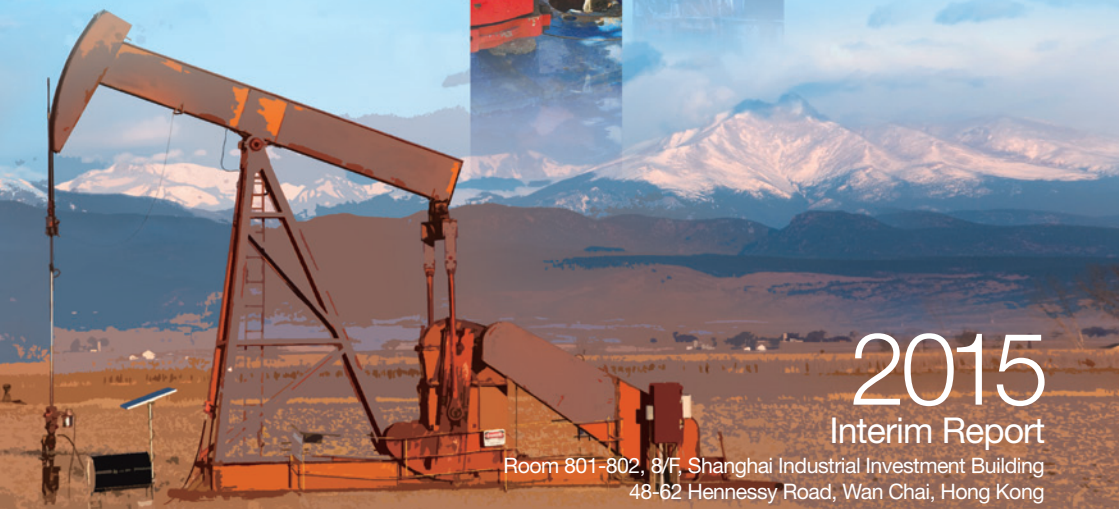




POLYARD PETROLEUM INTERNATIONAL GROUP LIMITED
百田石油國際集團有限公司

(Stock Code: 8011)



2015

Interim Report

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This report, for which the directors (the “Directors”) of Polyard Petroleum International Group Limited (the “Company”) collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the GEM of the Stock Exchange (the “GEM Listing Rules”) for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief:

- 1 the information contained in this report is accurate and complete in all material respects and not misleading;*
- 2 there are no other matters the omission of which would make any statement in this report misleading; and*
- 3 all opinions expressed in this report have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.*

INTERIM RESULTS

The board of Directors (the “Board”) of Polyard Petroleum International Group Limited (the “Company”) would like to announce the unaudited consolidated results of the Company and its subsidiaries (collectively the “Group”) for the six months ended 30 June 2015, together with the comparative unaudited figures for the corresponding period in 2014, as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2015

	Notes	Unaudited Three months ended 30 June		Unaudited Six months ended 30 June	
		2015	2014	2015	2014
		HK\$'000	HK\$'000	HK\$'000	HK\$'000
Turnover		–	–	–	–
Administrative and other operating expenses		(6,143)	(4,202)	(11,921)	(8,110)
Finance costs	3	(46)	(3,352)	(311)	(6,926)
Share of results of associates		(1)	(2)	(3)	(5)
Loss on disposal of a subsidiary	11	–	(963,735)	–	(963,735)
Loss on derecognition of promissory note		(814)	–	(814)	–
Loss before tax	4	(7,004)	(971,291)	(13,049)	(978,776)
Income tax	5	–	509	–	1,064
LOSS FOR THE PERIOD		(7,004)	(970,782)	(13,049)	(977,712)

	Notes	Unaudited Three months ended 30 June		Unaudited Six months ended 30 June	
		2015	2014	2015	2014
		HK\$'000	HK\$'000	HK\$'000	HK\$'000
Attributable to:					
Owners of the Company		(6,905)	(970,730)	(12,930)	(977,613)
Non-controlling interests		(99)	(52)	(119)	(99)
		(7,004)	(970,782)	(13,049)	(977,712)
Loss per share	6				
Basic (in HK cents)		(0.28)	(50.57)	(0.59)	(52.10)
Diluted (in HK cents)		N/A	N/A	N/A	N/A
Dividend	7	-	-	-	-

