promptly help new employees adapt to the Company's operation and culture.

Our employees are also encouraged to pursue work-related advanced studies and attend work-related seminars and courses hone their skills.

Labour Standards

The Group complies with all relevant laws and regulations towards the use of forced labor and child labor in our business operations. The Group aims not to be directly or indirectly complicit in human rights abuses and to ensure that all work that is performed on our behalf is in compliance with all relevant labor laws and regulations.

OPERATING PRACTICES

Supply Chain Management

In respect of supply management of the operation of Oil and Gas Field, suppliers are mainly services providers for on-site support. In view of the complexity of the supply chain, when the operating units select suppliers, different conditions and standards must be considered, including price, service, location, productivity (service capacity) and legal procedures, while the Group also considers special advice and the social responsibility and environmental protection of suppliers, etc.

Product Responsibility

As a diversified enterprise, the Group is committed to providing quality products and services to customers. The Group has formulated stringent policies and procedures to produce and sell products. During the reporting period, the Group did not recall any product due to safety and health reasons. The Group complies with the Personal Data Privacy Ordinance, all personal data collected from employees, customers and suppliers are kept confidential, the computers and servers are protected from access passwords. As stipulated in the Group's Code of Conduct on ethical policy, employees are instructed of their responsibility to ensure data is collected, used, maintained, managed, stored and handled properly and secured appropriately.

Anti-corruption

The Group adheres to stringent anti-corruption policies as stated in the Group's Office Manual that includes Integrity of Business Practices, ethical standard, conflicts of interest, breach of conduct, handling of confidential information and legal requirement on prevention of bribery and against corruption. The Group has adopted best practices with respect to whistle-blowing. Details of our whistle-blowing policy and procedures are published on our Company website. No cases of corruption were reported within the Group during the financial year ended 31 December 2018.

The Group has complied with relevant laws and regulations including Hong Kong's "Prevention of Bribery Ordinance". During the year ended 31 December 2018, the Group was not aware of any non-compliance with relevant laws and regulations related to anti-corruption.

COMMUNITY INVESTMENT

As a responsible enterprise, the Group is well aware of its essential role in resource optimization throughout its business operation and promotion of environmental protection in areas where we may affect. As a result, the Group is committed to integrating environmental protection into its daily operation, and encouraging employees, customers, business partners and community to protect environment. During its daily operation, the Group is committed to promoting energy saving scheme, which not only reduce carbon emissions and protect environment, but also promote staff productivity and enhance efficiency and turnover. Besides, the Group has participated and always encourages our employees to participate in charity activities, such as tree planting in countryside, cleaning up garbage, so that employees can develop good environmental awareness through such activities and establish enterprise with social responsibility. In addition to raising the awareness of environmental protection, the Group encourages our staff to donate to the recognised charitable institutions in order to help grass-roots community or those in need. Moreover, the Group is committed to instilling anti-discrimination in its employees, such as anti-sex discrimination and anti-disability discrimination. Not only does it develop the professionalism and professional ethics among employees, but it also creates a more friendly working environment of the Group, a more harmonious and peaceful social atmosphere, thus fulfilling social responsibility.

Directors' Report

The directors present their annual report and the audited consolidated financial statements for the year ended 31 December 2018 (the "Year").

PRINCIPAL ACTIVITIES

The Company is an investment holding company. The activities of its principal subsidiaries are set out in note 32 to the consolidated financial statements.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 December 2018 are set out in the consolidated statement of profit or loss and other comprehensive income on page 30.

The board of directors (the "Board" or the "Directors") do not recommend the payment of final dividend for the Year (2017: Nil).

PROPERTY, PLANT AND EQUIPMENT

Details of the movements during the year in the property, plant and equipment of the Group are set out in note 11 to the consolidated financial statements.

RESERVES

Details of movements in the reserves of the Group during the year are set out in the consolidated statement of changes in equity on page 33 of the annual report.

DISTRIBUTABLE RESERVES OF THE COMPANY

At 31 December 2018, no distributable reserves were available for distribution to the equity shareholders of the Company.

SHARE CAPITAL

Details of the movements in the share capital of the Company during the year together with the reason therefor are set out in note 22 to the consolidated financial statements.

EVENTS AFTER THE REPORTING PERIOD

As per the Company's announcement dated 13 February 2019, funds will be raised pending the release of an announcement relating to subscriptions of shares of the Company which involves matters under the Code on Takeovers and Mergers issued by the Securities and Futures Commission.

DIRECTORS

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

Executive Directors:

Liu Gui Feng (appointed on 28 November 2018)
Fan Amy Lizhen (re-designated as Vice Chairlady on 28 November 2018)
Xiao Li (appointed on 28 November 2018)
Cheung Kam Shing, Terry
Tang Yau Sing
Lin Qing Yu (appointed on 3 October 2018)
Cheung Ka Chun, David (retired on 29 June 2018)

Independent Non-Executive Directors:

Xing Yong (appointed on 28 November 2018)
Shi Wen Jiang (appointed on 28 November 2018)
Chen Zhong Min (appointed on 28 November 2018)
Jiang Cai Yi (appointed on 28 November 2018)
Zhang Yue Yang (appointed on 28 November 2018)
He Jun (appointed on 28 November 2018)
Chen Xue Hui (appointed on 3 October 2018)
Hu Jing (appointed on 3 October 2018)
Lyu Jia Lian (appointed on 3 October 2018)
Lum Pak Sum (retired on 29 June 2018)
Chan Sung Wai (retired on 29 June 2018)
Koo Luen Bong (retired on 29 June 2018)
Chau Wing Man (retired on 29 June 2018)
Wang Jing Ting (retired on 29 June 2018)
Lam Kwan (retired on 29 June 2018)
Chan Kwan Pak (retired on 29 June 2018)

In accordance with Clause 86(2) of the Company's Bye-Laws, each of Ms. Liu Gui Feng, Ms. Xiao Li, Mr. Lin Qing Yu, Mr. Xing Yong, Mr. Shi Wen Jiang, Mr. Chen Zhong Min, Mr. Jiang Cai Yi, Mr. Zhang Yue Yang, Mr. He Jun, Ms. Chen Xue Hui, Ms. Hu Jing and Ms. Lyu Jia Lian, so appointed by the Board to fill a causal vacancy on the Board shall hold office only until the next following general meeting of the Company and shall then be eligible for re-election at that general meeting.

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

DIRECTORS' AND SENIOR MANAGEMENT'S BIOGRAPHIES

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

DIRECTORS' SERVICE CONTRACTS

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

CONTRACT OF SIGNIFICANCE

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

DIRECTORS' INTERESTS IN SHARES AND UNDERLYING SHARES

At 31 December 2018, none of the Directors and their associates have any interest in the shares, underlying shares and convertible bonds of the Company and its associated corporations, as recorded in the register maintained by the Company pursuant to Section 352 of the Securities and Futures Ordinance, or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited pursuant to the Model Code for Securities Transactions by Directors of Listed Companies.

SUBSTANTIAL SHAREHOLDERS

The register of substantial shareholders maintained by the Company pursuant to Section 336 of the Securities and Futures Ordinance shows that, as at 31 December 2018, other than the interests disclosed above in respect of certain Directors, the following shareholders had notified the Company of relevant interests in the issued share capital of the Company:

Long Positions

Name of substantial shareholders	Capacity	Number of shares/underlying shares held	Approximate percentage to the issued share capital of the Company
Charcon Assets Limited	Beneficial owner	704,530,000	21.71%
Mid-East Petroleum Group Ltd	Beneficial owner	400,000,000	12.32%
So Kuen Kwok	Beneficial owner	325,211,000	10.02%

Save as disclosed above, the Company has not been notified of any other relevant interests or short positions in the issued share capital of the Company as at 31 December 2018.

APPOINTMENT OF INDEPENDENT NON-EXECUTIVE DIRECTORS

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

EMOLUMENT POLICY

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

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

The Company has adopted a share option scheme as an incentive to Directors and eligible employees, details of the scheme is set out in note 23 to the consolidated financial statements.

CONNECTED TRANSACTIONS AND RELATED PARTY TRANSACTIONS

Details of the significant related party transactions during the year are detailed in note 27 to the consolidated financial statements. Save as disclosed above, the Group did not have any connected transactions during the year.

PRE-EMPTIVE RIGHTS

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

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

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any listed securities of the Company during the Year.

MAJOR CUSTOMERS AND SUPPLIERS

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

SUFFICIENCY OF PUBLIC FLOAT

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

AUDITORS

Cheng & Cheng Limited acted as auditor of the Group's consolidated financial statements for the financial year ended 31 December 2018.

The consolidated financial statements for the year ended 31 December 2018 have been audited by Cheng & Cheng Limited who retire and, being eligible, offer themselves for re-appointment at the forthcoming annual general meeting.

By Order of the Board

Cheung Kam Shing, Terry
Executive Director

29 March 2019

SHAREHOLDERS' RIGHTS AND INVESTOR RELATIONS

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

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

The requisition must state the purposes of the meeting, and must be signed by the requisitionists and deposited with the Company Secretary at the Company's principal place of business at Suites 1905-07, 19th Floor, Tower 6, The Gateway, Harbour City, Kowloon, Hong Kong, and may consist of several documents in like form each signed by one or more requisitionists.

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

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

The procedures for sending enquiries to the Board

The enquiries must be in writing with contact information of the requisitionists and deposited with the Company Secretary at the Company's principal place of business at Suites 1905-07, 19th Floor, Tower 6, The Gateway, Harbour City, Kowloon, Hong Kong.

The procedures for making proposals at Shareholders' Meetings

To put forward proposals at an Annual General Meeting ("AGM"), or SGM, the Shareholders should submit a written notice of those proposals with the detailed contact information to the Company Secretary at the Company's principal place of business at Suites 1905-07, 19th Floor, Tower 6, The Gateway, Harbour City, Kowloon, Hong Kong. The request will be verified with the Company's Share Registrars and upon their confirmation that the request is proper and in order, the Company Secretary will ask the Board to include the resolution in the agenda for the general meeting.

