



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

(Stock Code : 8011)

**2012**

**Interim Report**

Room 2602, China Merchants Tower, Shun Tak Centre  
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## CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET (“GEM”) OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE “STOCK EXCHANGE”)

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Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board of the Stock Exchange and no assurance is given that there will be a liquid market in the securities traded on GEM.

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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 2012, together with the comparative unaudited figures for the corresponding period in 2011, as follows:

### CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30 June 2012

	Notes	Unaudited Three months ended 30 June		Unaudited Six months ended 30 June	
		2012 HK\$'000	2011 HK\$'000	2012 HK\$'000	2011 HK\$'000
Turnover	3	113	—	462	—
Cost of sales		—	—	—	—
Gross profit		113	—	462	—
Other revenues		—	50	3	51
Administrative expenses		(4,885)	(6,241)	(11,260)	(12,858)
Share of results of associates		(5)	(1)	(7)	(1)
Operating loss		(4,777)	(6,192)	(10,802)	(12,808)
Finance costs	4	(3,565)	(8,968)	(7,115)	(17,782)
Loss before tax	5	(8,342)	(15,160)	(17,917)	(30,590)
Income tax	6	542	1,139	1,080	2,256
<b>LOSS FOR THE PERIOD</b>		<b>(7,800)</b>	<b>(14,021)</b>	<b>(16,837)</b>	<b>(28,334)</b>
<b>Attributable to:</b>					
Owners of the Company		(7,759)	(13,857)	(16,789)	(28,022)
Non-controlling interests		(41)	(164)	(48)	(312)
		<b>(7,800)</b>	<b>(14,021)</b>	<b>(16,837)</b>	<b>(28,334)</b>
<b>Loss per share</b>	8				
Basic (in HK cents)		(0.43)	(2.10)	(0.92)	(4.41)
Diluted (in HK cents)		N/A	N/A	N/A	N/A
Dividend	7	—	—	—	—

## CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2012

	Unaudited Three months ended 30 June		Unaudited Six months ended 30 June	
	2012 HK\$'000	2011 HK\$'000	2012 HK\$'000	2011 HK\$'000
Loss for the period	(7,800)	(14,021)	(16,837)	(28,334)
Other comprehensive income:				
Exchange difference arising on translation of foreign operations	(58)	(14)	(137)	38
<b>TOTAL COMPREHENSIVE INCOME FOR THE PERIOD</b>	<b>(7,858)</b>	<b>(14,035)</b>	<b>(16,974)</b>	<b>(28,296)</b>
<b>Attributable to:</b>				
Owners of the Company	(7,802)	(13,856)	(16,913)	(27,957)
Non-controlling interests	(56)	(179)	(61)	(339)
	<b>(7,858)</b>	<b>(14,035)</b>	<b>(16,974)</b>	<b>(28,296)</b>

# CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2012

		<b>Unaudited 30 June 2012</b>	Audited 31 December 2011
	<i>Notes</i>	<b>HK\$'000</b>	<b>HK\$'000</b>
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment		663	838
Interests in associates		81,890	81,898
Interests in jointly controlled entities		1,398,929	1,393,203
Deferred exploration expenditure		21,367	19,826
		<b>1,502,849</b>	<b>1,495,765</b>
<b>CURRENT ASSETS</b>			
Amounts due from associates		14,204	13,370
Trade and other receivables	10	18,639	19,463
Cash and bank balances		1,116	4,200
		<b>33,959</b>	<b>37,033</b>
<b>CURRENT LIABILITIES</b>			
Trade and other payables	11	(15,164)	(13,048)
Amount due to a Director		(172)	(302)
Bank borrowings		(7,642)	(8,099)
Amount due to a shareholder		(47,556)	(34,494)
		<b>(70,534)</b>	<b>(55,943)</b>
<b>NET CURRENT LIABILITIES</b>			
		<b>(36,575)</b>	<b>(18,910)</b>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>			
		<b>1,466,274</b>	<b>1,476,855</b>
<b>NON-CURRENT LIABILITIES</b>			
Convertible bonds		(98,438)	(91,894)
Deferred tax liabilities		(3,557)	(4,637)
Promissory note		(8,139)	(7,842)
		<b>(110,134)</b>	<b>(104,373)</b>
<b>NET ASSETS</b>			
		<b>1,356,140</b>	<b>1,372,482</b>
<b>CAPITAL AND RESERVES</b>			
Share capital	12	72,999	72,900
Reserves		1,129,489	1,145,903
Equity attributable to owners of the Company		<b>1,202,488</b>	<b>1,218,803</b>
Non-controlling interests		153,652	153,679
<b>TOTAL EQUITY</b>			
		<b>1,356,140</b>	<b>1,372,482</b>

# CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2012

	Unaudited									
	Attributable to owners of the Company									
	Share capital	Share premium	Special reserve	Exchange reserve	Capital reserve	Convertible bonds reserve	Retained profits/ Accumulated losses	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	HK\$'000
At 1 January 2011 (Audited)	24,336	531,831	985	57	15,392	48,689	960	622,250	87	622,337
Loss for the period	—	—	—	—	—	—	(28,022)	(28,022)	(312)	(28,334)
Other comprehensive income for the period	—	—	—	65	—	—	—	65	(27)	38
Total comprehensive income for the period	—	—	—	65	—	—	(28,022)	(27,957)	(339)	(28,296)
Non-controlling interests arising on acquisition of a subsidiary	—	—	—	—	—	—	—	—	14,700	14,700
Issue of rights shares	9,155	45,776	—	—	—	—	—	54,931	—	54,931
Issuing expenses relating to a rights issue	—	(1,183)	—	—	—	—	—	(1,183)	—	(1,183)
At 30 June 2011	33,491	576,424	985	122	15,392	48,689	(27,062)	648,041	14,448	662,489
At 1 January 2012 (Audited)	<b>72,900</b>	<b>777,644</b>	<b>985</b>	<b>(49)</b>	<b>15,392</b>	<b>48,689</b>	<b>303,242</b>	<b>1,218,803</b>	<b>153,679</b>	<b>1,372,482</b>
Loss for the period	—	—	—	—	—	—	(16,789)	(16,789)	(48)	(16,837)
Other comprehensive income for the period	—	—	—	(124)	—	—	—	(124)	(13)	(137)
Total comprehensive income for the period	—	—	—	(124)	—	—	(16,789)	(16,913)	(61)	(16,974)
Acquisition of additional interests in a subsidiary	—	—	—	—	—	—	(34)	(34)	34	—
Issue of employee shares	99	533	—	—	—	—	—	632	—	632
At 30 June 2012	<b>72,999</b>	<b>778,177</b>	<b>985</b>	<b>(173)</b>	<b>15,392</b>	<b>48,689</b>	<b>286,419</b>	<b>1,202,488</b>	<b>153,652</b>	<b>1,356,140</b>

## CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2012

	<b>Unaudited Six months ended 30 June</b>	
	<b>2012</b>	2011
	<i>HK\$'000</i>	<i>HK\$'000</i>
Net cash used in operating activities	(8,388)	(32,133)
Net cash used in investing activities	(7,270)	(4,370)
Net cash generated from financing activities	12,574	49,636
<b>Net (decrease)/increase in cash and cash equivalents</b>	<b>(3,084)</b>	13,133
Cash and cash equivalents at 1 January	4,200	16,646
<b>Cash and cash equivalents at 30 June</b>	<b>1,116</b>	29,779
<b>Analysis of cash and cash equivalents</b>		
Cash and bank balances	1,116	29,779

# 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 jointly controlled entities 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 2011.

## 3. Turnover

An analysis of the Group's turnover is as follows:

	Unaudited Three months ended 30 June		Unaudited Six months ended 30 June	
	2012 HK\$'000	2011 HK\$'000	2012 HK\$'000	2011 HK\$'000
Provision of technical services	113	—	462	—



#### 4. Finance costs

	Unaudited Three months ended 30 June		Unaudited Six months ended 30 June	
	2012	2011	2012	2011
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Effective interest on convertible bonds	3,272	8,968	6,544	17,782
Effective interest on promissory note	218	—	432	—
Bank interest	75	—	139	—
	<b>3,565</b>	<b>8,968</b>	<b>7,115</b>	<b>17,782</b>

#### 5. Loss before tax

Loss before tax is arrived at after charging:

	Unaudited Three months ended 30 June		Unaudited Six months ended 30 June	
	2012	2011	2012	2011
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Staff costs (including directors' remuneration)				
— Salaries and other benefits	2,086	2,507	5,006	5,110
— Retirement scheme contributions	90	18	161	57
Depreciation of property, plant and equipment	93	92	186	186

## 6. Income tax

	Unaudited Three months ended 30 June		Unaudited Six months ended 30 June	
	2012	2011	2012	2011
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Current tax				
— Hong Kong	—	—	—	—
— Other jurisdictions	—	—	—	—
Deferred tax	542	1,139	1,080	2,256
<b>Income tax credit for the period</b>	<b>542</b>	<b>1,139</b>	<b>1,080</b>	<b>2,256</b>

No provision for Hong Kong profits tax has been provided as there was no assessable income in Hong Kong during the period (2011: Nil). 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 represents income tax recognised on reversal of temporary differences arising from convertible bonds.

