



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

(Stock Code: 8011)

# 2017

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 2017, together with the comparative unaudited figures for the corresponding period in 2016, as follows:

### CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2017

	Notes	Unaudited Three months ended 30 June		Unaudited Six months ended 30 June	
		2017	2016	2017	2016
		HK\$'000	HK\$'000	HK\$'000	HK\$'000
Turnover		—	—	—	—
Other revenue		1	4	39	13
Administrative and other operating expenses		(6,156)	(9,266)	(13,862)	(17,563)
Finance costs	3	(4,914)	(4,754)	(9,739)	(8,948)
Share of results of associates		—	—	—	(1)
Impairment losses recognised on interests in a joint venture written back		—	62,914	—	62,914
Impairment losses recognised on deferred exploration expenditure		466	—	(431)	—

	Notes	Unaudited Three months ended 30 June		Unaudited Six months ended 30 June	
		2017	2016	2017	2016
		HK\$'000	HK\$'000	HK\$'000	HK\$'000
(Loss)/Profit before tax	4	(10,603)	48,898	(23,993)	36,415
Income tax	5	193	168	378	304
<b>(LOSS)/PROFIT FOR THE PERIOD</b>		<b>(10,410)</b>	<b>49,066</b>	<b>(23,615)</b>	<b>36,719</b>
<b>Attributable to:</b>					
Owners of the Company		(10,285)	26,403	(23,084)	14,680
Non-controlling interests		(125)	22,663	(531)	22,039
		<b>(10,410)</b>	<b>49,066</b>	<b>(23,615)</b>	<b>36,719</b>
(Loss)/Earnings per share	6				
Basic (in HK cents)		(0.35)	0.94	(0.79)	0.52
Diluted (in HK cents)		(0.35)	0.94	(0.79)	0.52
Dividend	7	—	—	—	—

## CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2017

	Unaudited Three months ended 30 June		Unaudited Six months ended 30 June	
	2017	2016	2017	2016
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
(Loss)/Profit for the period	(10,410)	49,066	(23,615)	36,719
Other comprehensive income/ (expense):				
Item that may be reclassified subsequently to profit or loss:				
Exchange differences on translation of foreign operations	873	(4)	1,259	254
<b>TOTAL COMPREHENSIVE (EXPENSE)/INCOME FOR THE PERIOD</b>	<b>(9,537)</b>	<b>49,062</b>	<b>(22,356)</b>	<b>36,973</b>
<b>Attributable to:</b>				
Owners of the Company	(9,739)	22,465	(22,302)	14,900
Non-controlling interests	202	22,597	(54)	22,073
<b>TOTAL COMPREHENSIVE (EXPENSE)/INCOME FOR THE PERIOD</b>	<b>(9,537)</b>	<b>49,062</b>	<b>(22,356)</b>	<b>36,973</b>

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2017

		Unaudited 30 June 2017	Audited 31 December 2016
	<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment		770	912
Interests in joint ventures		333,113	330,768
		<b>333,883</b>	<b>331,680</b>
<b>CURRENT ASSETS</b>			
Other receivables	9	37,220	35,520
Cash and bank balances		589	4,698
		<b>37,809</b>	<b>40,218</b>
<b>CURRENT LIABILITIES</b>			
Other payables	10	(20,582)	(16,153)
Amounts due to directors		(3,772)	(735)
Amount due to a shareholder		(12,858)	(9)
Convertible bonds		(148,254)	(98,874)
Obligations under finance lease current portion		(167)	(163)
		<b>(185,633)</b>	<b>(115,934)</b>

		Unaudited 30 June 2017	Audited 31 December 2016
	<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>NET CURRENT LIABILITIES</b>		(147,824)	(75,716)
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		186,059	255,964
<b>NON-CURRENT LIABILITIES</b>			
Convertible bonds		—	(47,086)
Deterred tax liabilities		(288)	(667)
Obligations under finance lease – non-current portion		(130)	(214)
		(418)	(47,967)
<b>NET ASSETS</b>		185,641	207,997
<b>CAPITAL AND RESERVES</b>			
Share capital	11	117,502	117,502
Reserves		25,027	47,329
Equity attributable to owners of the Company		142,529	164,831
Non-controlling interests		43,112	43,166
<b>TOTAL EQUITY</b>		185,641	207,997

## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2017

	Unaudited								
	Attributable to owners of the Company								
	Share capital	Share premium	Special reserve	Exchange reserve	Convertible	Accumulated losses	Sub-total	Non-controlling interests	Total
					bonds reserve				
HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
At 1 January 2016 (Audited)	111,502	941,937	985	(23)	634	(901,699)	153,336	13,285	166,621
Profit for the period	-	-	-	-	-	14,680	14,680	22,039	36,719
Other comprehensive income for the period	-	-	-	220	-	-	220	34	254
Total comprehensive income for the period	-	-	-	220	-	14,680	14,900	22,073	36,973
Issue of shares	4,400	41,115	-	-	-	-	45,515	-	45,515
Recognition of equity component of convertible bonds	-	-	-	-	3,488	-	3,488	-	3,488
Deferred tax liability on recognition of equity component of convertible bonds	-	-	-	-	(837)	-	(837)	-	(837)
At 30 June 2016	115,902	983,052	985	197	3,285	(887,019)	216,402	35,358	251,760
<b>At 1 January 2017 (Audited)</b>	117,502	998,012	985	(1,560)	3,285	(953,393)	164,831	43,166	207,997
Loss for the period	-	-	-	-	-	(23,084)	(23,084)	(531)	(23,615)
Other comprehensive income for the period	-	-	-	782	-	-	782	477	1,259
Total comprehensive expense for the period	-	-	-	782	-	(23,084)	(22,302)	(54)	(22,356)
At 30 June 2017	117,502	998,012	985	(778)	3,285	(976,477)	142,529	43,112	185,641



## CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2017

	Unaudited Six months ended 30 June	
	2017	2016
	<i>HK\$'000</i>	<i>HK\$'000</i>
Net cash used in operating activities	(15,241)	(25,060)
Net cash used in investing activities	(2,797)	(84,242)
Net cash generated from financing activities	13,929	90,043
Net decrease in cash and cash equivalents	(4,109)	(19,259)
Cash and cash equivalents at 1 January	4,698	51,774
Cash and cash equivalents at 30 June	589	32,515
Analysis of cash and cash equivalents		
Cash and bank balances	589	32,515

## 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 principal activity of the Company is investment holding. The Group is principally engaged in the exploration, exploitation and production of oil, natural gas and coal, trading of petroleum-related products and provision of technical services.

### 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 on the historical cost basis. Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

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 2016.

### 3. Finance costs

	Unaudited Three months ended 30 June		Unaudited Six months ended 30 June	
	2017	2016	2017	2016
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Imputed interest on convertible bonds	4,910	4,748	9,731	8,936
Finance lease interest	4	6	8	12
	4,914	4,754	9,739	8,948

#### 4. (Loss)/Profit before tax

(Loss)/Profit before tax is arrived at after charging:

	Unaudited Three months ended 30 June		Unaudited Six months ended 30 June	
	2017	2016	2017	2016
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Staff costs (including directors' emoluments)				
– Salaries, allowances and benefits in kind	3,882	5,145	8,521	9,877
– Retirement scheme defined contributions	52	78	117	151
Depreciation of property, plant and equipment	56	61	111	122

#### 5. Income tax

	Unaudited Three months ended 30 June		Unaudited Six months ended 30 June	
	2017	2016	2017	2016
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Current tax				
– Hong Kong	–	–	–	–
– PRC enterprise income tax	–	–	–	–
– Other jurisdictions	–	–	–	–
Deferred tax	193	168	378	304
Income tax credit for the period	193	168	378	304

Hong Kong profits tax is calculated at the rate of 16.5% (2016: 16.5%) on the estimated assessable profit for the period. PRC subsidiaries are subject to PRC enterprise income tax at the rate of 25% (2016: 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 the period represented income tax recognised on reversal of temporary differences arising from convertible bonds.