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

— At least 21 days' notice (the notice period must include not less than 20 clear business days) in writing if the proposal constitutes a resolution of the Company in AGM

— At least 21 days' notice (the notice period must include not less than 10 clear business days) in writing if the proposal constitutes a special resolution of the Company in SGM

— At least 14 days' notice (the notice period must include not less than 10 clear business days) in writing for all other SGM of the Company

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

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

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

CORPORATE GOVERNANCE PRACTICES

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

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

(1) Responsibilities between chairman and chief executive

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

The Chief Executive Officer, Mr. Law Wing Tak, Jack, resigned from the post with effect from 30 June 2015 and the position has been left vacant since his resignation. All duties of Chief Executive Officer are shared among the Executive Directors. Ms. Xiao Li was appointed as the Chief Executive Officer and Executive Director of the Company with effect from 28 November 2018; and

(2) Insufficient number of independent non-executive directors

As the majority of the votes cast against Resolutions Numbers 2(i)(b) to 2(i)(f), these Resolutions have not been passed by the Shareholders of the Company at the 2018 Annual General Meeting held on 29 June 2018 (the "2018 AGM"). As a result, Mr. Lum Pak Sum ("Mr. Lum"), Mr. Chan Sung Wai ("Mr. Chan"), Mr. Koo Luen Bong ("Mr. Koo"), Mr. Chau Wing Man ("Mr. Chau") and Mr. Wang Jing Ting ("Mr. Wang") cease to be Independent Non-executive Directors of the Company after the 2018 AGM. Consequently, Mr. Lum ceased to be the chairman of the Audit Committee, member of the Remuneration Committee and the Nomination Committee of the Company. Mr. Koo ceased to be the chairman of the Remuneration Committee, member of the Audit Committee and the Nomination Committee of the Company. Mr. Chan, Mr. Chau and Mr. Wang ceased to be members of the Audit Committee, the Remuneration Committee and the Nomination Committee of the Company. In addition, Mr. Lam Kwan and Mr. Chan Kwan Pak, both of whom were Independent Non-executive Directors, retired at the 2018 AGM.

Immediately after the 2018 AGM and upto 2 October 2018:

(a) since the number of Independent Non-executive Directors is less than three and represents less than one-third of the Board, the Company is not in compliance with Rules 3.10(1) and 3.10(A) of the Listing Rules;

(b) since the number of members of the Audit Committee is less than three, the Company is not in compliance with Rule 3.21 of the Listing Rules;

(c) since the Remuneration Committee does not comprise a majority of Independent Non-executive Directors, the Company is not in compliance with Rule 3.25 of the Listing Rules; and

(d) since the Nomination Committee does not comprise a majority of Independent Non-executive Directors, the Company is not in compliance with code provision A.5.1 of the Corporate Governance Code.

Subsequently, three and six Independent Non-executive Directors were appointed on 3 October 2018 and 28 November 2018 respectively to re-comply with the relevant Listing Rules and code provision.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted a code of conduct regarding securities transactions by Directors on terms no less exacting than the required standard set out in Appendix 10 to the Listing Rules (the "Model Code"). Having made specific enquiry of all Directors, all Directors confirmed they have complied with the required standard set out in the Model code and the code of conduct regarding securities transactions by directors adopted by the Company throughout the year ended 31 December 2018.

BOARD OF DIRECTORS

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

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

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

DIRECTORS' TRAINING

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

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

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

All Directors are required to provide the Company with their training records on an annual basis.

COMMUNICATIONS WITH SHAREHOLDERS AND INVESTORS

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

COMPANY SECRETARY

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

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

BOARD DIVERSITY POLICY

During the year, the Board has adopted a board diversity policy which sets out the approach to achieve diversity on the Board. The Company recognises and embraces the benefits of having a diverse Board to enhance the quality of its performance.

The Company aims to achieve board diversity through the consideration of a number of aspects, including but not limited to gender, age, cultural and educational background, professional experience, skills, knowledge and length of service. The ultimate decision will be based on merit and contribution that the selected candidates will bring to the Board.

BOARD MEETINGS

During the Year, 5 board meetings have been held, the attendance of each director, on named basis and by category at Board meetings, Audit Committee meetings and shareholders' meetings is set out below:

	Meetings attended/held				
	Board Meetings	Audit Committee Meetings	Annual General Meeting on 29 June 2018	Special General Meeting on 29 November 2018	Special General Meeting on 30 December 2018
Executive Directors:					
Liu Gui Feng (appointed on 28 November 2018)	1/1	N/A	N/A	✓	✓
Fan Amy Lizhen	5/5	N/A	✓	✓	✓
Xiao Li (appointed on 28 November 2018)	1/1	N/A	N/A	✓	
Cheung Kam Shing, Terry	5/5	N/A	✓	✓	✓
Tang Yau Sing	5/5	N/A	✓	✓	
Lin Qing Yu (appointed on 3 October 2018)	2/2	N/A	N/A	✓	✓
Cheung Ka Chun, David (retired on 29 June 2018)	1/1	N/A		N/A	N/A
Independent Non-executive Directors:					
Xing Yong (appointed on 28 November 2018)	1/1	N/A	N/A		
Shi Wen Jiang (appointed on 28 November 2018)	1/1	N/A	N/A		
Chen Zhong Min (appointed on 28 November 2018)	1/1	N/A	N/A		
Jiang Cai Yi (appointed on 28 November 2018)	1/1	N/A	N/A		
Zhang Yue Yang (appointed on 28 November 2018)	0/1	N/A	N/A		
He Jun (appointed on 28 November 2018)	1/1	N/A	N/A		
Chen Xue Hui (appointed on 3 October 2018)	2/2	N/A	N/A		
Hu Jing (appointed on 3 October 2018)	2/2	N/A	N/A		
Lyu Jia Lian (appointed on 3 October 2018)	2/2	N/A	N/A		
Lum Pak Sum (retired on 29 June 2018)	1/1	1/1	✓	N/A	N/A
Chan Sung Wai (retired on 29 June 2018)	1/1	1/1	✓	N/A	N/A
Wang Jing Ting (retired on 29 June 2018)	1/1	1/1		N/A	N/A
Koo Luen Bong (retired on 29 June 2018)	1/1	1/1	✓	N/A	N/A
Chau Wing Man (retired on 29 June 2018)	1/1	1/1		N/A	N/A
Lam Kwan (retired on 29 June 2018)	1/1	1/1	N/A	N/A	N/A
Chan Kwan Pak (retired on 29 June 2018)	1/1	1/1	N/A	N/A	N/A

Notes

(1) N/A: Not Applicable

(2) The Audit Committee held only 1 meeting while no Remuneration Committee Meeting and Nomination Committee Meeting has been held during the year mainly because all the Independent Non-executive Directors retired after the 2018 AGM.

(3) Please also refer to the details as described under Corporate Governance Practices on page 20.

To the best knowledge of the Board, there is no relationship (including financial, business, family or other relationship) among members of the Board as at 31 December 2018. All of them are free to exercise their individual judgments.

REMUNERATION OF DIRECTORS AND SENIOR MANAGEMENT

The Remuneration Committee currently comprises fourteen Directors, namely Ms. Hu Jing (chairlady of Remuneration Committee), Ms. Liu Gui Feng, Ms. Fan Amy Lizhen, Ms. Xiao Li, Mr. Cheung Kam Shing, Terry, Mr. Tang Yau Sing, Mr. Xing Yong, Mr. Shi Wen Jiang, Mr. Chen Zhong Min, Mr. Jiang Cai Yi, Mr. Zhang Yue Yang, Mr. He Jun, Ms. Chen Xue Hui and Ms. Lyu Jia Lian.

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

The remuneration of the senior management of the Company for the year ended 31 December 2018, by band is set out below:

Remuneration Band	Number of individuals
HK$1,500,001 - HK$2,000,000	1

Further details of the Directors' remuneration for the year ended 31 December 2018 are disclosed in note 10 to the consolidated financial statements.

NOMINATION OF DIRECTORS

The Nomination Committee has clear terms of reference. The Nomination Committee currently comprises thirteen Directors, namely Ms. Liu Gui Feng (chairlady of Nomination Committee), Ms. Fan Amy Lizhen, Ms. Xiao Li, Mr. Cheung Kam Shing, Terry, Mr. Xing Yong, Mr. Shi Wen Jiang, Mr. Chen Zhong Min, Mr. Jiang Cai Yi, Mr. Zhang Yue Yang, Mr. He Jun, Ms. Chen Xue Hui, Ms. Hu Jing and Ms. Lyu Jia Lian.

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

RISK MANAGEMENT AND INTERNAL CONTROL

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

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

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

The Board has reviewed the effectiveness of the risk management and internal control systems and considers the risk management and internal control systems effective and adequate.

AUDITOR'S REMUNERATION

For the year ended 31 December 2018, Cheng & Cheng Limited, the existing external auditors provided the following services to the Group:

	HK$'000
Annual audit services	800
Other assurance services	150
	950

AUDIT COMMITTEE

The Audit Committee currently comprises all nine Independent Non-executive Directors, namely Ms. Chen Xue Hui (chairlady of Audit Committee), Mr. Xing Yong, Mr. Shi Wen Jiang, Mr. Chen Zhong Min, Mr. Jiang Cai Yi, Mr. Zhang Yue Yang, Mr. He Jun, Ms. Hu Jing and Ms. Lyu Jia Lian.

The Audit Committee held 1 meeting during the Year because all Independent Non-executive Directors retired after the annual general meeting on 29 June 2018. The Audit Committee is provided with sufficient resources to discharge its duties. The Audit Committee has clear terms of reference and its principal duties include the review of the financial reporting and internal control system of the Group, review of half-yearly and annual reports and accounts review and monitoring of the appointment of the auditors and their independence.

The Audit Committee has reviewed and is satisfied with the audited consolidated financial statements for the year ended 31 December 2018.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

The statement of the external auditors of the Company, Cheng & Cheng Limited, with regard to their reporting responsibilities on the Company's consolidated financial statements is set out in the Independent Auditor's Report on pages 26 to 29.

Independent Auditor's Report

CHENG & CHENG LIMITED
CERTIFIED PUBLIC ACCOUNTANTS
鄭鄭會計師事務所有限公司

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

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF PEARL ORIENTAL OIL LIMITED
(Incorporated in Bermuda with limited liability)

OPINION

We have audited the consolidated financial statements of Pearl Oriental Oil Limited (the "Company") and its subsidiaries ("the Group") set out on pages 30 to 85, which comprise the consolidated statement of financial position as at 31 December 2018, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2018, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants ("the Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

MATERIAL UNCERTAINTY RELATED TO GOING CONCERN

We draw attention to note 2.1 to the consolidated financial statements, which indicates that the Group reported a net loss attributable to the owners of the Company of approximately HK$58 million for the year ended 31 December 2018 and as at 31 December 2018, the Group had net current liabilities of approximately HK$121 million, and balance of cash and cash equivalents amounting to approximately HK$1 million and as at 31 December 2018, unsecured loans of approximately HK$27 million were overdue and still outstanding up to the date of this report. As stated in note 2.1, these conditions indicate the existence of material uncertainties which may cast significant doubt about the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In addition to the matter described in the Material Uncertainty Related to Going Concern section, we have determined the matters described below to be the key audit matters to be communicated in our report.

