東方明珠石油有限公司*

Pearl Oriental Oil Limited

(the "Company")

(Incorporated in Bermuda with limited liability)

(Stock Code: 632)

RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2013

CHAIRMAN'S STATEMENT

Dear Shareholders,

The consolidated revenue of Pearl Oriental Oil Limited ("Pearl Oriental" or the "Company") and its subsidiaries (the "Group") for the financial year ended 31 December 2013 was HK$409.48 million, or loss of HK$162.61 million after tax. The main reason for the loss last year was the recognition of unrealised loss of HK$75.32 million for secured financial assets at fair value through profit or loss held by the Company and also the book value cost of HK$26.57 million arising from issue of share options for retaining talent staff during the restructuring of the Board last year.

Utah Gas and Oil Field, wholly-owned by the Group, continues to operate and produce natural gas and oil normally. After several consecutive years of depression, the natural gas market in the United States gradually picked up with significant rebound at the end of last year. In 2013, the average selling price of natural gas was US$3.32 per Mcf. The total valuation of the gas and oil field valued by an international independent valuer was at a stable level of US$296 million, which is still much higher than the Group's acquisition cost of US$225 million in 2010. The Group's net asset value was over HK$2 billion.

Looking forward to 2014, the trend of natural gas market remains positive. The Broad will consider the situation and plan to cooperate with strategic partners to raise funds for properly expediting the progress of development of the oil and gas field. In order to enhance the operation efficiency, the Group entered into an agreement on 27 March this year to take over the management and operation of Utah Gas and Oil Field. The oil and gas field will be directly developed and operated by the well-established management team of oil and gas experts from Pearl Oriental, which will be favourable to lower the operation costs and increase return.

Under the good management of the Board, the management team has been with presence of mind in the face of challenges and the Group's various businesses are stable and under normal operation. The financial position of Pearl Oriental remains healthy despite of facing the challenges. We do not have any bank borrowings at present with bank balance of HK$15 million as at the date of the annual results announcement. The management prudently expects that, after the deposits for acquiring oil fields in Russia shall be received in a short period of time, the debtors shall repay the loans and the secured financial assets shall be sold under favourable market conditions, it is expected that the cash reserves may increase to over HK$100 million in total. Our financial strength will be further enhanced and favourable to the Group's development.

In view of the trading business of recycling plastic remains stagnant over past years, the Board considers to dispose this business at the appropriate time to obtain funding for diversification of investments in new projects. At the same time, we intend to expand our shareholder's base by cooperating with successful entrepreneurs with international visions. Pearl Oriental will be able to take a big step forward for reaching the new milestone.

Facing the challenges, I have no fear to pressure and no regrets. I will as always dedicate all my efforts to Pearl Oriental and strive to bring the best returns for all shareholders.

I would like to take this opportunity to express my sincere gratitude to all shareholders, cooperation partners and diligent colleagues for their long term full support and encouragement. Under our joint efforts and cooperation, we strongly believe that our shareholders will obtain reasonable investment returns.