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2015

	Unaudited		Unaudited	
	Three months ended		Six months ended	
	30 June		30 June	
	2015	2014	2015	2014
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Loss for the period	(7,004)	(970,782)	(13,049)	(977,712)
Other comprehensive income/(expense):				
Item that may be reclassified subsequently to profit or loss:				
Exchange differences on translation of foreign operations	(39)	227	(52)	37
TOTAL COMPREHENSIVE EXPENSE FOR THE PERIOD	(7,043)	(970,555)	(13,101)	(977,675)
Attributable to:				
Owners of the Company	(6,939)	(970,497)	(12,975)	(977,574)
Non-controlling interests	(104)	(58)	(126)	(101)
TOTAL COMPREHENSIVE EXPENSE FOR THE PERIOD	(7,043)	(970,555)	(13,101)	(977,675)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2015

		Unaudited 30 June 2015	Audited 31 December 2014
	Notes	HK\$'000	HK\$'000
NON-CURRENT ASSETS			
Property, plant and equipment		820	959
Interests in associates		30,091	30,094
Interests in joint ventures		188,123	185,250
Deferred exploration expenditure		24,833	24,619
		243,867	240,922
CURRENT ASSETS			
Amounts due from associates		16,117	16,115
Other receivables	9	17,311	14,908
Cash and bank balances		20,324	2,779
		53,752	33,802
CURRENT LIABILITIES			
Other payables	10	(5,660)	(10,751)
Amounts due to directors		(253)	(2,032)
Amount due to a shareholder		(375)	(127,419)
Obligations under finance lease – current portion		(152)	(148)
		(6,440)	(140,350)
NET CURRENT ASSETS/(LIABILITIES)		47,312	(106,548)
TOTAL ASSETS LESS CURRENT LIABILITIES		291,179	134,374

		Unaudited	Audited
		30 June	31 December
		2015	2014
	<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
NON-CURRENT LIABILITIES			
Promissory note		–	(8,774)
Obligations under finance lease – non-current portion		(456)	(532)
		(456)	(9,306)
NET ASSETS			
		290,723	125,068
CAPITAL AND RESERVES			
Share capital	12	111,502	77,502
Reserves		127,691	(4,090)
Equity attributable to owners of the Company		239,193	73,412
Non-controlling interests		51,530	51,656
TOTAL EQUITY			
		290,723	125,068

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2015

	Unaudited									
	Attributable to owners of the Company									
	Share capital	Share premium	Special reserve	Exchange reserve	Capital reserve	Convertible bonds reserve	Retained profits/ (Accumulated losses)	Sub-total	Non-controlling interests	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 January 2014 (Audited)	73,320	779,742	985	(217)	49,319	13,013	201,696	1,117,858	126,200	1,244,058
Total comprehensive expense for the period	-	-	-	39	-	-	(977,613)	(977,574)	(101)	(977,675)
Acquisition of additional interests in a subsidiary	-	-	-	-	-	-	22,944	22,944	(31,208)	(8,264)
Cancellation of convertible bonds	-	-	-	-	-	(7,896)	-	(7,896)	-	(7,896)
Conversion of convertible bonds	4,000	16,993	-	-	-	(5,117)	-	15,876	-	15,876
Issue of employee shares	182	446	-	-	-	-	-	628	-	628
At 30 June 2014	77,502	797,181	985	(178)	49,319	-	(752,973)	171,836	94,891	266,727
At 1 January 2015 (Audited)	77,502	797,182	985	(141)	49,319	-	(851,435)	73,412	51,656	125,068
Total comprehensive expense for the period	-	-	-	(45)	-	-	(12,930)	(12,975)	(126)	(13,101)
Issue of shares	34,000	144,756	-	-	-	-	-	178,756	-	178,756
At 30 June 2015	111,502	941,938	985	(186)	49,319	-	(864,365)	239,193	51,530	290,723

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2015

	Unaudited	
	Six months ended 30 June	
	2015	2014
	HK\$'000	HK\$'000
Net cash used in operating activities	(20,399)	(11,967)
Net cash used in investing activities	(3,098)	(3,089)
Net cash generated from financing activities	41,042	27,285
Net increase in cash and cash equivalents	17,545	12,229
Cash and cash equivalents at 1 January	2,779	1,381
Cash and cash equivalents at 30 June	20,324	13,610
Analysis of cash and cash equivalents		
Cash and bank balances		
– pledged	–	10,885
– unpledged	20,324	2,725
	20,324	13,610

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. General information

The Company was incorporated in the Cayman Islands on 6 March 2002 as an exempted company under the Companies Law of the Cayman Islands. The shares of the Company were listed on GEM on 12 July 2002.

The Group is principally engaged in the exploration, exploitation and production of oil, natural gas and coal, and trading of petroleum-related products.

2. Basis of preparation

The unaudited condensed consolidated results have been prepared in accordance with Hong Kong Accounting Standard 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants, accounting principles generally accepted in Hong Kong, and the applicable disclosure requirements of the GEM Listing Rules.