Key Audit Matter	How the matter was addressed in our audit
Intangible assets impairment assessment Refer to note 12 in the consolidated financial statements The intangible assets of approximately HK$256 million represents oil and gas processing rights in Utah, the United States of America. The intangible assets are amortised upon the commercial production of oil and natural gas on a unit-of-production basis over the total proven reserves. Management has concluded that there is no impairment in respect of the intangible assets for the year. This conclusion was based on a fair value less cost of disposal calculation with reference to a valuation performed by an independent valuer that required significant management judgment with respect to the discount rate and the underlying cash flows, in particular future revenue growth.	Our procedures in relation to management's valuation of intangible assets included: – Evaluating the independent external valuer's competence, capabilities and objectivity; – Performing sensitivity analysis over the key assumptions used in order to assess the potential impact of a range of possible outcomes; – Assessing the methodologies used and the appropriateness of the key assumptions based on our knowledge of the oil and gas industry; and – Checking, on a sample basis, the accuracy and relevancy of the input data used.

INFORMATION OTHER THAN THE CONSOLIDATED FINANCIAL STATEMENTS AND AUDITOR'S REPORT THEREON

The directors are responsible for the other information. The other information comprises the information included in the annual report but does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The directors are assisted by the Audit Committee in discharging their responsibilities for overseeing the Group's financial reporting process.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. This report is made solely to you, as a body, in accordance with section 90 of the Bermuda Companies Act 1981 and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

CHENG & CHENG LIMITED
Certified Public Accountants
Chan Shek Chi
Practising Certificate number P05540

Hong Kong, 29 March 2019

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2018

	Notes	**2018** **HK$'000**	2017 HK$'000
Revenue	*4*	**74,036**	35,594
Cost of sales		**(75,781)**	(36,754)
Gross loss		**(1,745)**	(1,160)
Other income		**220**	1,702
Administrative expenses		**(38,392)**	(25,616)
Impairment loss on intangible assets	*12*	**–**	(344,545)
Impairment loss on property, plant and equipment	*11*	**–**	(49,861)
Loss on disposal of subsidiaries	*25*	**–**	(21,585)
Finance costs	*5*	**(19,645)**	(6,194)
Loss before tax	*6*	**(59,562)**	(447,259)
Income tax credit	*7*	**860**	95,590
Loss and total comprehensive loss for the year		**(58,702)**	(351,669)
Attributable to:			
Owners of the Company		**(58,415)**	(351,633)
Non-controlling interests		**(287)**	(36)
		(58,702)	(351,669)
Loss per share (HK cents)	*9*		
– Basic and diluted		**(1.80)**	(10.83)

Consolidated Statement of Financial Position

As at 31 December 2018

	Notes	2018 HK$'000	2017 HK$'000
Non-current assets			
Property, plant and equipment	*11*	**42,734**	38,038
Intangible assets	*12*	**255,944**	256,000
		298,678	294,038
Current assets			
Trade receivables	*13*	**–**	2,541
Prepayments, deposits and other receivables	*14*	**19,344**	6,666
Bank balances and cash	*15*	**993**	4,503
		20,337	13,710
Current liabilities			
Trade payables	*16*	**–**	5,993
Other payables and accruals	*17*	**39,588**	7,051
Unsecured loans	*18*	**102,093**	58,300
Obligations under finance lease due within one year	*19*	**120**	–
Tax payable		**2**	2
		141,803	71,346
Net current liabilities		**(121,466)**	(57,636)
Total assets less current liabilities		**177,212**	236,402
Non-current liabilities			
Deferred tax liabilities	*20*	**34,984**	35,844
Obligations under finance lease due after one year	*19*	**372**	–
Asset retirement obligations	*21*	**3,579**	3,579
		38,935	39,423
Net assets		**138,277**	196,979

Consolidated Statement of Financial Position

As at 31 December 2018

	Notes	2018 HK$'000	2017 HK$'000
Equity			
Share capital	*22*	**324,552**	324,552
Reserves		**(187,418)**	(129,003)
Equity attributable to owners of the Company		**137,134**	195,549
Non-controlling interests		**1,143**	1,430
Total equity		**138,277**	196,979

The consolidated financial statements on pages 30 to 85 were approved and authorised for issue by the Board of Directors on 29 March 2019 and are signed on its behalf by:

Liu Gui Feng
Executive Director

Cheung Kam Shing, Terry
Executive Director

Consolidated Statement of Changes in Equity

For the year ended 31 December 2018

	Attributable to owners of the Company								
	Share capital *HK$'000*	Share premium *HK$'000*	Treasury shares reserve *HK$'000* *(Note 24)*	Capital reserve *HK$'000* *(Note 24)*	Share option reserve *HK$'000*	Accumulated losses *HK$'000*	Sub-total *HK$'000*	Non-controlling interests *HK$'000*	Total equity *HK$'000*
At 1 January 2017	324,552	2,222,586	(10,556)	403,851	41,919	(2,435,170)	547,182	(20,107)	527,075
Total comprehensive loss for the year	–	–	–	–	–	(351,633)	(351,633)	(36)	(351,669)
Share option lapsed	–	–	–	–	(12,965)	12,965	–	–	–
Disposal of subsidiaries	–	–	–	–	–	–	–	21,573	21,573
At 31 December 2017 and 1 January 2018	**324,552**	**2,222,586**	**(10,556)**	**403,851**	**28,954**	**(2,773,838)**	**195,549**	**1,430**	**196,979**
Total comprehensive loss for the year	**–**	**–**	**–**	**–**	**–**	**(58,415)**	**(58,415)**	**(287)**	**(58,702)**
Share option lapsed	**–**	**–**	**–**	**–**	**(6,922)**	**6,922**	**–**	**–**	**–**
At 31 December 2018	**324,552**	**2,222,586**	**(10,556)**	**403,851**	**22,032**	**(2,825,331)**	**137,134**	**1,143**	**138,277**

Consolidated Statement of Cash Flows

For the year ended 31 December 2018

	Notes	2018 HK$'000	2017 HK$'000 (Reclassified)
Cash flows from operating activities			
Loss before tax		**(59,562)**	(447,259)
Adjustments for:			
Finance costs		**19,645**	6,194
Gain on disposal of property, plant and equipment		**–**	(199)
Interest income		**–**	(5)
Loss on disposal of subsidiaries		**–**	21,585
Depreciation, depletion and amortisation		**2,269**	387
Impairment loss on intangible assets		**–**	344,545
Impairment loss on property, plant and equipment		**–**	49,861
Impairment loss on other receivables		**–**	1,680
Operating loss before working capital changes		**(37,648)**	(23,211)
Decrease/(increase) in trade receivables		**2,541**	(2,541)
(Decrease)/increase in trade payables		**(5,993)**	5,993
Increase in prepayments, deposits and other receivables		**(12,678)**	(3,489)
Increase in other payables and accruals		**23,509**	2,061
Cash used in operations and net cash used in operating activities		**(30,269)**	(21,187)
Cash flows from investing activities			
Interest received		**–**	5
Purchase of property, plant and equipment		**(6,271)**	(25)
Proceeds from disposal of property, plant and equipment		**–**	360
Net cash outflow from disposal of subsidiaries		**–**	(12)
Net cash (used in)/generated from investing activities		**(6,271)**	328
Cash flows from financing activities	30		
Proceeds from unsecured loans		**114,253**	78,300
Repayment of unsecured loans		**(70,460)**	(53,000)
Capital element of finance lease rental paid		**(146)**	–
Interest paid		**(7,379)**	(4,673)
Interest element of finance lease rentals paid		**(17)**	–
Debts settlement expenses paid		**(3,221)**	–
Net cash generated from financing activities		**33,030**	20,627
Net decrease in cash and cash equivalents		**(3,510)**	(232)
Cash and cash equivalents at beginning of year		**4,503**	4,735
Cash and cash equivalents at end of year, represented by bank balances and cash	15	**993**	4,503

1. GENERAL INFORMATION

Pearl Oriental Oil Limited (the "Company") is a limited liability company incorporated in Bermuda. The address of its registered office is Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda and its principal place of business is situated at Suites 1905-07, 19th Floor, Tower 6, The Gateway, Harbour City, Kowloon, Hong Kong. The Company's shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

In the opinion of the directors of the Company, the Company's parent and ultimate holding company is Charcon Assets Limited, a company incorporated in the British Virgin Islands.

The consolidated financial statements are presented in Hong Kong dollars ("HK$") which is same as the functional currency of the Group and all values are rounded to the nearest thousand except when otherwise indicated.

The consolidated financial statements for the year ended 31 December 2018 were approved for issue by the board of directors on 29 March 2019.

2.1 BASIS OF PREPARATION

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

The consolidated financial statements have been prepared on the historical cost basis.

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

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

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

2.1 BASIS OF PREPARATION *(Continued)*

Going concern basis

The Group reported a net loss attributable to the owners of the Company of approximately HK$58 million for the year ended 31 December 2018 and as at 31 December 2018, the Group had net current liabilities of approximately HK$121 million, and with balance of cash and cash equivalents amounting to approximately HK$1 million.

As disclosed in note 18, unsecured loans of approximately HK$25 million and HK$2 million were overdue as at 31 December 2018. These loans were still outstanding up to the date of this report.

These conditions indicate the existence of material uncertainties which may cast significant doubt about the Group's ability to continue as a going concern.

The management of the Company has taken the following steps to improve the Group's financial position:

(1) Share subscription

As per the Company's announcement dated 13 February 2019, funds will be raised pending the release of an announcement relating to subscriptions of shares of the Company which involves matters under the Code on Takeovers and Mergers issued by the Securities and Futures Commission.

(2) Additional loans borrowings and renewal of unsecured loans

Out of the unsecured loans at 31 December 2018, HK$50 million and HK$20 million were due to a lender which were falling due on 28 January 2019 and 7 February 2019 respectively. These loans were further extended to 28 February 2019 and 31 March 2019 by agreements dated 28 January 2019, 1 February 2019 and 28 February 2019 respectively.

On 10 January 2019 and 16 January 2019, the Company entered into two new loan agreements of HK$5 million each with this lender. These loans were falling due on 7 February 2019 and were further extended to 28 February 2019 and 31 March 2019 by agreements dated 1 February 2019 and 28 February 2019 respectively to finance the Company's daily operation.