Wong Kwan
Chairman

Hong Kong, 28 March 2014

The board of directors (the "Board") of Pearl Oriental Oil Limited (the "Company") announces the consolidated results of the Company and its subsidiaries (the "Group") for the year ended 31 December 2013 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Notes	2013 HK$'000	2012 HK$'000
Revenue			
Sales of oil and natural gas	6	**4,660**	4,689
Sales of plastic recycling materials	6	**403,753**	439,487
Other income	7	**1,064**	9,344
		409,477	453,520
Expenses			
Cost of sales of plastic recycling materials		**394,048**	428,935
Exploration, repair and maintenance expenses		**2,770**	350
Depreciation, depletion and amortisation		**972**	1,385
Selling and distribution costs		**1,085**	1,966
Other operating expenses		**8,310**	3,828
Administrative expenses		**60,146**	52,957
Equity-settled share option expenses		**26,567**	—
		493,898	489,421
Loss from operations		**(84,421)**	(35,901)
Gain on disposal of available-for-sale investments		—	51,107
Impairment loss on goodwill		**(5,101)**	(5,587)
Impairment loss on intangible assets		—	(396,415)
Impairment loss on loan receivables		**(1,752)**	(14,651)
Unrealised loss on financial assets at fair value through profit or loss		**(75,323)**	—
Loss before tax	8	**(166,597)**	(401,447)
Income tax credit	9	**3,983**	97,576
Total comprehensive loss for the year		**(162,614)**	(303,871)
Attributable to:			
Owners of the Company		**(161,427)**	(303,321)
Non-controlling interests		**(1,187)**	(550)
		(162,614)	(303,871)
		HK cents	*HK cents*
Loss per share attributable to owners of the Company	11		
Basic		**(4.91)**	(8.90)
Diluted		**(4.91)**	(8.90)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	**2013** *HK$'000*	2012 *HK$'000*
Non-current assets			
Property, plant and equipment		**89,955**	86,767
Intangible assets	*12*	**2,308,064**	2,308,800
Goodwill		**—**	5,101
Loan receivables		**5,756**	—
Deferred tax assets		**11,345**	7,543
		2,415,120	2,408,211
Current assets			
Financial assets at fair value through profit or loss	*13*	**47,669**	—
Trade receivables	*14*	**—**	6,589
Prepayments, deposits and other receivables		**144,931**	201,727
Tax recoverable		**—**	47
Bank balances and cash		**1,180**	207,816
		193,780	416,179
Current liabilities			
Trade payables	*15*	**5**	162
Other payables and accruals		**19,692**	14,803
		19,697	14,965
Net current assets		**174,083**	401,214
Total assets less current liabilities		**2,589,203**	2,809,425
Non-current liabilities			
Deferred tax liabilities		**565,476**	565,656
Asset retirement obligations		**3,579**	2,301
		569,055	567,957
Net assets		**2,020,148**	2,241,468
Equity			
Share capital	*16*	**324,152**	340,826
Reserves		**1,699,934**	1,903,393
Equity attributable to owners of the Company		**2,024,086**	2,244,219
Non-controlling interests		**(3,938)**	(2,751)
Total equity		**2,020,148**	2,241,468

NOTES:

1. GENERAL INFORMATION

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

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

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

The consolidated financial statements for the year ended 31 December 2013 were approved for issue by the board of directors on 28 March 2014.

2. 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 significant accounting policies that have been used in the preparation of these consolidated financial statements are summarised in note 3 below. These policies have been consistently applied to all the years presented unless otherwise stated. The adoption of new or amended HKFRSs and the impacts on the Group's consolidated financial statements, if any, are disclosed in note 3.

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

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

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

Judgements made by management in the application of HKFRSs that have significant effect on the financial statements and major sources of estimation uncertainty are discussed in note 4.

3. ADOPTION OF NEW OR AMENDED HKFRSs

In the current year, the Group has applied for the first time the following new standards, amendments and interpretations (the "new HKFRSs") issued by the HKICPA, which are effective for the Group's consolidated financial statements for the annual period beginning on 1 January 2013:

Amendments to HKFRSs	Annual improvements to HKFRSs 2009–2011 cycle
Amendments to HKFRS 1	First-time Adoption of Hong Kong Financial Reporting Standards — Government Loans
Amendments to HKFRS 7	Financial instruments: Disclosures — Offsetting financial assets and financial liabilities
Amendments to HKFRS 10, HKFRS 11 and HKFRS 12	Consolidated financial statements, joint arrangements and disclosure of interests in other entities: Transition guidance
HKFRS 10	Consolidated financial statements
HKFRS 11	Joint arrangements
HKFRS 12	Disclosure of interests in other entities
HKFRS 13	Fair value measurement
Amendments to HKAS 1	Presentation of items of other comprehensive income
HKAS 19 (as revised in 2011)	Employee benefits
HKAS 27 (as revised in 2011)	Separate financial statements
HKAS 28 (as revised in 2011)	Investments in associates and joint ventures
HK(IFRIC)—INT 20	Stripping costs in the production phase of a surface mine

Impact of the adoption of the new HKFRSs are discussed below:

Amendments to HKFRSs, Annual improvements to HKFRSs 2009–2011 cycle

This cycle of annual improvements contains amendments to five standards with consequential amendments to other standards and interpretations. The adoption of the amendments does not have an impact on these consolidated financial statements.