The unaudited condensed consolidated results have been prepared under the historical cost convention, except for interests in associates and joint ventures and certain financial instruments which are measured at fair value.

The accounting policies adopted for preparing the unaudited condensed consolidated results are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2014.

3. Finance costs

	Unaudited Three months ended 30 June		Unaudited Six months ended 30 June	
	2015	2014	2015	2014
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Imputed interest on convertible bonds	–	3,094	–	6,577
Imputed interest on promissory note	37	210	295	210
Bank interest	–	48	–	139
Finance lease interest	9	–	16	–
	46	3,352	311	6,926

4. Loss before tax

Loss before tax is arrived at after charging:

	Unaudited Three months ended 30 June		Unaudited Six months ended 30 June	
	2015	2014	2015	2014
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Staff costs (including directors' remuneration)				
– Salaries and other benefits	4,335	1,957	8,006	3,828
– Retirement scheme defined contributions	78	66	154	132
Depreciation of property, plant and equipment	70	45	150	92

5. Income tax

	Unaudited Three months ended 30 June		Unaudited Six months ended 30 June	
	2015	2014	2015	2014
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Current tax				
– Hong Kong	–	–	–	–
– PRC enterprise income tax	–	–	–	–
– Other jurisdictions	–	–	–	–
Deferred tax	–	509	–	1,064
Income tax credit for the period	–	509	–	1,064

Hong Kong profits tax is calculated at the rate of 16.5% (2014: 16.5%) on the estimated assessable profit for the period. PRC subsidiaries are subject to PRC enterprise income tax at the rate of 25% (2014: 25%). Taxes on profits assessable in other jurisdictions are calculated at the rates of tax prevailing in the countries in which the Group operates, based on existing legislation, interpretation and practices in respect thereof.

Deferred tax for 2014 represented income tax recognised on reversal of temporary differences arising from convertible bonds.

No deferred tax has been recognised on loss for the period (2014: Nil) due to unpredictability of future taxable profits that will be available against which the tax losses can be utilised.

6. Loss per share

The calculations of the basic loss per share are based on the following data:

	Unaudited Three months ended 30 June		Unaudited Six months ended 30 June	
	2015	2014	2015	2014
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Loss for the period attributable to owners of the Company	6,905	970,730	12,930	977,613
Loss for the period for calculation of basic loss per share	6,905	970,730	12,930	977,613
	'000	'000	'000	'000
Weighted average number of ordinary shares in issue for the period	2,433,142	1,919,555	2,194,444	1,876,512

No diluted loss per share is presented as the conversion of the outstanding convertible bonds of the Company is anti-dilutive.

7. Dividend

The Board does not recommend the payment of a dividend for the period (2014: Nil).

8. Segment information

For the six months ended 30 June 2015, the Group has 3 reportable segments – (1) exploration of oil, natural gas and coal, (2) trading of petroleum related products and (3) provision of technical services for oil and gas exploration and development. These segments are managed separately as they belong to different industries and require different operating systems and strategies. There are no sales or other transactions between these reporting segments.

Polyard Petroleum International Group Limited Interim Report 2015

An analysis of the Group's reportable segment revenues, results, assets, liabilities and other selected financial information is presented below:

(a) Reportable segments

Segment revenues and results

	Unaudited				Unaudited			
	Six months ended 30 June 2015				Six months ended 30 June 2014			
	Exploration of oil, natural gas and coal	Trading of petroleum related products	Provision of technical services	Total	Exploration of oil, natural gas and coal	Trading of petroleum related products	Provision of technical services	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Turnover:								
Revenues from external customers	-	-	-	-	-	-	-	-
Interest income	-	-	-	-	-	-	-	-
Other revenues	-	-	-	-	-	-	-	-
Total income	-	-	-	-	-	-	-	-
Reportable segment income/(loss) before tax	(1,972)	(179)	(581)	(2,732)	(965,668)	74	(590)	(966,184)
Unallocated corporate expenses				(10,003)				(5,661)
Unallocated interest expense				(311)				(6,926)
Share of results of associates				(3)				(5)
Loss before tax				(13,049)				(978,776)
Income tax				-				1,064
Loss for the period				(13,049)				(977,712)