On 28 March 2019, the Company further entered into an extension agreement with this lender for the renewal of above unsecured loans totaling of HK$80 million up to 31 March 2020.

(3) Monitoring of the Group's operating cash flows

The Group has taken various measures to tighten cost controls over operating costs and expenses with the aim to attain profitable and positive cash flow operations. The directors are taking steps to improve the Group's liquidity and financial performance including active cost-saving and other measures to improve the Group's operating cash flows and financial position.

(4) Financial support from a director of the Company

In addition, a director of the Company has confirmed to provide financial support to the Group to meet its financial obligations as they fall due, if required.

2.1 BASIS OF PREPARATION *(Continued)*

Going concern basis *(Continued)*

The directors of the Group have reviewed the Group's cash flow projections prepared by the management. The cash flow projections covered a period of not less than twelve months from the end of the reporting period. They are of the opinion that, taking into account the above-mentioned plans and measures, the Group would have sufficient working capital to finance its operations and to meet its financial obligations as and when they fall due within the next twelve months from the end of the reporting period. Accordingly, the directors are of the opinion that it is appropriate to prepare the consolidated financial statements for the year ended 31 December 2018 on a going concern basis.

Should the Group be unable to continue to operate as a going concern, adjustments would have to be made to write down the value of assets to their recoverable amounts, to provide for further liabilities which might arise and to reclassify non-current assets and non-current liabilities as current assets and current liabilities respectively. The effects of these adjustments have not been reflected in these consolidated financial statements for the year ended 31 December 2018.

2.2 APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

New and amendments to HKFRSs that are mandatory effective for the current year

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

HKFRS 9	Financial instruments
HKFRS 15	Revenue from contracts with customers
HK(IFRIC) 22	Foreign currency transactions and advance consideration

Except as described below, the application of the new and 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.

HKFRS 9, *Financial instruments*

HKFRS 9 replaces HKAS 39, *Financial instruments: recognition and measurement*. It sets out the requirements for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items.

The Group has applied HKFRS 9 retrospectively to items that existed at 1 January 2018 in accordance with the transition requirements, comparative information continue to be reported under HKAS 39. There is no significant impact on the Group's financial position and financial result upon initial application at 1 January 2018.

2.2 APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS *(Continued)*

HKFRS 9, *Financial instruments* *(Continued)*

Further details of the nature and effect of the changes to previous accounting policies and the transition approach are set out below:

a. Classification of financial assets and financial liabilities

HKFRS 9 categorises financial assets into three principal classification categories: measured at amortised cost, at fair value through other comprehensive income ("FVOCI") and at fair value through profit or loss ("FVPL"). These supersede HKAS 39's categories of held-to-maturity investments, loans and receivables, available-for-sale financial assets and financial assets measured at FVPL. The classification of financial assets under HKFRS 9 is based on the business model under which the financial asset is managed and its contractual cash flow characteristics.

Under HKFRS 9, the classification for all of the Group's financial assets and financial liabilities measured at amortised cost remain the same. The carrying amounts for all financial assets and financial liabilities at 1 January 2018 have not been impacted by the initial application of HKFRS 9.

b. Credit losses

HKFRS 9 replaces the "incurred loss" model in HKAS 39 with the "expected credit loss" ("ECL") model. The ECL model requires an ongoing measurement of credit risk associated with a financial asset and therefore recognises ECLs earlier than under the "incurred loss" accounting model in HKAS 39.

The Group applies the new ECL model to the following items:

– financial assets measured at amortised cost (including bank balances and trade and other receivables)

For further details on the Group's accounting policy for accounting for credit losses, see note 2.3(f)(i).

HKFRS 15, *Revenue from contracts with customers*

HKFRS 15 establishes a comprehensive framework for recognising revenue and some costs from contracts with customers. HKFRS 15 replaces HKAS 18, *Revenue*, which covered revenue arising from sale of goods and rendering of services, and HKAS 11, *Construction contracts*, which specified the accounting for construction contracts.

HKFRS 15 also introduces additional qualitative and quantitative disclosure requirements which aim to enable users of the financial statements to understand the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers.

There is no significant impact on the Group's financial position and financial result upon initial application at 1 January 2018. Comparative information continues to be reported under HKASs 11 and 18.

2.2 APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS *(Continued)*

HK(IFRIC) 22, *Foreign currency transactions and advance consideration*

This interpretation provides guidance on determining "the date of the transaction" for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income (or part of it) arising from a transaction in which an entity receives or pays advance consideration in a foreign currency.

The Interpretation clarifies that "the date of the transaction" is the date on initial recognition of the non-monetary asset or liability arising from the payment or receipt of advance consideration. If there are multiple payments or receipts in advance of recognising the related item, the date of the transaction for each payment or receipt should be determined in this way. The adoption of HK(IFRIC) 22 does not have any material impact on the financial position and the financial result of the Group.

New and amendments to HKFRSs and interpretations issued but not yet effective

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

HKFRS 16	Leases[1]
HKFRS 17	Insurance Contracts[3]
HK(IFRIC) – Int 23	Uncertainty over Income Tax Treatments[1]
Amendments to HKFRS 9	Prepayment Features with Negative Compensation[1]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[2]
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures[1]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015-2017 Cycle[1]
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement[1]
Amendments to HKFRS 3	Definition of a Business[4]
Amendments to HKAS 1 and HKAS 8	Definition of Material[5]

1 Effective for annual periods beginning on or after 1 January 2019
2 Effective date not yet determined
3 Effective for annual periods beginning on or after 1 January 2021
4 Effective for business combinations and asset acquisitions for which the acquisition date is on or after the beginning of the first annual period beginning on or after 1 January 2020.
5 Effective for annual periods beginning on or after 1 January 2020

Except for the new and amendments to HKFRSs and interpretations mentioned below, the directors of the Company anticipate that the application of all other new and amendments to HKFRSs and interpretations will have no material impact on the consolidated financial statements in the foreseeable future.

2.2 APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS *(Continued)*

HKFRS 16 "Leases"

As disclosed in note 2.3(i), currently the Group classifies leases into operating leases and finance leases, and accounts for the lease arrangements according to the nature of the lease.

HKFRS 16 is not expected to impact significantly on the way that lessors account for their rights and obligations under a lease. However, once HKFRS 16 is adopted, lessees will no longer distinguish between finance leases and operating leases. Instead, subject to practical expedients, lessees will account for all leases in a similar way to current finance lease accounting, i.e. at the commencement date of the lease the lessee will recognise and measure a lease liability at the present value of the minimum future lease payments and will recognise a corresponding "right-of-use" asset. After initial recognition of this asset and liability, the lessee will recognise interest expense accrued on the outstanding balance of the lease liability, and the depreciation of the right-of-use asset, instead of the current policy of recognizing rental expenses incurred under operating leases on a systematic basis over the lease term. As a practical expedient, the lessee can elect not to apply this accounting model to short-term leases (i.e. where the lease term is 12 months or less) and to leases of low-value assets, in which case the rental expenses would continue to be recognised on a systematic basis over the lease term.

Other than HKFRS 16 "Leases", management is in the process of making an assessment on the impact of these new standards and amendments to existing standards and considered on a preliminary basis that, these new standards and amendment to existing standards will not result in any substantive changes of the Group's existing accounting policies and presentation of the consolidated financial statements.

The Group is in the process of making an assessment of what the impact of these amendments and new standards is expected to be in the period of initial application. As the Group has not completed its assessment, further impacts may be identified in due course and will be taken into consideration when determining whether to adopt any of these new requirements before their effective date and which transitional approach to take, where there are alternative approaches allowed under the new standards.

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries) (together referred to as the "Group"). Control is achieved when the Company:

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

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

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(a) Basis of consolidation *(Continued)*

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

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

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

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

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

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

(b) Foreign currency translation

Foreign currency transactions during the year are translated at the foreign exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at the end of the reporting period. Exchange gains and losses are recognised in profit or loss, except those arising from foreign currency borrowings used to hedge a net investment in a foreign operation which are recognised in other comprehensive income.

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

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(b) Foreign currency translation *(Continued)*

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

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

(c) Property, plant and equipment

Oil and gas properties

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

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

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

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

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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

Other property, plant and equipment

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

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

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

Leasehold improvements	Over the shorter of the lease terms or 5 years
Furniture, fixtures and equipment	20% to 25%
Motor vehicles	30% (2017: 16% to 33%)

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

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

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

(d) Intangible assets

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

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

(e) Financial assets

The Group's accounting policies for financial assets other than investment in subsidiaries are set out below.

All financial assets are recognised when, and only when, the Group becomes a party to the contractual provisions of the instrument.

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

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(e) Financial assets *(Continued)*

Financial assets are initially stated at fair value plus directly attributable transaction costs, except for those financial assets measured at fair value through profit or loss (FVPL) for which transaction costs are recognised directly in profit or loss. Financial assets are subsequently accounted for as follows, depending on their classification.

(A) Policy applicable from 1 January 2018

Financial assets held by the Group are all classified as amortised cost. The financial asset is held for the collection of contractual cash flows which represent solely payments of principal and interest. Interest income is calculated using effective interest method.

(B) Policy applicable prior to 1 January 2018

Financial assets include trade and other receivables and bank balances are classified into loans and receivables.

Loan and receivables
Loans and receivables are non-derivative financial assets with fixed or determinable payments that are no quoted in an active market. Loans and receivables are subsequently measured at amortised cost using effective interest method, less any impairment losses. Amortised cost is calculated taking into account any discount or premium on acquisition and includes fees that are an integral part of the effective interest rate and transaction cost.

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

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(f) Credit losses and impairment of assets

i. Credit losses from financial instruments

A. Policy applicable from 1 January 2018

The Group recognises a loss allowance for expected credit losses ("ECLs") on the following items:

– financial assets measured at amortised cost (including cash and cash equivalents and trade and other receivables)

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all expected cash shortfalls (i.e. the difference between the cash flows due to the Group in accordance with the contract and the cash flows that the Group expects to receive).

The expected cash shortfalls are discounted using the following discount rate where the effect of discounting is material:

– fixed-rate financial assets and trade and other receivables: effective interest rate determined at initial recognition or an approximation thereof.

– variable rate financial assets: current effective interest rate.

The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

In measuring ECLs, the Group takes into account reasonable and supportable information that is available without undue cost or effort. This includes information about past events, current conditions and forecasts of future economic conditions.