HKFRS 10, Consolidated financial statements

HKFRS 10 replaces the requirements in HKAS 27, Consolidated and separate financial statements relating to the preparation of consolidated financial statements and HK-SIC 12 Consolidation — Special purpose entities. It introduces a single control model to determine whether an investee should be consolidated, by focusing on whether the entity has power over the investee, exposure or rights to variable returns from its involvement with the investee and the ability to use its power to affect the amount of those returns.

As a result of the adoption of HKFRS 10, the Group has changed its accounting policy with respect to determining whether it has control over an investee. The adoption does not change any of the control conclusions reached by the Group in respect of its involvement with other entities as at 1 January 2013.

HKFRS 12, Disclosure of interests in other entities

HKFRS 12 brings together into a single standard all the disclosure requirements relevant to an entity's interests in subsidiaries, joint arrangements, associates and unconsolidated structured entities. The disclosures required by HKFRS 12 are generally more extensive than those previously required by the respective standards.

HKFRS 13, Fair value measurement

HKFRS 13 replaces existing guidance in individual HKFRSs with a single source of fair value measurement guidance. HKFRS 13 also contains extensive disclosure requirements about fair value measurements for both financial instruments and non-financial instruments. The adoption of HKFRS 13 does not have any material impact on the fair value measurements of the Group's assets and liabilities.

Amendments to HKAS 1, Presentation of financial statements — Presentation of items of other comprehensive income

The amendments require entities to present separately the items of other comprehensive income that would be reclassified to profit or loss in the future if certain conditions are met from those that would never be reclassified to profit or loss. The presentation of other comprehensive income in the statement of profit or loss and other comprehensive income in these consolidated financial statements has been modified accordingly. In addition, the Group has chosen to use the new titles "statement of profit or loss and other comprehensive income" as introduced by the amendments in these consolidated financial statements.

HKAS 19 (as revised in 2011), Employee benefits

HKAS 19 (as revised in 2011) includes a number of amendments that range from fundamental changes to simple clarifications and re-wording. The revised standard introduces significant changes in the accounting for defined benefit pension plans including removing the choice to defer the recognition of actuarial gains and losses. Other changes include modifications to the timing of recognition for termination benefits, the classification of short-term employee benefits and disclosures of defined benefit plans. As the Group does not have any defined benefit plan or employee termination plan and the Group does not have any significant employee benefits that are expected to be settled for more than twelve months after the reporting period, the adoption of the revised standard has had no effect on the financial position or performance of the Group.

The Group has not applied the following new and revised HKFRSs, that have been issued but are not yet effective, in these consolidated financial statements.

Amendments to HKFRSs	Annual improvements to HKFRSs 2010-2012 cycle[4]
Amendments to HKFRSs	Annual improvements to HKFRSs 2011-2013 cycle[2]
Amendments to HKFRS 9 and HKFRS 7	Mandatory effective date of HKFRS 9 and transition disclosures[3]
Amendments to HKFRS 10, HKFRS 12 and HKAS 27	Investment entities[1]
HKFRS 9	Financial instruments[3]
HKFRS 14	Regulatory deferral accounts[5]
Amendments to HKAS 19	Defined benefit plans: employee contributions[2]
Amendments to HKAS 32	Offsetting financial assets and financial liabilities[1]
Amendments to HKAS 36	Recoverable amount disclosures for non-financial assets[1]
Amendments to HKAS 39	Novation of derivatives and continuation of hedge accounting[1]
HK(IFRIC)-INT 21	Levies[1]

1 Effective for annual periods beginning on or after 1 January 2014, with earlier application permitted.

2 Effective for annual periods beginning on or after 1 July 2014, with earlier application permitted.

3 Available for application — the mandatory effective date will be determined when the outstanding phase HKFRS 9 are finalized.