Segment assets and liabilities

	Unaudited				Unaudited			
	Six months ended 30 June 2015				Six months ended 30 June 2014			
	Exploration of oil, natural gas and coal	Trading of petroleum related products	Provision of technical services	Total	Exploration of oil, natural gas and coal	Trading of petroleum related products	Provision of technical services	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Assets:								
Segment assets	60,643	85	2,339	63,067	55,335	82	349	55,766
Interests in associates	30,091			30,091	43,950			43,950
Interests in joint ventures	188,123			188,123	299,951			299,951
Unallocated corporate assets				16,338				660
Total assets				297,619				400,327
Liabilities:								
Segment liabilities	2,448	-	586	3,034	33,821	-	452	34,273
Unallocated corporate liabilities				3,862				99,327
Total liabilities				6,896				133,600

Other segment information

	Unaudited					Unaudited				
	Six months ended 30 June 2015					Six months ended 30 June 2014				
	Exploration of oil, natural gas and coal	Trading of petroleum related products	Provision of technical services	Unallocated	Total	Exploration of oil, natural gas and coal	Trading of petroleum related products	Provision of technical services	Unallocated	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Depreciation	29	-	26	95	150	41	-	32	19	92
Capital expenditure	11	-	-	-	11	12	-	-	-	12

(b) Geographical information

The following table sets out information about the geographical location of (i) the Group's revenues from external customers and (ii) the Group's property, plant and equipment, intangible assets, goodwill and interests in associates and joint ventures ("specified non-current assets"). The geographical location of customers is based on the location at which the services were provided or the goods delivered. The geographical location of the specified non-current assets is based on the physical location of the assets in the case of property, plant and equipment, the location of the operations to which they are allocated in the case of intangible and goodwill, and the location of the operations in the case of interests in associates and joint ventures.

	Revenues from external customers		Specified non-current assets	
	Unaudited		Unaudited	Audited
	Six months ended		30 June	31 December
	30 June 2015	2014	2015	2014
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Mainland China, including Hong Kong and Macau	–	–	793	214
Philippines	–	–	243,074	368,372
	–	–	243,867	368,586

9. Other receivables

	Unaudited 30 June 2015	Audited 31 December 2014
	HK\$'000	HK\$'000
Other debtors, deposits and prepayments	17,311	14,908

10. Other payables

	Unaudited 30 June 2015	Audited 31 December 2014
	HK\$'000	HK\$'000
Other creditors and accrued charges	5,660	10,751

11. Disposal of a subsidiary

On 30 June 2014, the Group disposed of China Sino Oil Company Limited, a wholly-owned subsidiary, which owns 21% participating interest in the consortium for the Brunei Block M Oil and Gas Project.

	Unaudited Six months ended 30 June 2014
	<i>HK\$'000</i>
Consideration received	
Cancellation of convertible bonds	113,760
Reversal of convertible bonds reserve	7,896
Reversal of deferred taxation upon cancellation of convertible bonds	1,030
Direct expenses	(995)
Total consideration received	121,691
Analysis of assets and liabilities over which control was lost	
Current assets	
Cash and bank balances	37
Non-current assets	
Interest in a joint venture	1,085,477
Current liabilities	
Other payables	(88)
Amount due to the Company	(95,943)
Net assets disposed of	989,483
Loss on disposal of a subsidiary	
Consideration received	121,691
Waiver of amount due from the subsidiary disposed of	(95,943)
Net assets disposed of	(989,483)
Loss on disposal	(963,735)
Net cash outflow on disposal of a subsidiary	
Direct expenses	(995)
Cash and bank balances disposed of	(37)
	(1,032)

12. Share capital

	30 June 2015		1 January 2015	
	Number of shares	Amount	Number of shares	Amount
	'000	HK\$'000	'000	HK\$'000
Authorised:				
Ordinary shares of HK\$0.04 each				
– At 30 June 2015 and 1 January 2015	5,000,000	200,000	2,500,000	100,000
Issued and fully paid:				
Ordinary shares of HK\$0.04 each				
– At 30 June 2015 and 1 January 2015	2,787,538	111,502	1,937,538	77,502

Pursuant to an ordinary resolution passed in the extraordinary general meeting on 4 May 2015, the authorised share capital of the Company was increased from HK\$100,000,000 divided into 2,500,000,000 shares of HK\$0.04 each to HK\$200,000,000 divided into 5,000,000,000 shares of HK\$0.04 each by the creation of 2,500,000,000 new shares of HK\$0.04 each.

On 18 March 2015, 100,000,000 ordinary shares were allotted and issued to an independent third party at HK\$0.195 per share for cash. The new shares rank pari passu in all respects with the existing shares of the Company.

On 8 May 2015, 650,000,000 ordinary shares were allotted and issued at the subscription price of HK\$0.195 per share to settle a loan of HK\$126,750,000 owed by the Group to Mr. Lam Nam, the controlling shareholder of the Company. The new shares rank pari passu in all respects with the existing shares of the Company.