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(f) Credit losses and impairment of assets *(Continued)*

i. Credit losses from financial instruments (Continued)

A. Policy applicable from 1 January 2018 (Continued)

Measurement of ECLs *(Continued)*

ECLs are measured on either of the following bases:

– 12-month ECLs: these are losses that are expected to result from possible default events within the 12 months after the reporting date; and

– lifetime ECLs: these are losses that are expected to result from all possible default events over the expected lives of the items to which the ECL model applies.

Loss allowances for trade receivables are always measured at an amount equal to lifetime ECLs. ECLs on trade receivables are estimated using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors and an assessment of both the current and forecast general economic conditions at the reporting date.

For all other financial instruments, the Group recognises a loss allowance equal to 12-month ECLs unless there has been a significant increase in credit risk of the financial instrument since initial recognition, in which case the loss allowance is measured at an amount equal to lifetime ECLs.

Significant increases in credit risk

In assessing whether the credit risk of a financial instrument has increased significantly since initial recognition, the Group compares the risk of default occurring on the financial instrument assessed at the reporting date with that assessed at the date of initial recognition. In making this reassessment, the Group considers that a default event occurs when (i) the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held); or (ii) the financial asset 90 days past due. The Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(f) Credit losses and impairment of assets *(Continued)*

i. Credit losses from financial instruments (Continued)

A. Policy applicable from 1 January 2018 (Continued)

Significant increases in credit risk *(Continued)*

In particular, the following information is taken into account when assessing whether credit risk has increased significantly since initial recognition:

– failure to make payments of principal or interest on their contractually due dates;

– an actual or expected significant deterioration in a financial instrument's external or internal credit rating (if available);

– an actual or expected significant deterioration in the operating results of the debtor; and

– existing or forecast changes in the technological, market, economic or legal environment that have a significant adverse effect on the debtor's ability to meet its obligation to the Group.

Depending on the nature of the financial instruments, the assessment of a significant increase in credit risk is performed on either an individual basis or a collective basis. When the assessment is performed on a collective basis, the financial instruments are grouped based on shared credit risk characteristics, such as past due status and credit risk ratings.

ECLs are remeasured at each reporting date to reflect changes in the financial instrument's credit risk since initial recognition. Any change in the ECL amount is recognised as an impairment gain or loss in profit or loss. The Group recognises an impairment gain or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account.

Basis of calculation of interest income

Interest income recognised in accordance with note 2.3(l)(iii) is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit-impaired, in which case interest income is calculated based on the amortised cost (i.e. the gross carrying amount less loss allowance) of the financial asset.

At each reporting date, the Group assesses whether a financial asset is credit-impaired. A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(f) Credit losses and impairment of assets *(Continued)*

i. Credit losses from financial instruments (Continued)

A. Policy applicable from 1 January 2018 (Continued)

Basis of calculation of interest income *(Continued)*

Evidence that a financial asset is credit-impaired includes the following observable events:

– significant financial difficulties of the debtor;

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

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

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

– the disappearance of an active market for a security because of financial difficulties of the issuer.

Write-off policy

The gross carrying amount of a financial asset or contract asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Group determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off.

Subsequent recoveries of an asset that was previously written off are recognised as a reversal of impairment in profit or loss in the period in which the recovery occurs.

B. Policy applicable prior to 1 January 2018

Prior to 1 January 2018, an "incurred loss" model was used to measure impairment losses on financial assets not classified as at FVPL (e.g. trade and other receivables). Under the "incurred loss" model, an impairment loss was recognised only when there was objective evidence of impairment.

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(f) Credit losses and impairment of assets *(Continued)*

i. *Credit losses from financial instruments (Continued)*

B. Policy applicable prior to 1 January 2018 (Continued)

Objective evidence of impairment included:

– significant financial difficulties of the debtor;

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

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

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

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

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

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

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(f) Credit losses and impairment of assets *(Continued)*

ii. Impairment of other non-current assets

The following assets are subject to impairment testing:

– Intangible assets;

– Property, plant and equipment; and

– The Company's interests in subsidiaries

All the above assets are tested for impairment whenever there are indications that the asset's carrying amount may not be recoverable.

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

For the purposes of assessing impairment, where an asset does not generate cash inflows largely independent from those from other assets, the recoverable amount is determined for the smallest group of assets that generate cash inflows independently (i.e. a cash-generating unit). As a result, some assets are tested individually for impairment and some are tested at cash-generating unit level.

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

(g) Cash and cash equivalents

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

(h) Financial liabilities

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

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

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(h) Financial liabilities *(Continued)*

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

i. *Trade and other payables*

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

ii. *Unsecured loans*

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

(i) Contract liabilities

A contract liability is recognised when the customer pays consideration before the Group recognises the related revenue. A contract liability would also be recognised if the Group has an unconditional right to receive consideration before the Group recognises the related revenue. In such cases, a corresponding receivable would also be recognised.

(j) Leases

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

i. *Classification of assets leased to the Group*

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

ii. *Operating lease charges as the lessee*

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

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(k) Provisions and contingent liabilities

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

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

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

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

(l) Share capital

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

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

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

(m) Revenue recognition

Revenue is recognised when control over a product or service is transferred to the customers at the amount of promised consideration to which the Group is expected to be entitled, excluding those amounts collected on behalf of third parties. Revenue excludes value added tax or other sales taxes and is after deduction of any trade discounts.

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(m) Revenue recognition *(Continued)*

Further details of the Group's revenue and other income recognition polices are as follows:

i. Oil and gas sales are recognised when the customer accepts and takes the control of the products, being when the products are physically transferred into a vessel, pipe or other delivery mechanism agreed with customers. In the comparative period, revenue from oil and gas sales are recognised when the significant risks and rewards of ownership have been transferred to the customers. This generally occurs when products are physically transferred into a vessel, pipe or other delivery mechanism.

ii. Revenue from trading of oil-related products is recognised when the customer accepts and takes the control of the products. In the comparative period, revenue from trading of oil-related products was recognised when the customer had accepted the related risks and rewards of ownership, which generally coincides with the time when the goods are delivered and the title has passed to the customers.

iii. Interest income is recognised as it accrues using the effective interest method. For financial assets measured at amortised cost that are not credit-impaired, the effective interest rate is applied to the gross carrying amount of the asset. For credit-impaired financial assets, the effective interest rate is applied to the amortised cost (i.e. gross carrying amount net of loss allowance) of the financial asset (see note 2.3(f)(i)).

iv. Other income is recognised whenever it is received or receivable.

(n) Employee benefits

i. ***Retirement benefits***

Retirement benefits to employees are provided through defined contribution plans.

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

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

ii. ***Share-based employee compensation***

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

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

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(n) Employee benefits *(Continued)*

ii. Share-based employee compensation *(Continued)*

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

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

(o) Income taxes

Income tax comprises current tax and deferred tax.

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

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(o) Income taxes *(Continued)*

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

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

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

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

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

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

(a) the Group has the legally enforceable right to set off the recognised amounts; and

(b) intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

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

(a) the entity has a legally enforceable right to set off current tax assets against current tax liabilities; and

(b) the deferred tax assets and the deferred tax liabilities relate to income taxes levied by the same taxation authority on either:

  (i) the same taxable entity; or

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

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(p) Segment reporting

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

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

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

- finance costs
- income tax
- corporate income and expenses which are not directly attributable to the business activities of any operating segment are not included in arriving at the operating results of the operating segment.

Segment assets exclude corporate assets which are not directly attributable to the business activities of any operating segment. Corporate assets include certain property, plant and equipment, prepayment, deposits and other receivables and bank balances and cash.

Segment liabilities exclude deferred tax liabilities and corporate liabilities which are not directly attributable to the business activities of any operating segment. Corporate liabilities include other payables and accruals, unsecured loans, obligations under finance lease and tax payable.

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(q) Related parties

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

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

(b) has significant influence over the Group; or

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

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

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

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

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

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

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

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

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

(h) The entity, or any member of a group of which it is a part, provide key management personnel services to the Group or to the Group's parent.

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

(r) Borrowing costs

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

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

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

Estimation of oil and natural gas reserves

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

Estimation of impairment of oil and gas assets and intangible assets

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

Estimation of asset retirement obligations

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

Trading of oil-related products business acts as a principal

The Group assesses its business relationship with suppliers and customers in respect of the trading of oil-related products business and determines that the Group acts as a principal.

The factors taken into account by the management include:

(i) The Group has the primary responsibility for fulfilling the promise to provide the specified goods.

(ii) The Group has inventory risk before the specified goods have been transferred to a customer and the Group is exposed to significant inventory risk.

(iii) The Group has discretion in establishing the price for the oil-related products with the customers.

4. SEGMENT INFORMATION

The Group is principally engaged in (i) exploring, exploiting and sales of oil and natural gas ("Oil and gas sales"), and (ii) trading of oil-related products.

2018

	Oil and gas sales *HK$'000*	Trading of oil-related products *HK$'000*	Total *HK$'000*
Revenue			
– Sales of oil and gas:			
recognised at a point in time			
– United States of America ("USA")	191	–	191
– Sales of oil-related products:			
recognised at a point in time			
– Hong Kong	–	73,845	73,845
	191	73,845	74,036
Segment (loss)/profit	(2,585)	230	(2,355)
Unallocated income			100
Unallocated expenses			(37,662)
Finance costs			(19,645)
Loss before tax			(59,562)
Income tax credit			860
Loss for the year			(58,702)
Segment assets	297,446	12,628	310,074
Unallocated assets			8,941
Total assets			319,015
Segment liabilities	5,490	12,402	17,892
Deferred tax liabilities			34,984
Unallocated liabilities			127,862
Total liabilities			180,738
Depreciation, depletion and amortisation	279	–	

4. SEGMENT INFORMATION *(Continued)*

2017

	Oil and gas sales *HK$'000*	Trading of oil-related products *HK$'000*	Total *HK$'000*
Revenue			
– Sales of oil and gas: recognised at a point in time			
– USA	395	–	395
– Sales of oil-related products: recognised at a point in time			
– Hong Kong	–	35,199	35,199
Segment revenue	395	35,199	35,594
Segment (loss)/profit	(395,721)	35	(395,686)
Unallocated income			1,686
Unallocated expenses			(25,480)
Loss on disposal of subsidiaries			(21,585)
Finance costs			(6,194)
Loss before tax			(447,259)
Income tax credit			95,590
Loss for the year			(351,669)
Segment assets	297,991	4,058	302,049
Unallocated assets			5,699
Total assets			307,748
Segment liabilities	5,568	5,993	11,561
Deferred tax liabilities			35,844
Unallocated liabilities			63,364
Total liabilities			110,769
Impairment loss on intangible assets	344,545	–	
Impairment loss on property, plant and equipment	49,861	–	
Interest income	5	–	
Depreciation, depletion and amortisation	279	–	

4. SEGMENT INFORMATION *(Continued)*

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

	Revenue from external customers		Specified non-current assets	
	2018	2017	**2018**	2017
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Hong Kong (place of domicile)	**73,845**	35,199	**4,366**	33
USA	**191**	395	**294,312**	294,005
	74,036	35,594	**298,678**	294,038

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

The Group's customer base includes five (2017: two) customers with whom transactions have exceeded 10% of the Group's total revenue. Revenue from sales to these customers were amounted to HK$20,085,000, HK$14,921,000, HK$11,569,000, HK$9,228,000 and HK$8,348,000 respectively (2017: HK$15,078,000 and HK$13,663,000 respectively) and all of them were related to trading of oil-related products segment.