4 Effective for annual periods beginning on or after 1 July 2014, with limited exceptions.

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

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

4. 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 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 impairment of goodwill

The Group tests annually whether goodwill has suffered any impairment. The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations require the use of estimates about future cash flows and discount rates. In the process of estimating expected future cash flows the management makes assumptions about future revenues and profits. These assumptions relate to future events and circumstances. The actual results may vary and may cause a material adjustment to the carrying amount of goodwill within the next financial year. Determining the appropriate discount rate involves estimating the appropriate adjustment for market risk and for asset specific risk factors.

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.

5. SEGMENT INFORMATION

The Group has identified the following reportable segments:

(a) Plastic recycling materials — procuring, processing and sales of recycling materials; and

(b) Oil and gas sales — exploring, exploitating, and sales of oil and natural gas.

2013

	Plastic recycling materials *HK$'000*	Oil and gas sales *HK$'000*	Total *HK$'000*
Segment revenue	**403,753**	**4,660**	**408,413**
Segment loss	**(6,168)**	**(9,914)**	**(16,082)**
Unrealised loss on financial assets at fair value through profit or loss			**(75,323)**
Equity-settled share option expenses			**(26,567)**
Unallocated income			**75**
Unallocated expenses			**(48,700)**
Loss before tax			**(166,597)**
Income tax credit			**3,983**
Loss for the year			**(162,614)**
Segment assets	**49,516**	**2,402,290**	**2,451,806**
Deferred tax assets			**11,345**
Unallocated assets			**145,749**
Total assets			**2,608,900**
Segment liabilities	**6,731**	**3,584**	**10,315**
Deferred tax liabilities			**565,476**
Unallocated liabilities			**12,961**
Total liabilities			**588,752**
Capital expenditure	**85**	**3,791**	
Depreciation, depletion and amortisation	**63**	**972**	
Impairment loss on goodwill	**5,101**	**—**	
Impairment loss on intangible assets	**—**	**—**	

2012

	Plastic recycling materials *HK$'000*	Oil and gas sales *HK$'000*	Total *HK$'000*
Segment revenue	439,487	4,689	444,176
Segment loss	(6,827)	(400,496)	(407,323)
Gain on disposal of available-for-sale investments			51,107
Unallocated income			7,805
Unallocated expenses			(53,036)
Loss before tax			(401,447)
Income tax credit			97,576
Loss for the year			(303,871)
Segment assets	56,184	2,411,080	2,467,264
Deferred tax assets			7,543
Unallocated assets			349,583
Total assets			2,824,390
Segment liabilities	7,234	2,463	9,697
Deferred tax liabilities			565,656
Unallocated liabilities			7,569
Total liabilities			582,922
Capital expenditure	68	3,309	
Depreciation, depletion and amortisation	323	1,461	
Impairment loss on goodwill	5,587	—	
Impairment loss on intangible assets	—	396,415	

The Group's revenue from external customers and its non-current assets (other than deferred tax assets) are divided into the following geographical areas:

	Revenue from external customers		**Non-current assets**	
	2013 *HK$'000*	2012 *HK$'000*	**2013** *HK$'000*	2012 *HK$'000*
Hong Kong (place of domicile)	**403,753**	439,487	**6,944**	6,657
United States of America ("USA")	**4,660**	4,689	**2,396,831**	2,394,011
	408,413	444,176	**2,403,775**	2,400,668

The geographical location of customers is based on the location at which the goods delivered. The geographical location of the non-current assets is based on physical location of the asset.

The Group's customer base includes two (2012: One) customers with whom transactions have exceeded 10% of the Group's total revenue. Revenue from sales to these customers amounted to HK$197,813,000 (2012: HK$146,153,000) which related to plastic recycling materials segment.

6. REVENUE

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

	2013	2012
	HK$'000	*HK$'000*
Sales of oil and natural gas	**4,660**	4,689
Sales of plastic recycling materials	**403,753**	439,487
Total revenue	**408,413**	444,176

7. OTHER INCOME

	2013	2012
	HK$'000	*HK$'000*
Bank interest income	**75**	539
Other loan interest income	**—**	5,485
Compensation from settlement of litigations	**—**	1,781
Others	**989**	1,539
Total other income	**1,064**	9,344