On 22 June 2015, 50,000,000 ordinary shares each were allotted and issued to two independent third parties at HK\$0.33 per share for cash. The new shares rank pari passu in all respects with the existing shares of the Company.

13. Commitments

(a) Capital commitments

The capital commitments outstanding contracted for but not provided for are as follows:

	Unaudited 30 June 2015	Audited 31 December 2014
	<i>HK\$'000</i>	<i>HK\$'000</i>
Contributions to a joint venture	70,125	71,509

(b) Operating lease commitments

The total future minimum lease payments under non-cancelable operating leases are as follows:

	Unaudited 30 June 2015	Audited 31 December 2014
	<i>HK\$'000</i>	<i>HK\$'000</i>
Premises		
– due within 1 year	1,670	850
– due after 1 year but within 5 years	68	109
	1,738	959

14. Related party transactions

In addition to the transactions and balances disclosed elsewhere in these unaudited condensed consolidated financial statements, the Group had the following related party transactions:

	Notes	Unaudited Three months ended 30 June		Unaudited Six months ended 30 June	
		2015	2014	2015	2014
		HK\$'000	HK\$'000	HK\$'000	HK\$'000
Convertible bonds interest	I	–	3,061	–	6,122
Promissory note interest	II	37	210	295	210

Notes:

- I The convertible bonds interest represented the imputed interest charged on convertible bonds issued by the Company to a company beneficially owned by Mr. Lam Nam, the controlling shareholder of the Company. The convertible bonds were cancelled in June 2014.
- II The promissory note interest represented the imputed interest charged on a promissory note issued by the Company to Mr. Lam Nam for the acquisition of additional 12% of the issued share capital of Mass Leader Inc. during 2014. The promissory note accrued interest at the rate of 3% per annum and was due on 13 April 2016. The promissory note was fully redeemed by the Company on 13 April 2015.

15. Events after the end of the reporting period

(a) Subscription of convertible bonds

On 10 July 2015, the Company as the issuer, Haitong International Securities Company Limited as the subscriber, and Mr. Lam Nam (controlling shareholder of the Company) as the guarantor, entered into a subscription agreement pursuant to which the Company agreed to issue and the subscriber agreed to subscribe for the convertible bonds in the principal amount of HK\$100,000,000 ("Convertible Bonds Subscription Agreement").

The convertible bonds accrue interest at the rate of 10% per annum, mature on the second anniversary of the issue date, and may be converted to an aggregate of 250,000,000 conversion shares at an initial conversion price of HK\$0.40 per conversion share during the conversion period.

On 21 July 2015, the conditions precedent set out in the Convertible Bonds Subscription Agreement had been fulfilled and completion took place. The convertible bonds in the principal amount of HK\$100,000,000 were issued to the subscriber on 21 July 2015. The net proceeds from the subscription after deducting the related expenses were approximately HK\$97,300,000.

Further details of the above are explained in the Company's announcements dated 10 July 2015 and 21 July 2015.

(b) Formation of a joint venture and acquisition of properties by the joint venture company from the joint venture partner

On 15 July 2015, a joint venture agreement was entered into between Sparkling Gold Company Limited ("Sparkling Gold", a direct wholly-owned subsidiary of the Company) and Well Logging Energy Technology (Xi'An) Co. Ltd. ("WLET"), to form a joint venture company, namely East Asia Oil Services Company Limited ("East Asia"), with the intention to provide oil field and other related services. Pursuant to the joint venture agreement, East Asia, with a proposed issued share capital of HK\$40,000,000, will be 51% and 49% owned by Sparkling Gold and WLET, respectively.

Also on 15 July 2015, East Asia and WLET entered into a sale and purchase agreement, pursuant to which East Asia agreed to buy, and WLET agreed to sell certain rig, well logging equipment and other materials and equipment, at a consideration of HK\$48,000,000, which will be payable by East Asia to WLET in three installments over the two years from the date of the sale and purchase agreement.

Further details of the above are explained in the Company's announcement dated 15 July 2015.

MANAGEMENT DISCUSSION AND ANALYSIS

Business and Financial Review

The Group did not generate any turnover for the period ended 30 June 2015 (2014: Nil).

The Group recorded a net loss attributable to owners of the Company of approximately HK\$12,930,000 for the period as compared to a net loss attributable to owners of the Company of approximately HK\$977,613,000 for the corresponding period last year. Loss for the period last year included a loss on disposal of a subsidiary of approximately HK\$963,735,000.