No deferred tax has been recognised on loss for the period (2011: Nil) due to unpredictability of future taxable profits that will be available against which the tax losses can be utilised.

## 7. Dividend

The Board does not recommend the payment of a dividend for the period (2011: Nil).

## 8. Loss per share

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

### *Basic loss per share*

	Unaudited Three months ended 30 June		Unaudited Six months ended 30 June	
	2012 HK\$'000	2011 HK\$'000	2012 HK\$'000	2011 HK\$'000
Loss for the period attributable to owners of the Company	7,759	13,857	16,789	28,022
Loss for the period for calculation of basic loss per share	7,759	13,857	16,789	28,022
	'000	'000 Restated	'000	'000 Restated
Weighted average number of ordinary shares in issue for the period	1,823,942	661,219	1,823,224	634,956

The calculations of the basic loss per share for the period ended 30 June 2011 were based on the number of ordinary shares which had been adjusted and restated to include the effects of share consolidation and rights issue in 2011.

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

## 9. Segment information

For the six months ended 30 June 2012, 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.

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 2012				Unaudited Six months ended 30 June 2011			
	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	—	—	462	462	—	—	—	—
Interest income	—	—	—	—	—	1	—	1
Other revenues	—	—	—	—	—	—	—	—
<b>Total income</b>	<b>—</b>	<b>—</b>	<b>462</b>	<b>462</b>	<b>—</b>	<b>1</b>	<b>—</b>	<b>1</b>
Reportable segment income/ (loss) before tax	(3,110)	(30)	250	(2,890)	(4,366)	(82)	—	(4,448)
Unallocated corporate income				3				50
Unallocated corporate expenses				(7,508)				(8,409)
Unallocated interest expense				(7,115)				(17,782)
Share of results of associates				(7)				(1)
Loss before tax				(17,917)				(30,590)
Income tax				1,080				2,256
<b>Loss for the period</b>				<b>(16,837)</b>				<b>(28,334)</b>

## Segment assets and liabilities

	Unaudited As at 30 June 2012				Audited As at 31 December 2011			
	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	39,046	763	222	40,031	41,365	483	1,783	43,631
Interests in associates	81,890			81,890	81,898			81,898
Interests in jointly controlled entities	1,398,929			1,398,929	1,393,203			1,393,203
Unallocated corporate assets				15,958				14,066
Total assets				1,536,808				1,532,798
Liabilities:								
Segment liabilities	126,648	149	492	127,289	121,247	154	2,880	124,281
Unallocated corporate liabilities				53,379				36,035
Total liabilities				180,668				160,316

## Other segment information

	Unaudited Six months ended 30 June 2012					Unaudited Six months ended 30 June 2011				
	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	119	—	—	67	186	131	—	—	55	186
Capital expenditure	—	—	—	11	11	54	—	—	48	102

**(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 jointly controlled entities ("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 jointly controlled entities.

	<b>Revenues from external customers</b>		<b>Specified non-current assets</b>	
	<b>Unaudited</b>		<b>Unaudited</b>	<b>Audited</b>
	<b>Six months ended 30 June</b>		<b>30 June</b>	<b>31 December</b>
	<b>2012</b>	2011	<b>2012</b>	2011
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Mainland China, including Hong Kong and Macau	462	—	663	838
Brunei	—	—	1,084,813	1,083,399
Philippines	—	—	417,373	411,528
	462	—	1,502,849	1,495,765

## 10. Trade and other receivables

The Group has a policy of allowing average credit periods ranging from 2 weeks to 1 month to its trade customers. In addition, for certain customers with long-established relationship and good past repayment histories, a longer credit period may be granted.