8. LOSS BEFORE TAX

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

	2013	2012
	HK$'000	*HK$'000*
Depreciation, depletion and amortisation	**1,578**	2,119
Operating lease charges in respect of land and buildings	**5,625**	5,834
Auditors' remuneration:		
— Annual audit	**1,050**	1,000
— Other assurance services	**650**	14
Exchange losses, net	**1,350**	1,271
Impairment loss on intangible assets	**—**	396,415
Impairment loss on goodwill	**5,101**	5,587
Impairment loss on loan receivables	**1,752**	14,651
Unrealised loss on financial assets at fair value through profit or loss	**75,323**	—
Gain on disposal of available-for-sale investments	**—**	(51,107)
Employee benefit expense, including director emoluments	**52,813**	28,878

9. INCOME TAX CREDIT

Hong Kong profits tax has been provided at the rate of 16.5% (2012: 16.5%) on the estimated assessable profit for the year. Taxation on overseas profits has been calculated on the estimated assessable profit for the year at the rates of taxation prevailing in the countries in which the Group operates.

	2013	2012
	HK$'000	*HK$'000*
Profit tax — under-provision in respect of prior year	**—**	47
Deferred tax — current year	**(3,983)**	(97,623)
Total income tax credit	**(3,983)**	(97,576)

10. DIVIDENDS

The Directors did not recommend the payment of a final dividend for the year ended 31 December 2013 (2012: Nil).

11. LOSS PER SHARE

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

	2013	2012
	HK$'000	*HK$'000*
Loss		
Loss for the year attributable to owners of the Company	**(161,427)**	(303,321)

	2013	2012
	'000	*'000*
Number of shares		
Weighted average number of ordinary shares in issue used in basic loss per share calculation	**3,289,487**	3,408,263
Basic loss per share *(HK cents)*	**(4.91)**	8.90

During the year ended 31 December 2013, diluted loss per share equals to basic loss per share as the potential ordinary shares were not included in the calculation of diluted loss per share because they are anti-dilutive.

12. INTANGIBLE ASSETS

	Oil and gas processing rights
	HK$'000
Cost	
At 1 January 2012, at 31 December 2012, at 1 January 2013 and 31 December 2013	2,818,920
Accumulated amortisation and impairment	
At 1 January 2012	112,320
Amortisation for the year	1,385
Impairment	396,415
At 31 December 2012 and at 1 January 2013	510,120
Amortisation for the year	736
At 31 December 2013	510,856
Net carrying amount	
At 31 December 2013	2,308,064
At 31 December 2012	2,308,800

13. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2013	2012
	HK$'000	*HK$'000*
At fair value:		
Listed securities held for trading		
— List in Hong Kong	**47,669**	—

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

14. TRADE RECEIVABLES

	2013	2012
	HK$'000	*HK$'000*
Trade receivables	**—**	9,529
Less: impairment	**—**	(2,940)
	—	6,589

The credit terms are generally one month. In regard to plastic recycling materials business, sales deposits are required from certain customers.

Based on the invoice dates, the ageing analysis of the trade receivables was as follows:

	2013	2012
	HK$'000	*HK$'000*
Less than 90 days	**—**	6,589

15. TRADE PAYABLES

The normal credit period granted by its suppliers is 60 days. Based on the invoice dates, the ageing analysis of the trade payables was as follows:

	2013	2012
	HK$'000	*HK$'000*
0–90 days	**5**	162

All amounts are short-term and hence the carrying values of the trade payables are considered to be a reasonable approximation of fair values.

16. SHARE CAPITAL

	2013		2012	
	Number of shares		Number of shares	
	'000	***HK$'000***	*'000*	*HK$'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	**3,408,263**	**340,826**	3,408,263	340,826
Share repurchase *(note)*	**(166,743)**	**(16,674)**	—	—
At 31 December 2013	**3,241,520**	**324,152**	3,408,263	340,826

Note:

Pursuant to an ordinary resolution passed in the annual general meeting on 22 May 2012, it authorize the Company to repurchase the shares of the Company.

MANAGEMENT DISCUSSION AND ANALYSIS

RESULTS AND REVIEW OF OPERATIONS

For the year ended 31 December 2013 (the "Year"), the Company and its subsidiaries (the "Group") recorded a consolidated revenue of HK$409,477,000 (2012: HK$453,520,000) mainly contributed from the processing and sales of plastic recycling materials and the sales of oil and gas. Basic loss per share for the Year was HK$4.91 cents (2012: HK$8.90 cents). Loss per share was based on the weighted average of 3,289 million shares in issue in the Year.