Administrative and other operating expenses for the period amounted to approximately HK\$11,921,000 representing an increase of approximately HK\$3,811,000 or 47%, as compared with the corresponding period last year. The increase was mainly attributable to increase in business development activities and employee costs.

Finance costs for the period amounted to approximately HK\$311,000 (2014: approximately HK\$6,926,000). The decrease in interest costs was mainly resulted from the cancellation of the convertible bonds in the amount of HK\$120,000,000 and conversion of the convertible bonds in the amount of HK\$16,000,000 in the second quarter of 2014.

The Group engages in the business of exploration and exploitation of energy and resources. As most of the projects are still in the exploratory phase, the Group continues to incur capitalizable and operating expenses, and sustain losses.

Subscriptions of New Shares

On 11 March 2015, the Company entered into a shares subscription agreement with the subscriber, an independent third party and pursuant to which, the subscriber agreed to subscribe for and the Company agreed to allot and issue a total of 100,000,000 new shares at a subscription price of HK\$0.195 per new share. On 18 March 2015, the subscription was completed. The net proceeds from the subscription after deducting the related expenses were approximately HK\$19,000,000.

Further details of the above are explained in the Company's announcements dated 12 March 2015, 13 March 2015 and 18 March 2015.

On 11 June 2015, the Company entered into another shares subscription agreement with two subscribers, both independent third parties and pursuant to which, each of the subscribers agreed to subscribe for and the Company agreed to allot and issue a total of 50,000,000 new shares at a subscription price of HK\$0.33 per new share. On 22 June 2015, the subscriptions were completed. The net proceeds from the subscriptions after deducting the related expenses were approximately HK\$32,900,000.

Further details of the above are explained in the Company's announcements dated 11 June 2015 and 22 June 2015.

On 8 May 2015, 650,000,000 ordinary shares were allotted and issued at HK\$0.195 per share to Silver Star Enterprises Holdings Inc. to settle a loan of HK\$126,750,000 owned by the Group to Mr. Lam Nam, the controlling shareholder of the Company. For further details, please refer to the section headed "Connected Transaction: Capitalisation of Shareholder's Loan and Increase in Authorised Share Capital" below.

Connected Transaction: Capitalization of Shareholder's Loan and Increase in Authorized Share Capital

On 11 March 2015, the Company and Silver Star Enterprises Holdings Inc., ("Silver Star") entered into a subscription agreement (the "Subscription Agreement") whereby Silver Star agreed to subscribe for, and the Company agreed to issue and allot for an aggregate of 650,000,000 new shares at a subscription price of HK\$0.195 per new share to settle a loan of HK\$126,750,000 owed by the Group to Mr. Lam Nam, the controlling shareholder of the Company (the "Capitalization of Shareholder's Loan"). Silver Star is a company wholly-owned by Mr. Lam Nam.

As Mr. Lam Nam is a substantial shareholder of the Company, Mr. Lam Nam is a connected person of the Company and therefore the Capitalisation of Shareholder's Loan constituted a connected transaction of the Company under Chapter 20 of the GEM Listing Rules.

In order to have sufficient authorised share capital to accommodate the allotment of new shares pursuant to the Subscription Agreement, and future expansion and growth of the Company, the directors of the Company proposed to increase the authorised share capital of the Company from HK\$100,000,000 divided into 2,500,000,000 shares of HK\$0.04 each to HK\$200,000,000 divided into 5,000,000,000 shares of HK\$0.04 each by the creation of 2,500,000,000 new shares of HK\$0.04 each (the "Share Capital Increase").

The Capitalization of Shareholder's Loan and the Share Capital Increase were approved at the extraordinary general meeting of the Company held on 4 May 2015.

Upon completion of Capitalization of Shareholder's Loan, 650,000,000 ordinary shares were allotted and issued at HK\$0.195 per share to Silver Star by way of set off against a loan of HK\$126,750,000 owned by the Group to Mr. Lam Nam on 8 May 2015.

Further details of the above are explained in the Company's announcements dated 12 March 2015, 13 March 2015 and 8 May 2015 and Company's circular dated 10 April 2015.

Liquidity and Financial Resources

As at 30 June 2015, the Group had net assets amounted to approximately HK\$290.7 million (31 December 2014: HK\$125.1 million) and net current assets amounted to approximately HK\$47.3 million (31 December 2014: net current liabilities HK\$106.5 million). The current ratio was 835% (31 December 2014: 24%). The Group had HK\$608,000 finance lease obligations as at 30 June 2015 (31 December 2014: HK\$680,000). As at 30 June 2015, gearing ratio of the Group based on total debt to the shareholders' equity was 2% (31 December 2014: 120%).