	<b>Unaudited 30 June 2012 HK\$'000</b>	Audited 31 December 2011 HK\$'000
Trade receivables	—	609
Other debtors, deposits and prepayments	18,639	18,854
	<b>18,639</b>	<b>19,463</b>
An aged analysis of trade receivables is as follows:		
61 to 270 days	—	609

## 11. Trade and other payables

	<b>Unaudited 30 June 2012 HK\$'000</b>	Audited 31 December 2011 HK\$'000
Trade payables	—	—
Other creditors and accrued charges	15,164	13,048
	<b>15,164</b>	<b>13,048</b>

## 12. Share capital

	30 June 2012		1 January 2012	
	Number of shares	Amount	Number of shares	Amount
	'000	HK\$'000	'000	HK\$'000
<i>Authorised:</i>				
Ordinary shares of HK\$0.04 each				
— At 30 June 2012 and 1 January 2012	2,500,000	100,000	2,500,000	100,000
<i>Issued and fully paid:</i>				
Ordinary shares of HK\$0.04 each				
— At 30 June 2012 and 1 January 2012	1,824,971	72,999	1,822,506	72,900

On 9 May 2012, pursuant to an employment agreement, 2,464,764 ordinary shares were allotted and issued to an employee at an issue price of HK\$0.2563 per share. The new ordinary 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	Audited
	30 June	31 December
	2012	2011
	HK\$'000	HK\$'000
Contributions to jointly controlled entities	85,773	93,862



**(b) Operating lease commitments**

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

	<b>Unaudited 30 June 2012 HK\$'000</b>	Audited 31 December 2011 HK\$'000
Premises		
— due within 1 year	3,011	3,967
— due after 1 year but within 5 years	524	1,958
	3,535	5,925

**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:

		<b>Unaudited Three months ended 30 June 2012 HK\$'000</b>	2011 HK\$'000	<b>Unaudited Six months ended 30 June 2012 HK\$'000</b>	2011 HK\$'000
	<i>Notes</i>				
Licence fee income	<i>I</i>	—	—	—	50
Convertible bonds interest	<i>II</i>	3,272	8,968	6,544	17,782
Promissory note interest	<i>III</i>	218	—	432	—

*Notes:*

- I The licence fee income was charged by the Company for services rendered to a related company in which Mr. Lam Nam ("Mr. Lam"), the substantial shareholder of the Company, has material interest.

- II The convertible bonds interest represented the effective interest charged on convertible bonds issued by the Company to Mr. Lam and a company beneficially owned by Mr. Lam.
  
- III The promissory note interest represented the effective interest charged on a promissory note issued by the Company to Mr. Lam for the acquisition of 51% of the issued share capital of Mass Leader Inc.

## MANAGEMENT DISCUSSION AND ANALYSIS

### Business and Financial Review

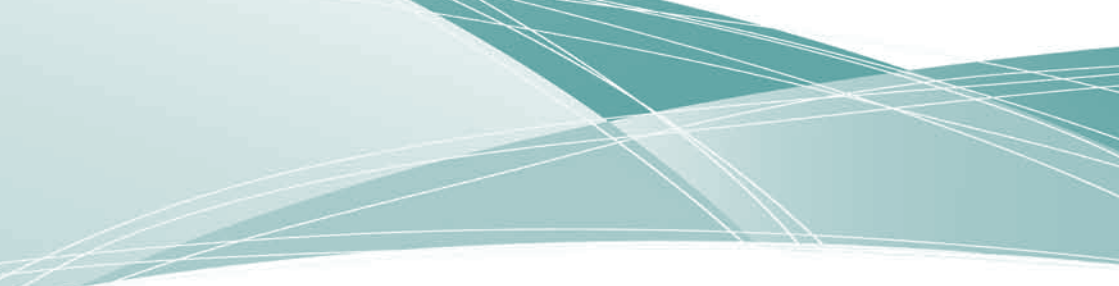
For the six months ended 30 June 2012, the Group provided technical services for oil and gas projects in geophysics and geology and generated revenues of HK\$462,000. During the comparable period in 2011, the Group had generated no turnover.

The Group recorded a net loss attributable to owners of the Company of approximately HK\$16,779,000 for the period as compared to a net loss attributable to owners of the Company of approximately HK\$28,022,000 for the corresponding period last year.

Administrative expenses for the period amounted to approximately HK\$11,260,000 representing a slight decrease of approximately HK\$1,598,000 or 12%, as compared with the corresponding period last year. The decrease was mainly due to the reduction in overseas travelling and business development expenses.

Finance costs for the period amounted to approximately HK\$7,115,000 (2011: approximately HK\$17,782,000). The decrease in interest costs was mainly resulted from redemption of the convertible bonds in the amount of HK\$276,352,231.22 on 6 September 2011.