No deferred tax has been recognised on the unused tax losses (2016: Nil) due to unpredictability of future taxable profits that will be available against which the tax losses can be utilised.

## 6. (Loss)/Earnings per share

The calculations of the basic and diluted (loss)/earnings per share are based on the following data:

	Unaudited Three months ended 30 June		Unaudited Six months ended 30 June	
	2017	2016	2017	2016
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
(Loss)/Profit for the period attributable to owners of the Company	(10,285)	26,403	(23,084)	14,680
	'000	'000	'000	'000
Issued ordinary shares at beginning of period	2,937,538	2,787,538	2,937,538	2,787,538
Effect of ordinary shares issued	—	33,516	—	16,758
Weighted average number of ordinary shares in issue for the period	2,937,538	2,821,054	2,937,538	2,804,296

During the period ended 30 June 2017, the computation of diluted loss per share does not assume the conversion of the outstanding convertible bonds since it would result in a decrease in loss per share, and is regarded as anti-dilutive.

During the period ended 30 June 2016, effect of diluted potential ordinary shares on convertible bonds was considered to be nil as the average market price of ordinary shares was below the conversion price of the convertible bonds.

**7. Dividend**

The Board does not recommend the payment of a dividend for the period (2016: Nil).

**8. Segment information**

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

For the six months ended 30 June 2017, 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.

The Group accounts for inter-segment revenue and transfers as if revenue or transfers were to third parties.

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 Six months ended 30 June 2017				Unaudited Six months ended 30 June 2016			
	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
Revenue from external customers	-	-	-	-	-	-	-	-
Other revenue	-	-	39	39	-	-	13	13
Total income	-	-	39	39	-	-	13	13
Reportable segment loss before tax	(2,443)	-	(2,330)	(4,773)	(2,427)	-	(5,518)	(7,945)
Unallocated corporate expenses				(9,050)				(9,605)
Unallocated interest expense				(9,739)				(8,948)
Share of results of associates				-				(1)
Impairment losses recognised on interests in a joint venture written back				-				62,914
Impairment losses recognised on deferred exploration expenditure				(431)				-
(Loss)/Profit before tax				(23,993)				36,415
Income tax				378				304
(Loss)/Profit for the period				(23,615)				36,719

Segment assets and liabilities

	Unaudited 30 June 2017				Audited 31 December 2016			
	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	36,009	37	686	36,732	36,214	-	1,387	37,601
Interests in joint ventures	333,113			333,113	330,768			330,768
Unallocated corporate assets				1,847				3,529
Total assets				371,692				371,898
Liabilities:								
Segment liabilities	2,302	-	4,976	7,278	1,727	-	4,506	6,233
Unallocated corporate liabilities				178,773				157,668
Total liabilities				186,051				163,901

Other segment information

	Unaudited Six months ended 30 June 2017					Unaudited Six months ended 30 June 2016				
	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	7	-	19	85	111	12	-	18	92	122
Capital expenditure	2,705	-	12	-	2,797	84,244	-	4	7	84,255

**(b) Geographical information**

The following table sets out information about the geographical location of (i) the Group's revenue 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.

	Revenue from external customers		Specified non-current assets	
	Unaudited		Unaudited	Audited
	Six months ended		30 June	31 December
	2017	2016	2017	2016
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Mainland China, including Hong Kong and Macau	–	–	454	598
Philippines	–	–	333,429	331,082
	–	–	333,883	331,680

**9. Other receivables**

	Unaudited	Audited
	30 June	31 December
	2017	2016
	HK\$'000	HK\$'000
Other debtors, deposits and prepayments	37,220	35,520

*Note:*

Included in other receivables are amounts due from parties to a joint venture of approximately HK\$35,285,000 (31 December 2016: approximately HK\$33,513,000) representing capital contribution paid on behalf of parties to a joint venture. The amounts are interest-free, repayable on demand and secured by their participating interests in the joint venture.