5. FINANCE COSTS

	2018	2017
	HK$'000	*HK$'000*
Interest expenses on unsecured loans	**8,933**	6,194
Debts settlement expenses *(note)*	**10,692**	–
Finance charges on obligations under finance lease	**17**	–
Interest on bank overdrafts	**3**	–
	19,645	6,194

Note: Include in debts settlement expenses there was HK$561,000 related to overdue interest payable to a trade creditor and the remaining balance of HK$10,131,000 was related to unsecured loans.

6. LOSS BEFORE TAX

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

	2018	2017
	HK$'000	*HK$'000*
Depreciation, depletion and amortisation	**2,269**	387
Operating lease charges in respect of land and buildings	**3,657**	2,451
Auditor's remuneration:		
– Annual audit	**800**	780
– Other assurance services	**150**	150
Impairment loss on other receivables	**–**	1,680
Gain on disposal of property, plant and equipment	**–**	(199)
Legal and professional fees	**7,755**	1,230
Financial advisory fee	**1,458**	–
Employee benefit expense, including director emoluments:		
– Salaries and allowances	**16,330**	14,852
– Retirement scheme contributions	**190**	200

7. INCOME TAX CREDIT

No provision for Hong Kong Profits Tax has been made as the Group has no assessable profits for the year (2017: Hong Kong Profits Tax is arrived at 16.5% on the estimated assessable profits for the year). Taxation on overseas profits has been calculated on the estimated assessable profits for the year at the rates of taxation prevailing in the country in which the Group operates.

The tax rate adopted to measure the deferred tax balances is reduced to 21% to reflect the reduction in the US federal tax rate since 1 January 2018.

	2018	2017
	HK$'000	*HK$'000*
Current tax expense	**–**	2
Deferred tax credit	**(860)**	(95,592)
	(860)	(95,590)

7. INCOME TAX CREDIT *(Continued)*

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

	2018	2017
	HK$'000	*HK$'000*
Loss before tax	**(59,562)**	(447,259)
Notional tax on profit before tax, calculated at the rates applicable to profits in the tax jurisdiction concerned	**(10,017)**	(78,579)
Tax effect of non-taxable revenue	**(53)**	(25)
Tax effect of non-deductible expenses	**8,273**	16,494
Tax effect of tax losses not recognised	**705**	671
Tax effect of unrecognised temporary differences	**232**	10
Tax relief for the year	**–**	(7)
Effect of change in tax rate	**–**	(34,154)
Income tax credit	**(860)**	(95,590)

8. DIVIDENDS

The Directors did not recommend the payment of a final dividend for the year ended 31 December 2018 (2017: Nil).

9. LOSS PER SHARE

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

	2018	2017
	HK$'000	*HK$'000*
Loss for the year attributable to owners of the Company *(HK$'000)*	**(58,415)**	(351,633)
Weighted average number of ordinary shares in issue *('000)*	**3,245,520**	3,245,520
Basic loss per share *(HK cents)*	**(1.80)**	(10.83)

During the years ended 31 December 2018 and 31 December 2017, diluted loss per share equals to basic loss per share as the potential ordinary shares were not included in the calculation of diluted loss per share because they are anti-dilutive.

10. DIRECTORS' REMUNERATION AND SENIOR MANAGEMENT'S EMOLUMENTS

(a) Directors' emoluments

2018

	Directors' fees *HK$'000*	Salaries, allowances and benefits in kind *HK$'000*	Pension scheme contributions *HK$'000*	Total *HK$'000*
Executive directors:				
Fan Amy Lizhen	–	3,310	18	3,328
Cheung Kam Shing, Terry	–	2,130	18	2,148
Tang Yau Sing	–	2,130	18	2,148
Liu Gui Feng (appointed on 28 November 2018)	–	83	–	83
Xiao Li (appointed on 28 November 2018)	–	67	2	69
Lin Qing Yu (appointed on 3 October 2018)	–	138	3	141
Cheung Ka Chun, David (retired on 29 June 2018)	–	1,138	9	1,147
Independent non-executive directors:				
Xing Yong (appointed on 28 November 2018)	11	–	–	11
Shi Wen Jiang (appointed on 28 November 2018)	11	–	–	11
Chen Zhong Min (appointed on 28 November 2018)	11	–	–	11
Jiang Cai Yi (appointed on 28 November 2018)	11	–	–	11
Zhang Yue Yang (appointed on 28 November 2018)	11	–	–	11
He Jun (appointed on 28 November 2018)	11	–	–	11
Chen Xue Hui (appointed on 3 October 2018)	30	–	–	30
Hu Jing (appointed on 3 October 2018)	30	–	–	30
Lyu Jia Lian (appointed on 3 October 2018)	30	–	–	30
Lum Pak Sum (retired on 29 June 2018)	150	–	–	150
Chan Sung Wai (retired on 29 June 2018)	150	–	–	150
Koo Luen Bong (retired on 29 June 2018)	150	–	–	150
Chau Wing Man (retired on 29 June 2018)	150	–	–	150
Wang Jing Ting (retired on 29 June 2018)	150	–	–	150
Lam Kwan (retired on 29 June 2018)	150	–	–	150
Chan Kwan Pak (retired on 29 June 2018)	150	–	–	150
	1,206	8,996	68	10,270

Note:

No emoluments were paid by the Group to any directors as inducement to join or upon joining the Group or as compensation for loss of office during the year ended 31 December 2018.

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

(a) Directors' emoluments *(Continued)*

2017

	Directors' fees *HK$'000*	Salaries, allowances and benefits in kind *HK$'000*	Pension scheme contributions *HK$'000*	Total *HK$'000*
Executive directors:				
Fan Amy Lizhen	–	2,000	18	2,018
Tang Yau Sing	–	1,320	18	1,338
Cheung Kam Shing, Terry	–	1,320	18	1,338
Cheung Ka Chun, David (appointed on 16 August 2017)	–	572	8	580
Liu Ju (resigned on 16 August 2017)	–	700	–	700
Wong Hiu Tung (resigned on 24 August 2017) *(note)*	–	2,702	12	2,714
Zhou Li Yang (resigned on 16 May 2017)	–	790	8	798
Independent non-executive directors:				
Lum Pak Sum (appointed on 6 December 2017)	21	–	–	21
Chan Sung Wai (appointed on 6 December 2017)	21	–	–	21
Koo Luen Bong (appointed on 16 August 2017)	78	–	–	78
Chau Wing Man (appointed on 16 August 2017)	78	–	–	78
Wang Jing Ting (appointed on 9 August 2017)	119	–	–	119
Lam Kwan	300	–	–	300
Chan Kwan Pak	300	–	–	300
Yuen Sau Ying, Christine (retired on 16 May 2017)	113	–	–	113
	1,030	9,404	82	10,516

Note:

HK$2,001,500 was paid by the Group as compensation for loss of office during the year ended 31 December 2017.

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

(b) Five highest paid individuals

During the year ended 31 December 2018, out of the five individuals with the highest emoluments in the Group, four were directors of the Company whose emoluments, details are set out in note 10(a) above. The emoluments of the remaining one individual for the year ended 31 December 2018 were as follows:

	2018 ***HK$'000***
Salaries and other benefits	**1,530**
Retirement benefits scheme contributions	**18**
	1,548

	Number of Individual 2018
Emoluments band	
HK$1,500,001 – HK$2,000,000	**1**

During the year ended 31 December 2017, the five highest paid employees in the Group were the Directors, details of whose emoluments, are disclosed in note 10(a).

11. PROPERTY, PLANT AND EQUIPMENT

	Oil and gas properties HK$'000	Leasehold improvements HK$'000	Furniture, fixtures and equipment HK$'000	Motor vehicles HK$'000	Total HK$'000
Cost					
At 1 January 2017	89,519	85	12,168	1,684	103,456
Additions	–	–	25	–	25
Disposal	–	–	–	(1,684)	(1,684)
Disposal of subsidiaries	–	–	(11,579)	–	(11,579)
At 31 December 2017 and 1 January 2018	89,519	85	614	–	90,218
Additions	589	5,216	466	638	6,909
Eliminated on disposal	–	(85)	–	–	(85)
At 31 December 2018	**90,108**	**5,216**	**1,080**	**638**	**97,042**
Accumulated depreciation					
At 1 January 2017	1,437	85	12,105	1,462	15,089
Charge for the year	224	–	47	61	332
Impairment for the year	49,861	–	–	–	49,861
Eliminated on disposal	–	–	–	(1,523)	(1,523)
Disposal of subsidiaries	–	–	(11,579)	–	(11,579)
At 31 December 2017 and 1 January 2018	51,522	85	573	–	52,180
Charge for the year	223	1,739	107	144	2,213
Eliminated on disposal	–	(85)	–	–	(85)
At 31 December 2018	**51,745**	**1,739**	**680**	**144**	**54,308**
Net book value					
At 31 December 2018	**38,363**	**3,477**	**400**	**494**	**42,734**
At 31 December 2017	37,997	–	41	–	38,038

During the year, addition to motor vehicles financed by new finance lease was HK$638,000 (2017: Nil). At the end of the reporting period, the net book value of motor vehicles held under finance lease was HK$494,000 (2017: Nil).

12. INTANGIBLE ASSETS

	Oil and gas processing rights HK$'000
Cost	
At 1 January 2017, 31 December 2017, 1 January 2018 and 31 December 2018	2,818,920
Accumulated amortisation and impairment	
At 1 January 2017	2,218,320
Amortisation for the year	55
Impairment for the year	344,545
At 31 December 2017 and 1 January 2018	2,562,920
Amortisation for the year	56
At 31 December 2018	**2,562,976**
Net carrying amounts	
At 31 December 2018	**255,944**
At 31 December 2017	256,000

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

For the purpose of impairment testing, property, plant and equipment set out in note 11 and intangible assets set out in note 12 have been allocated to the oil and gas segment of the Group, which is an individual CGU.