For the period ended 30 June 2015, the Group financed its operations mainly by issuing new shares to investors in the financial market and with the funds provided by the substantial shareholder.

Operations of the Group are mainly conducted in Renminbi ("RMB"), Hong Kong Dollars ("HKD"), United States Dollars ("USD") and Philippine Pesos ("PHP"). Their revenue, expenses, assets and liabilities and borrowings are principally denominated in RMB, HKD, USD and PHP, which do not pose significant foreign currency risk at present.

Employee Information

The Group had a total number of staff of 55 (31 December 2014: 40). Remuneration packages are reviewed on a periodical basis. Bonus is awarded to employees according to the assessment of individual performance. In Hong Kong, the Group provides staff benefits including mandatory provident fund scheme. In overseas, the Group provides staff welfare for its employees in accordance with the prevailing labour legislations. Staff cost was approximately HK\$8.2 million for the six months ended 30 June 2015 as compared with the corresponding period of approximately HK\$4.0 million in 2014.

Prospects

Philippines Central Luzon Gas Project

The project's original 2012 work program was for re-entry work at the Victoria-3 well and drilling a new well. However, the re-entry activity and the drilling a new well were delayed due to rig availability. In 2012, project management gave up the re-entry work and, instead, conducted a further support study for a new drilling plan. The support study, and new well design had continued into 2013. As a result of the above-described delay, applications for extensions of the current exploration subphase to 28 February 2016 have been granted by the Department of Energy, on condition that one exploration well will be drilled by end of this sub-phase. It is intended that the rig currently sourced for the Cebu project will be mobilized to Central Luzon to drill the well.

Philippines San Miguel Coal Mine Project

The project has progressed into the development phase. Construction of the phase-2 road, which will extend the vehicle-assessable road into the initial mining area, began in the second quarter 2011 but was suspended pending receipt of clearance from governmental agencies overseeing environmental protection. Construction can only be resumed upon the grant of tree cutting permit. A moratorium on the work commitments for the project has been granted by the Department of Energy to 31 December 2015.

Philippines South Cebu Oil and Gas Project

The project (“SC49”) is situated at the southern part of Cebu, central Philippines. Oil and gas had been discovered in previous drillings. China International Mining Petroleum Company Limited (“CIMP”) acquired 80% participating interests of SC49 and became the operator of SC49 in July 2009. The Group indirectly acquired 51% of CIMP’s issued capital in October 2012, and an additional 12% in April 2014, bringing the effective interest in the project to 50.4% after the latest acquisition.

CIMP signed a drilling service agreement with a contractor in March 2014 for SC49 and spudded its first appraisal well, Polyard-2 (“P2”), on 22 October, 2014. After 47 days of operations, drilling was completed at 1,252 meters. Subsequently, P2 well underwent wireline logging activities and completed oil testing operations on 2 February 2015. After carrying out different tests, it has proven that the block has tested gas with daily production capacity of over 80,000 cubic meters. The Group’s team now is conducting preparation work to turn the well into a production well.

The drilling rig has been moved to Block No. 6 in mid-February 2015 to drill Polyard-1 well (“P1”). Based on the geological design, P1 will explore mainly for oil zones. An extension of the current exploration sub-phase to 1 March 2016 has been granted by Department of Energy to allow CIMP to complete all pre-development activities necessary for evaluating the petroleum resource and initiating transition of the project to development/commercial production stage.

On 3 June 2015, the Department of Environment and Natural Resources of the Philippines granted the Environmental Compliance Certificate (the “ECC”) for the SC49 oil and gas project. After obtaining the ECC, CIMP has made the application for the production permit to the Department of Energy of the Philippines. Project production is expected to begin subsequent to the successful application of the production permit.

On 19 March 2015, the Group signed a memorandum of agreement (and subsequently two extensions) with a leading petroleum distributor, Unioil Petroleum Philippines, Inc. to jointly develop and explore a potential strategic alliance for the sale of natural gas in the Philippines.

Summary of Expenditure Incurred for Projects

A summary of expenditure incurred for the above projects by the Group for the six months ended 30 June 2015 is as follow:

	Unaudited Six months ended 30 June	
	2015	2014
	HK\$'000	HK\$'000
Philippines Central Luzon Gas Project	213	682
Philippines San Miguel Coal Mine Project	51	52
Philippines South Cebu Oil and Gas Project	2,873	2,395

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND/OR SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR ANY ASSOCIATED CORPORATIONS

As at 30 June 2015, none of the Directors and chief executive of the Company had any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which were required to be notified to the Company and the Stock Exchange pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules relating to the securities transactions by Directors.