The gross profit was HK$10,623,000 (2012: HK$13,506,000) for the Year, which represented an decrease of approximately 21% over last year and the gross profit margin has decreased from 3.0% to 2.6%.

The loss attributable to the owners of the Company for the Year was HK$161,427,000 (2012: HK$303,321,000), mainly attributable to the equity-settled share option expenses of HK$26,567,000 and unrealised loss on financial assets at fair value through profit or loss amount to HK$75,323,000.

In March 2013, settlement agreements have been entered between the Company and certain debtors (the "Settlement Agreement"). Pursuant to the Settlement Agreements, the debtors have agreed to irrevocably surrender and deliver the pledged listed securities to the Company. As such, the pledged listed securities were classified as "Financial assets at fair value through profit or loss". During the Year, HK$47,669,000 unrealised loss on Financial assets at fair value through profit or loss was provided under the "mark-to-market" accounting principle.

BUSINESS REVIEW

Oil and Gas Business

The Group owns 100% Ownership Interest of the Utah Gas and Oil Field which is located in the Uinta Basin, Uintah Country, USA. It covers an area of approximately 3,692 acres.

There are four (4) shale gas producing wells in the Utah Gas and Oil Field with gas production of around 31,500 thousand cubic feet during the Year which is being sold to Anadarko's midstream operations.

On the other hand, there are three (3) oil producing wells with oil production of around 5,900 barrels during the Year. Plains All American Pipeline, L.P., USA is the purchaser to collect Group's crude oil produced in the Utah Gas and Oil Field.

Plastic Recycling Industry

During the Year, the Group continued to face challenges arising from highly volatile plastic recycling materials market, stricter requirements for environmental protection and the anticipated slowing economic growth in the People's Republic of China. However, the Group improved the structures of plastic recycling materials and controlled and reduced operating costs so as to make every endeavor to eliminate the negative market impact on the Group.

Plastic recycling material operations contribute over 99% of the Group's consolidated turnover and cash flows from operating activities during the Year. The consolidated turnover of sales of recycling materials decrease from HK$439,487,000 in 2012 to HK$403,753,000 during the Year, representing an decrease of 8%.

PROSPECTS

In light of the relatively low natural gas prices in U.S. last year which rendered the Group's sales of natural gas at a lower level, management has taken appropriate measurers to temporarily slowdown the oil & gas exploitation activities in Utah, and may consider to utilize part of the remaining funds in the Utah Gas and Oil Field and the Company's internal resources to invest in certain possible crude oil exploitation projects in other states, U.S. in order to maximize return to the shareholders of the Company. The recent increase in natural gas price in U.S., provides an optimistic outlook for the medium and long term development of natural gas, and the Management will make adjustments accordingly to the development strategies in the future in response to favourable changes in natural gas price in U.S.

The Group will further expand its portfolio of oil assets and scale of oil reserves substantially through mergers and acquisitions, including without limitation, a number of oil field development projects in Russia, Kazakhstan and Canada etc which are under negotiation, so as to enhance the development potential of the Company. The Group has a sound financial position and built an excellent professional petroleum management team. The Board and management are confident and capable to develop the Company as an oil investment and operating company with satisfactory results.

SETTLEMENT OF LITIGATION

Grand Ascend Investments Limited ("Grand Ascend"), a wholly owned subsidiary of the Company issued an indorsement of claim on 27 October 2009 at the High Court of Hong Kong against Laurent Kim and Ung Phong as guarantors for damages in the sum of approximately Euro 9.83 million as a result of their breaches of profit guarantee under the agreement dated 29 July 2006 between them and Grand Ascend. In addition, Grand Ascend claimed against them and Christine Tran Kim, wife of Laurent Kim for an order of declarations that:

(i) Laurent Kim is the sole beneficial owner of 5,000,000 shares (the "Shares") in the Company registered in the name of Christine Tran Kim which have been issued by the Company as part of the consideration for the Group's acquisition of 50% shares in Euro Resources China Limited in 2007;

(ii) Grand Ascend is entitled to levy execution of judgment to be obtained on the Shares. On 11 August 2011, the Group successfully obtained a judgment together with legal costs from the High Court of Hong Kong for a declaration that Laurent Kim is the sole beneficial owner of 6,000,000 ordinary shares (of which included 1,000,000 bonus shares issued by the Company on 9 June 2011) in the Company registered in the name of Kim Tran Christine.