The recoverable amount for this CGU was determined based on fair value, reflecting market conditions less cost of disposal (2017: value-in-use) calculation with reference to a valuation performed by an independent valuer, BMI Appraisals Limited. The fair value less cost of disposal (2017: value-in-use) calculations use cash flow projections of 32 years, which is the expected period of time estimated by the management to fully utilise the reserve as per the latest competent person report, and a discount rate of 14.31% (2017: 15.18%). The management determined the key assumptions based on past performance and expectation on market development by reference to market information such as forecast to future oil and gas prices, historical growth rate of oil and gas prices and expectation on oil and gas consumption.

The fair value measurement in the impairment assessment is categorised in level 3 of the fair value hierarchy.

After assessing the information, the management of the Company considered that no provision for impairment in relation to oil and gas processing rights was made during the year (2017: Impairment loss on intangible assets of approximately HK$344,545,000 and an impairment loss on the oil and gas properties under property, plant and equipment of approximately HK$49,861,000 was recognised).

13. TRADE RECEIVABLES

At 31 December 2017, all trade receivables were from trading of oil-related products segment with an ageing period, by invoice date, within 30 days at the year end. These receivables were not past due and were expected to be recovered within one year. Receivables that were neither past due nor impaired related to a wide range of customers for whom there was no recent history of default.

14. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2018 *HK$'000*	2017 *HK$'000*
Prepayments	**5,317**	4,488
Rental and other deposits paid	**1,089**	1,530
Deposit paid for acquiring Russia oil fields *(note (a))*	**69,929**	69,929
Trade deposits paid *(note (b))*	**40,704**	28,396
Other receivables	**2,310**	2,328
	119,349	106,671
Less: Impairment loss on other receivables *(note (a) and (c))*	**(71,609)**	(71,609)
Less: Impairment loss on trade deposits paid *(note (b))*	**(28,396)**	(28,396)
	19,344	6,666

Notes:

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

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

To date, the Company has received US$500,000 out of the initial consideration paid under the S & P Agreement. In 2014, the Company considered that the remaining balance should be fully impaired for conservative accounting purpose. The Company is still chasing for the return of the remaining balance.

(b) In 2015, plastic recycling business has experienced a significant downturn and no sales transactions were made to avoid potential losses. In view of the overall environment for this business segment, the Group decided to provide full impairment on the related trade deposits at HK$28,396,000. The remaining balance of HK$12,308,000 was deposit paid for trading of oil-related products during the year.

(c) Included in the above provision for impairment of other receivables is a provision of HK$1,680,000 for receivables from an individual that was in default on principal payments and the amount is not expected to be recovered in the foreseeable future.

14. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES *(Continued)*

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

15. BANK BALANCES AND CASH

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

16. TRADE PAYABLES

At 31 December 2017, all trade payables were from trading of oil-related products segment with an ageing period, by invoice date, within 30 days at the year end and were expected to be settled within one year.

17. OTHER PAYABLES AND ACCRUALS

	2018	2017
	HK$'000	*HK$'000*
Accruals	**6,805**	1,590
Accrued directors' fee and salaries	**8,332**	1,735
Accrued debts settlement expenses	**6,910**	–
Contract liabilities *(note (a))*	**12,402**	–
Interests payables	**3,293**	1,736
Other payables	**1,846**	1,990
	39,588	7,051

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

17. OTHER PAYABLES AND ACCRUALS *(Continued)*

Notes:

(a) Contract liabilities

	2018	2017
	HK$'000	*HK$'000*
Contract liabilities		
Trading of oil-related products		
– Sales deposits received	**12,402**	–
Movement in contract liabilities:		
At 1 January	**–**	–
Increase in contract liabilities as a result of receiving sales deposits	**12,402**	–
At 31 December	**12,402**	–

When the Group receives a deposit before delivery this will give rise to contract liabilities at the inception of a sales contract, until the revenue recognised when the customer accepts and takes control of the products.

18. UNSECURED LOANS

	HK$'000
At 1 January 2017	33,000
Proceeds from unsecured loans	78,300
Repayment of unsecured loans	(53,000)
At 31 December 2017 and 1 January 2018	58,300
Proceeds from unsecured loans	114,253
Repayment of unsecured loans	(70,460)
At 31 December 2018	102,093

Unsecured loans of HK$70,000,000 (2017: HK$58,300,000) carrying interest at 12% (2017: 8% to 13%) per annum are repayable within one year.

As at 31 December 2018, unsecured loans of HK$25,000,000 and HK$1,990,000 were overdue and carried interest rate of 16% per annum. These loans were still outstanding up to the date of this report (2017: Nil).

Included in unsecured loans were amount of HK$4,623,000 (2017: Nil) and HK$480,000 (2017: Nil) due to directors Ms. Fan Amy Lizhen and Mr. Tang Yau Sing respectively. Except for the amount of HK$4,000,000 due to Ms. Fan Amy Lizhen carrying interest at 8% per annum and repayable within one year, all the remaining balances were interest free and repayable on demand.

19. OBLIGATIONS UNDER FINANCE LEASE

At 31 December 2018, the Group had obligations under finance lease repayable as follows:

	Minimum lease payments		Present value of minimum lease payments	
	2018	2017	**2018**	2017
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Amounts payable under finance lease:				
– within one year	**140**	–	**120**	–
– in the second to fifth years	**398**	–	**372**	–
	538	–	**492**	–
Deduct: Total future interest expenses	**(46)**	–		
Present value of lease obligations	**492**	–		

20. DEFERRED TAX

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

	Fair value adjustment on intangible assets	Tax losses	Total
	HK$'000	*HK$'000*	*HK$'000*
At 1 January 2017	147,147	(15,711)	131,436
Effect of change in tax rate			
– recognised in profit or loss	(41,034)	6,880	(34,154)
Recognised in profit or loss	(60,838)	(600)	(61,438)
At 31 December 2017 and 1 January 2018	45,275	(9,431)	35,844
Recognised in profit or loss	–	(860)	(860)
At 31 December 2018	45,275	(10,291)	34,984

20. DEFERRED TAX *(Continued)*

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

	2018 **HK$'000**	2017 HK$'000
Deferred tax assets	**(10,291)**	(9,431)
Deferred tax liabilities	**45,275**	45,275
Net deferred tax liabilities	**34,984**	35,844

At the end of the reporting period, the Group has unused tax losses of approximately HK$48,356,000 (2017: HK$44,084,000) available for offset against future profits. However, no deferred tax asset in respect of them had been recognised due to the unpredictability of future profit streams even through those tax losses may be carried forward indefinitely.

21. ASSET RETIREMENT OBLIGATIONS

	2018 **HK$'000**	2017 HK$'000
At 1 January 2017, 31 December 2017, 1 January 2018 and 31 December 2018	**3,579**	3,579

Asset retirement obligations ("ARO") are the provision for the cost associated with the Group's obligation to plug and abandon all oil and gas wells and remediate the surface of the site once production ceases on a lease.

22. SHARE CAPITAL

	2018		2017	
	Number of shares '000	**HK$'000**	Number of shares '000	HK$'000
Authorised:				
Ordinary shares of HK$0.1 each	**200,000,000**	**20,000,000**	200,000,000	20,000,000
Issued and fully paid:				
At 1 January and 31 December	**3,245,520**	**324,552**	3,245,520	324,552

23. SHARE OPTION SCHEME

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

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

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

Share options and weighted average exercise price are as follows:

	2018		2017	
	Number	**Weighted average exercise price**	Number	Weighted average exercise price
	'000	***HK$***	*'000*	*HK$*
Outstanding at 1 January	**102,590**	**0.7453**	149,710	0.7093
Lapsed	**(27,700)**	**0.6044**	(47,120)	0.6308
Outstanding at 31 December	**74,890**	**0.7975**	102,590	0.7453
Exercisable at 31 December	**74,890**	**0.7975**	102,590	0.7453

23. SHARE OPTION SCHEME *(Continued)*

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

Grantee	Date of grant	Period during which options are exercisable	Outstanding as at 1 January 2018	Granted during the year	Exercised during the year	Lapsed during the year	Outstanding as at 31 December 2018	Exercise price per share option *HK$*
Directors								
Lam Kwan	10 April 2013	1 September 2013 – 14 July 2019	5,000,000	–	–	(5,000,000)	–	0.52
Chan Kwan Pak	10 April 2013	1 September 2013 – 14 July 2019	3,000,000	–	–	(3,000,000)	–	0.52
			8,000,000	–	–	(8,000,000)	–	
Consultants	9 June 2010	9 June 2010 – 14 July 2019	22,200,000	–	–	–	22,200,000	0.9416
	10 April 2013	1 September 2013 – 14 July 2019	3,000,000	–	–	–	3,000,000	0.52
Employees	5 August 2009	5 August 2009 – 14 July 2019	3,600,000	–	–	(3,600,000)	–	0.4666
	9 June 2010	9 June 2010 – 14 July 2019	30,090,000	–	–	(6,000,000)	24,090,000	0.9416
	27 June 2011	27 June 2011 – 14 July 2019	3,000,000	–	–	–	3,000,000	0.9416
	10 April 2013	1 September 2013 – 14 July 2019	32,700,000	–	–	(10,100,000)	22,600,000	0.52
			94,590,000	–	–	(19,700,000)	74,890,000	
			102,590,000	–	–	(27,700,,000)	74,890,000	

The share options outstanding at 31 December 2018 had a weighted average remaining contractual life of 0.53 year (2017: 1.53 years).

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

24. RESERVES

Group

Capital reserve

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

Treasury shares reserve

The reserve for the Company's own shares comprises the cost of the Company's shares held by the Group. At 31 December 2018 the Group held 4,872,000 ordinary shares of the Company (31 December 2017: 4,872,000 ordinary shares).

Company

	Share premium *HK$'000*	Contributed surplus *HK$'000*	Share option reserve *HK$'000*	Accumulated losses *HK$'000*	Total *HK$'000*
At 1 January 2017	2,223,486	45,348	41,919	(2,241,098)	69,655
Total comprehensive loss for the year	–	–	–	(196,768)	(196,768)
Share options lapsed	–	–	(12,965)	12,965	–
At 31 December 2017 and 1 January 2018	2,223,486	45,348	28,954	(2,424,901)	(127,113)
Total comprehensive loss for the year	–	–	–	(63,546)	(63,546)
Share options lapsed	–	–	(6,922)	6,922	–
At 31 December 2018	**2,223,486**	**45,348**	**22,032**	**(2,481,525)**	**(190,659)**

24. RESERVES *(Continued)*

Notes:

Contributed surplus

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

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

(a) it is, or would after the payment be, unable to pay its liabilities as they become due; or

(b) the realisable value of its assets would thereby be less than the aggregate of its liabilities and its issued share capital and share premium.