**10. Other payables**

	<b>Unaudited 30 June 2017 HK\$'000</b>	Audited 31 December 2016 HK\$'000
Other creditors and accrued charges	20,582	16,153

**11. Share capital**

	30 June 2017		1 January 2017	
	Number of shares '000	Amount HK\$'000	Number of shares '000	Amount HK\$'000
Authorised: Ordinary shares of HK\$0.04 each				
– At 30 June 2017 and 1 January 2017	5,000,000	200,000	5,000,000	200,000
Issued and fully paid: Ordinary shares of HK\$0.04 each				
– At 30 June 2017 and 1 January 2017	2,937,538	117,502	2,937,538	117,502

**12. Commitments**

**(a) Capital commitments**

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

	<b>Unaudited 30 June 2017 HK\$'000</b>	Audited 31 December 2016 HK\$'000
Contributions to a joint venture	73,971	45,364

**(b) Operating lease commitments**

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

	Unaudited 30 June 2017 <i>HK\$'000</i>	Audited 31 December 2016 <i>HK\$'000</i>
Premises		
– due within 1 year	1,924	1,502
– due after 1 year but within 5 years	290	667
	<b>2,214</b>	<b>2,169</b>

**13. 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:

	<i>Note</i>	Unaudited Three months ended 30 June		Unaudited Six months ended 30 June	
		2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
Office rentals		137	125	267	250

*Note:*

The Group paid office rentals to a company controlled by Mr. Lam Nam, the controlling shareholder of the Company.

**14. Comparative figures**

Certain comparative figures have been reclassified to conform with the current period's presentation.

## MANAGEMENT DISCUSSION AND ANALYSIS

### Business and Financial Review

The Group did not generate any turnover for the period ended 30 June 2017 (2016: Nil).

The Group recorded a net loss attributable to owners of the Company of approximately HK\$23,084,000 for the period as compared to a net profit attributable to owners of the Company of approximately HK\$14,680,000 for the corresponding period last year. Profit for the corresponding period last year included a reversal of impairment loss on interest in a joint venture of approximately HK\$62,914,000 as a result of increased valuation due to rise in oil prices and increase in the resources of the Philippines South Cebu oil and gas project.

Administrative and other operating expenses for the period amounted to approximately HK\$13,862,000 representing a decrease of approximately HK\$3,701,000 or 21%, as compared with the corresponding period last year. The decrease was mainly attributable to decrease in various business expenses such as employee costs, entertainment and overseas travelling expenses.

Finance costs for the period amounted to approximately HK\$9,739,000 (2016: approximately HK\$8,948,000). The increase in interest costs was mainly resulted from the full effect of the interest cost of the convertible bonds in the amount of HK\$50,000,000 issued at the end of January 2016.

## Memorandum of Understanding in respect of a Possible Subscription

On 11 March 2017, the Company and China Wheat (Shenzhen) Equity Investment Fund Management Limited (中麥田(深圳)股權投資基金管理有限公司) (the "Subscriber") entered into a memorandum of understanding pursuant to which the Company agreed to allot and issue 900,000,000 subscription shares to the Subscriber at a cash price of HK\$0.414 per share pursuant to the formal agreement to be negotiated between the Company and the Subscriber. According to the supplemental memorandums of understanding entered into between the Company and the Subscriber, all terms and conditions set out in the memorandum of understanding were extended and remained in effect until 30 June 2017. However, the Company and the Subscriber, after further negotiations, have agreed to terminate the memorandum of understanding with effect from 30 June 2017.

Further details of the above are explained in the Company's announcements dated 12 March 2017, 25 April 2017, 31 May 2017 and 30 June 2017.

## Liquidity and Financial Resources

As at 30 June 2017, the Group had net assets amounted to approximately HK\$185.6 million (31 December 2016: approximately HK\$208.0 million) and net current liabilities amounted to approximately HK\$147.8 million (31 December 2016: approximately HK\$75.7 million). The current ratio was 20% (31 December 2016: 35%). As at 30 June 2017, gearing ratio of the Group based on net debt to the shareholders' equity was 100% (31 December 2016: 77%).