In July 2013, the Group has already obtained a court order to sell the 6,000,000 ordinary shares and will proceed to levy execution thereon as soon as practicable in respect of the judgment that the Group has obtained for a sum of Euro 9,833,000 (equivalent to approximately HK$104,230,000) together with interest payable by Laurent Kim.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

The Group generally finances it operations with issue of news shares and internally generated resources. At the Year end date, the Group did not have any borrowings (2012: Nil). The Group's cash and bank balances as at 31 December 2013 have decreased to approximately HK$1 million from HK$208 million as at 31 December 2012 as a result of the repurchases of shares in the Company during the Year and the prepayment paid for the possible acquisition of Timan Oil & Gas plc's shares. The current ratio (calculated on the basis of the Group's current assets over current liabilities) has decreased to 9.84 as at 31 December 2013 (31 December 2012: 27.18).

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

EMPLOYEES AND REMUNERATION POLICIES

As at 31 December 2013, the number of employees of the Group was about 60 (2012: 60). The remuneration packages of employees are maintained at competitive levels and include monthly salaries, mandatory provident fund, medical insurance and share option schemes; other employee benefits include meal and travelling allowances and discretionary bonuses.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code set out in Appendix 10 of the Listing Rule as the code of conduct regarding securities transaction by the directors. Having made specific enquiry of all directors, the Company confirmed that all directors have complied with the required standard set out in the Model Code during the Year.

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

During the Year, the Company made of the following repurchase of the Company's listed shares (the "Shares") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") in accordance with the repurchase mandate granted to the Directors in the annual general meeting of the Company held on 22 May 2012:

Trade Date	No. of Share repurchased	Highest price paid *(HK$)*	Lowest price paid *(HK$)*	Total paid *(HK$)*
2 April 2013	49,953,000	0.51	0.40	24,726,735
3 April 2013	57,244,000	0.53	0.49	29,280,320
5 April 2013	58,046,000	0.52	0.495	29.384,480
8 April 2013	1,500,000	0.50	0.495	747,500

On 15 April 2013, all the repurchased shares were cancelled.

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

CORPORATE GOVERNANCE PRACTICES

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

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

Code provision A.2.1 of the Corporate Governance Code stipulates that the roles of Chairman and Chief Executive Officer should be separated and should not be performed by the same individual. Before 13 March 2013, the Company did not have a separate Chairman and Chief Executive Officer and Mr. Wong Kwan held both positions. With effect from 13 March 2013, Mr. Wong Kwan has resigned as Chief Executive Officer while remain as Chairman. On the same day, Mr. Law Wing Tak, Jack was appointed as Chief Executive Officer. The Board believes that the above mentioned segregation of the roles of the Chairman and the Chief Executive Officer would comply with the Corporate Governance Code and further enhance the best practice of the corporate governance of the Company.

AUDIT COMMITTEE

The Audit Committee has reviewed the audited financial statements for the year ended 31 December 2013.

BOARD OF DIRECTORS

As at the date hereof, the Board comprises four executive Directors, namely Mr. Wong Yuk Kwan (alias: Wong Kwan), Mr. Law Wing Tak, Jack, Mr. Wong Hiu Tung and Mr. Zhou Li Yang; one non-executive Director, namely Mr. Baiseitov Bakhytbek; and three independent non-executive Directors, namely Mr. Lam Kwan, Mr. Chan Kwan Pak and Ms. Yuen Sau Ying, Christine.

On behalf of the Board
Pearl Oriental Oil Limited
Law Wing Tak, Jack
Executive Director and Chief Executive Officer

Hong Kong, 28 March 2014

* *For identification purpose only*