Share premium

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

No Company's reserves were available for distribution to shareholders as at 31 December 2018 (2017: Nil).

25. DISPOSAL OF SUBSIDIARIES

Loss on disposal of Joyful Delight Limited

On 30 June 2017, a wholly-owned subsidiary of the Company entered into a sale and purchase agreement with an independent third party to dispose of the 100% of issued share capital of Joyful Delight Limited and its subsidiaries ("Joyful Group") at the consideration of HK$1,000. Joyful Delight Limited was principally engaged in investment holding. The transaction was completed on 1 July 2017. The assets and liabilities of Joyful Group at disposal date are disclosed as below:

	2017 *HK$'000*
Net assets disposed of:	
– Cash and bank balances	13
– Amount due to the Group	(58,657)
	(58,644)
Non- controlling interests	21,573
	(37,071)
Amount due to the Group disposed of	58,657
Loss on disposal of Joyful Group	(21,585)
Satisfied by:	
Cash	1

An analysis of the net outflow of cash and cash equivalents in respect of the disposal of a Joyful Group is as follows:

	2017 *HK$'000*
Cash consideration	1
Cash and bank balances disposed of	(13)
Net outflow of cash and cash equivalents in respect of the disposal of Joyful Group	(12)

26. OPERATING LEASE COMMITMENT

The Group leases certain office properties under operating leases. The leases are negotiated for terms of three years (2017: One to three years). At 31 December 2018, the total future minimum lease payments payable by the Group under non- cancellable operating leases in respect of land and buildings are as follows:

	2018	2017
	HK$'000	*HK$'000*
Within one year	**3,654**	3,654
In the second to fifth years	**3,196**	6,850
	6,850	10,504

27. RELATED PARTY TRANSACTIONS

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

(i) Key management personnel remuneration

	2018	2017
	HK$'000	*HK$'000*
Key management personnel:		
– Short term employee benefits	**10,202**	10,434
– Pension scheme contribution	**68**	82
	10,270	10,516

(ii) Directors' material interests in transactions and arrangement

	2018	2017
	HK$'000	*HK$'000*
Interest expenses on unsecured loans paid to a director		
– Ms. Fan Amy Lizhen	**72**	–

28. FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENTS

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

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

28.1 Categories of financial assets and liabilities

(i) Financial assets

	2018	2017
	HK$'000	*HK$'000*
At amortised cost (2017: Loans and receivables):		
– Trade receivables	**–**	2,541
– Deposits and other receivables	**1,719**	2,178
– Bank balances and cash	**993**	4,503
	2,712	9,222

(ii) Financial liabilities

	2018	2017
	HK$'000	*HK$'000*
At amortised cost:		
– Trade payables	**–**	5,993
– Other payables and accruals	**39,588**	7,051
– Unsecured loans	**102,093**	58,300
– Obligations under finance lease	**492**	–
	142,173	71,344

28. FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENTS *(Continued)*

28.2 Foreign currency risk

The functional currency and reporting currency of the Company and its subsidiaries is Hong Kong Dollars, except that the functional currency of the Group's USA subsidiary is US Dollars.

As at 31 December 2018 and 2017, the Group was not exposed to any significant currency risk as substantially all of the Group's transactions are denominated in the functional currency of the entity of which the transactions are related.

28.3 Interest rate risk

The Group's interest-earning financial assets comprise bank balances. The Group is exposed to fair value interest rate risk in relation to fixed rate borrowings, the Group's policy is to obtain the most favourable interest rates available and also by reviewing the terms of the interest-bearing liabilities to minimise the adverse effects of changes in interest rates.

28.4 Credit risk

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

The maximum exposure to credit risk on recognised financial assets is limited to the carrying amount of receivables at the reporting date as summarised in note 28.1(i).

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

In respect of trade receivables, credit evaluations are performed on all customers requiring credit over a certain amount. Debtors with overdue balances, which will be reviewed on a case-by-case basis, are requested to settle all outstanding balances before any further credit is granted. Normally, the Group does not obtain collateral from customers.

The group's exposure to credit risk is influenced mainly by the individual characteristics of each customer rather than the industry or country in which the customers operate and therefore significant concentrations of credit risk primarily arise when the group has significant exposure to individual customers.

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

28.5 Liquidity risk

In the opinion of the directors, the Group should have adequate resources to meet its obligation in the forthcoming year on the basis set out in note 2.1 to the consolidated financial statements.

28. FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENTS *(Continued)*

28.5 Liquidity risk *(Continued)*

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

	2018			
	Carrying amount *HK$'000*	**Total contractual undiscounted cash flow** *HK$'000*	**Within 1 year or on demand** *HK$'000*	**More than 1 year but less than 5 years** *HK$'000*
Other payables and accruals	**27,186**	**27,186**	**27,186**	**–**
Unsecured loans	**102,093**	**102,900**	**102,900**	**–**
Obligations under finance lease	**492**	**538**	**140**	**398**
	129,771	**130,624**	**130,226**	**398**

	2017			
	Carrying amount *HK$'000*	Total contractual undiscounted cash flow *HK$'000*	Within 1 year or on demand *HK$'000*	More than 1 year but less than 5 years *HK$'000*
Trade payables	5,993	5,993	5,993	–
Other payables and accruals	7,051	7,051	7,051	–
Unsecured loans	58,300	61,442	61,442	–
	71,344	74,486	74,486	–

28.6 Fair value measurements

The directors of the Company consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the consolidated financial statements approximate their fair values.

29. CAPITAL MANAGEMENT

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

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

30. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

The table below details changes in the Group's liabilities from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are liabilities for which cash flows were, or future cash flows will be, classified in the Group's consolidated statement of cash flow as cash flows from financing activities.

	Unsecured loans *HK$'000*	Obligations under finance lease *HK$'000*	Total *HK$'000*
At 1 January 2018	**60,036**	**–**	**60,036**
Changes from financing cash flow:			
Proceeds from unsecured loans	**114,253**	**–**	**114,253**
Repayment of unsecured loans	**(70,460)**	**–**	**(70,460)**
Interest paid	**(7,376)**	**–**	**(7,376)**
Debts settlement expenses paid	**(3,221)**	**–**	**(3,221)**
Capital element of finance lease rentals paid	**–**	**(146)**	**(146)**
Interest element of finance lease rentals paid	**–**	**(17)**	**(17)**
Total changes from financing cash flows	**33,196**	**(163)**	**33,033**
Other changes			
Interest expenses	**8,933**	**–**	**8,933**
Debts settlement expenses	**10,131**	**–**	**10,131**
New finance lease	**–**	**638**	**638**
Finance charges on obligations under finance lease	**–**	**17**	**17**
Total other changes	**19,064**	**655**	**19,719**
At 31 December 2018	**112,296***	**492**	**112,788**

* Included in other payables and accruals, there were interest payables and accrued debts settlement expenses of HK$3,293,000 and HK$6,910,000 respectively on unsecured loans

	Unsecured loans *HK$'000*	Obligations under finance lease *HK$'000*	Total *HK$'000*
At 1 January 2017	33,215	–	33,215
Changes from financing cash flow:			
Proceeds from unsecured loans	78,300	–	78,300
Repayment of unsecured loans	(53,000)	–	(53,000)
Interest paid	(4,673)	–	(4,673)
Total changes from financing cash flows	20,627	–	20,627
Other changes			
Interest expenses	6,194	–	6,194
At 31 December 2017	60,036*	–	60,036

* Included in other payables and accruals, there were interest payables of HK$1,736,000 on unsecured loans

31. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	2018	2017
	HK$'000	*HK$'000*
Non-current assets		
Interests in subsidiaries	**298,657**	305,012
Current assets		
Prepayment, deposits and other receivables	**3,665**	2,072
Bank balances and cash	**328**	1,325
	3,993	3,397
Current liabilities		
Amounts due to subsidiaries	**46,000**	47,995
Other payables and accruals	**24,664**	4,675
Unsecured loans	**98,093**	58,300
	168,757	110,970
Net current liabilities	**(164,764)**	(107,573)
Net assets	**133,893**	197,439
Equity		
Share capital	**324,552**	324,552
Reserves	**(190,659)**	(127,113)
Total equity	**133,893**	197,439

Liu Gui Feng
Executive Director

Cheung Kam Shing, Terry
Executive Director

32. PRINCIPAL SUBSIDIARIES

Particulars of the principal subsidiaries at 31 December 2018 are as follows:

Name of company	Place of incorporation/ operation	Issued ordinary share capital	Percentage of issued capital held indirectly by the Company	Principal activities
Pearl Oriental International Assets Limited	Hong Kong	HK$1	100%	Provision of corporate services
Festive Oasis Limited	The British Virgin Islands ("BVI")	US$1,000	100%	Investment holding
Shiny One Limited	BVI	US$100	100%	Investment holding
Shiny One, USA, LLC	USA	N/A	100%	Exploration, development, production and sales of natural gas and oil
Jet United Development Limited	Hong Kong	HK$1	100%	Trading of oil-related products

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

Five Year Financial Summary

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

RESULTS

	2018	2017	2016	2015	2014
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
		(Reclassified)	(Restated)	(Restated)	(Restated)
Turnover	**74,036**	35,594	518	889	97,367
(Loss)/profit before tax	**(59,562)**	(447,259)	182,766	(1,955,366)	(125,960)
Income tax credit/(expense)	**860**	95,590	(48,450)	469,166	1,979
(Loss)/profit for the year	**(58,702)**	(351,669)	134,316	(1,486,200)	(123,981)
(Loss)/profit for the year attributable to:					
Owners of the Company					
– from continuing operations	**(58,415)**	(351,633)	132,844	(1,461,623)	(119,954)
– from discontinued operations	**–**	–	(769)	(25,954)	(3,171)
Non-controlling interests					
– from continuing operations	**(287)**	(36)	2,241	400	413
– from discontinued operations	**–**	–	–	977	(1,269)
	(58,702)	(351,669)	134,316	(1,486,200)	(123,981)
Total assets	**319,015**	307,748	698,559	511,024	2,453,087
Total liabilities	**(180,738)**	(110,769)	(171,484)	(118,265)	(576,208)
Net assets	**138,277**	196,979	527,075	392,759	1,876,879