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 51 (31 December 2016: 63). 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\$8.6 million for the six months ended 30 June 2017 as compared with the corresponding period of approximately HK\$10.0 million in 2016.

## Prospects

### Philippines Central Luzon Gas Project

As described in previous reports, consolidation of the gas project's work programs under exploration Sub-phases 1 and 2 was granted by the Philippines Department of Energy to extend the expiry to 28 February 2017, on condition that (i) two exploration wells will be drilled, or (ii) one exploration well will be drilled and 200 line-kilometer of 2D seismic data will be acquired, processed and interpreted by end of the new Sub-phase. In October 2016, the project informed Department of Energy that the prescribed work program under Sub-phase 1 would not be timely completed upon expiration by reasons of force majeure, and further extension was requested. On 9 May 2017, Department of Energy granted an approval to extend the expiry of the consolidated Sub-phase 1 to 9 November 2019 with the condition to drill two exploration wells by end of the Sub-phase.

Management determined that it was appropriate to adopt a prudence approach to fully write down the carrying amount of the deferred exploration expenditure associated with the gas project. As a result, an impairment loss equal to the carrying value was made in respect of the Gas Project.

### **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 2017.

In view of the ongoing suspension for the development of the coal mine and the business outlook of the coal industry in the Philippines, management was in its view that the issue might not be resolved in the short term. As such, it was appropriate to adopt a prudence approach to fully write down the carrying amount of the project. As a result, an impairment loss equal to the carrying amount of the project was made in respect of the Coal Mine Project.

### **Philippines South Cebu Oil and Gas Project**

The project ("SC49") is situated at the southern part of Cebu, central Philippines. 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.

Between 2014 and 2016, the project had drilled, wireline-logged, and cemented five appraisal wells, namely Polyard-1, Polyard-2, Polyard-3, Polyard-6 and Polyard-8. According to preliminary results of interpretation, all wells have different levels of oil and gas shows, with discoveries of multiple oil and gas layers. Given the commercial quantity of gas discovery by Polyard-2, on 22 December 2015 Department of Energy confirmed SC49 was converted from the exploration period to the production period effective 1 March 2015 for a period of 25 years. In March 2017, the project has submitted to Department of Energy a plan of development comprising Polyard-3 and Polyard-8 oil blocks and, upon its approval, oil production may officially commence and more development wells will be drilled. On the date of this report, Department of Energy was still in the process of reviewing the plan and has been requesting for additional information.

During the reporting period, the project team was carrying out preparation work for drilling Polyard-9, the sixth appraisal well, including drilling geological and engineering designs, land leasing and compensation negotiation, and applying for tree-cutting permit from environmental protection authority.

### 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 2017 is as follows:

	Unaudited Six months ended 30 June	
	2017	2016
	HK\$'000	HK\$'000
Philippines Central Luzon Gas Project	431	270
Philippines San Miguel Coal Mine Project	–	23
Philippines South Cebu Oil and Gas Project	2,345	83,960

## 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 2017, 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 2017, 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.	1,894,255,931 (L) <i>(Note 2)</i>	Beneficial owner	64.48%
Lam Nam	1,894,255,931 (L) <i>(Note 2)</i>	Interest of a controlled corporation	64.48%
	48,480,000 (L)	Beneficial owner	1.65%
Haitong International Securities Company Limited	250,000,000 (L) <i>(Note 3)</i>	Beneficial owner	8.51%
Shu Xin	152,580,000	Beneficial owner	5.19%

*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.
- 3 These shares may be allotted and issued upon exercise of the conversion rights attaching to the convertible bonds issued by the Company.

Save as disclosed above, as at 30 June 2017, 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 2017.

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

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

## **PRE-EMPTIVE RIGHTS**

There is 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 the Company's financial controls, risk management and internal control systems. 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, 7 August 2017

*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