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND/OR SHORT POSITIONS IN THE SHARES AND/OR UNDERLYING SHARES OF THE COMPANY

As at 30 June 2015, the interests and short positions of persons, other than Directors or chief executive of the Company, in the shares and/or underlying shares of the Company which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or, who is, directly or indirectly, interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other members of the Group, or substantial shareholders as recorded in the register of substantial shareholders required to be kept by the Company under Section 336 of the SFO were as follows:

Name of person	Number of shares held	Capacity	Approximate percentage of interest
	<i>(Note 1)</i>		
Silver Star Enterprises Holdings Inc. <i>(Note 2)</i>	1,894,255,931 (L)	Beneficial owner	67.95%
Lam Nam	1,894,255,931 (L) <i>(Note 2)</i>	Interest of a controlled corporation	67.95%
	11,900,000	Beneficial owner	0.43%

Notes:

- 1 The letter "L" denotes long positions in shares or underlying shares.
- 2 The entire issued share capital of Silver Star Enterprises Holdings Inc. is beneficially owned by Mr. Lam Nam. Mr. Lam Nam is deemed to be interested in 1,894,255,931 shares held by Silver Star Enterprises Holdings Inc.

Save as disclosed above, as at 30 June 2015, the Directors were not aware of any other person (other than the Directors or chief executive of the Company) who had an interest or short position in the shares and/or underlying shares of the Company which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or, who is, directly or indirectly, interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other members of the Group, or any other substantial shareholders whose interests or short positions were recorded in the register required to be kept by the Company under Section 336 of the SFO.

DIRECTORS' RIGHTS TO ACQUIRE SHARES

At no time during the period were rights to acquire benefits by means of acquisition of shares in or debentures of the Company or of any other body corporate granted to any Directors, their respective spouses or children under 18 years of age, or were any such rights exercised by them; or was the Company or any of its subsidiaries a party to any arrangements to enable the Directors, their respective spouses or children under 18 years of age to acquire such rights in the Company or any other body corporate.

CODE OF CONDUCT REGARDING SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted a code of conduct regarding securities transactions by Directors on terms no less exacting than the required standard of dealings set out in Rules 5.48 to 5.67 of the GEM Listing Rules. The Company was not aware of any non-compliance with the code of conduct and the required standard of dealings regarding securities transactions throughout the period ended 30 June 2015.

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

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities during the period.

PRE-EMPTIVE RIGHTS

There are no provision for pre-emptive rights under the Company's Articles of Association, or the laws of the Cayman Islands, which would oblige the Company to offer new shares on a pro rata basis to the existing shareholders.

COMPETING INTERESTS

During the period, none of the Directors or the management shareholders of the Company (as defined in the GEM Listing Rules) had an interest in a business which competes or may compete with the business of the Group.

CODE ON CORPORATE GOVERNANCE PRACTICES

Throughout the period, the Company has complied with the requirements of the code provisions set out in the Code on Corporate Governance Practices contained in Appendix 15 of the GEM Listing Rules.

AUDIT COMMITTEE

The Company has established the Audit Committee with written terms of reference in compliance with Rules 5.28 and 5.33 of the GEM Listing Rules. The primary duties of the Audit Committee include reviewing the Company's annual report, half-year report and quarterly financial reports and providing advice and comments thereon to the Board. The Audit Committee is also responsible for reviewing and supervising the Company's financial reporting process and internal control procedures. It is also responsible for making recommendations to the Board on the appointment, re-appointment and removal of external auditor, approving the remuneration and terms of engagement of the external auditor, reviewing and monitoring the external auditor's independence and objectivity, and meeting the external auditor at least twice a year regarding the review of the financial reports and accounts.

The Audit Committee comprises the three independent non-executive Directors, namely Mr. Pai Hsi-Ping, Ms. Xie Qun and Mr. Kwan King Chi George. Mr. Kwan King Chi George is the Chairman of the Audit Committee.

The unaudited condensed consolidated financial statements of the Group for the period have been reviewed by the Audit Committee, which is of the opinion that such unaudited condensed consolidated financial statements complied with the applicable accounting standards, the Stock Exchange and legal requirements, and that adequate disclosures have been made.

For and on behalf of the Board

Kuai Wei
Chairman

Hong Kong, 10 August 2015

At the date of this report, the board of Directors of the Company comprises:

Executive Directors

Mr. Kuai Wei
Mr. Lai Chun Liang
Mr. Lin Zhang

Independent Non-Executive Directors

Mr. Pai Hsi-Ping
Ms. Xie Qun
Mr. Kwan King Chi George