The Group engages in the business of exploration and exploitation of energy and resources. Among the four ongoing projects, the oil and gas project in Brunei has completed drilling two exploratory wells while the coal mine project in the Philippines has entered into the development phase. As most of the projects



are still in the exploratory phase, the Group continues to incur capitalizable and operating expenses, and sustain losses. Revenues will be recorded when the projects progress to the exploitative phase with output of commercial quantity.

### **Liquidity and Financial Resources**

As at 30 June 2012, the Group had current assets of approximately HK\$34.0 million (31 December 2011: HK\$37.0 million) which comprised cash and bank balances of approximately HK\$1.1 million (31 December 2011: HK\$4.2 million) and had current liabilities of approximately HK\$70.5 million (31 December 2011: HK\$55.9 million). The current ratio was 48% (31 December 2011: 66%). Bank borrowings amounted to approximately HK\$7.6 million as at 30 June 2012 (31 December 2011: HK\$8.1 million). As at 30 June 2012, gearing ratio of the Group based on the net debt to the shareholders' equity was 13% (31 December 2011: 11%).

For the period ended 30 June 2012, the Group financed its operations mainly with the funds provided by the substantial shareholder.

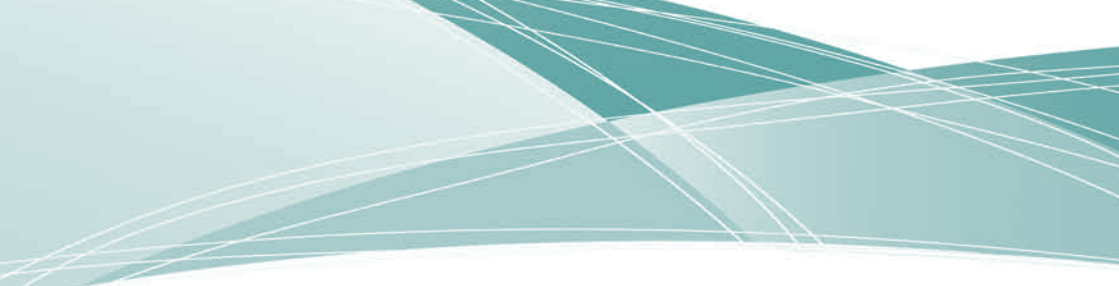
Operations of the Group are mainly conducted in Renminbi ("RMB"), Hong Kong Dollars ("HKD"), United States Dollars ("USD") and Philippine Pesos ("PHP"). Their revenue, expenses, assets and liabilities and borrowings are principally denominated in RMB, HKD, USD and PHP, which do not pose significant foreign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

### **Contingent Liabilities**

The Group had no contingent liability as at 30 June 2012 (31 December 2011: Nil).

### **Employee Information**

The Group had a total number of staff of 46 (31 December 2011: 64). Remuneration packages are reviewed on a periodical basis. Bonus is awarded to employees according to the assessment of individual performance. Besides,



a share option scheme was adopted by the Company, pursuant to which the Directors may offer to any eligible employees (including executive Directors and independent non-executive Directors) of the Company and any of its subsidiaries, options to subscribe for shares in the Company in accordance with the terms of the share option scheme. However, save for the share options granted prior to the listing, no other options have been granted up to 30 June 2012. Staff cost was approximately HK\$5.2 million for the six months ended 30 June 2012 as compared with the corresponding period of approximately HK\$5.2 million in 2011.

## **Prospects**

### ***Professional Services***

Sinotech Polyard Petroleum Exploration & Development Research Institute Limited and its subsidiary provided technical services for oil and gas projects in geophysics and geology and generated revenues of HK\$462,000 during the six months ended 30 June 2012.

### ***Brunei Block M Oil and Gas Project***

The 2012 work program has been framed around the remaining work commitments under the exploration phase, the focus of which will be drilling of the remaining 3 wells totaling nearly 9,000 meters. In case of commercial discovery, this will enable joint venture partners to be in a position at end of 2012 to enter the phase of appraisal and development.

The exploration phase of the project will expire on 27 August 2012. The joint venture has submitted a request to Petroleum Brunei ("PB", Brunei Darussalam's National Oil Company) for extension of time to complete the remaining work commitments and is pending PB's approval.

### ***Philippines Central Luzon Gas Project***

The project's 2012 budget was framed around Victoria-3 re-entry well planning and continuing the petrophysical and reservoir engineering study of the Central Luzon Basin. Data being captured will enable the project team to confirm gas shows of the area and the study will advance the re-entry program and help locate other site prospects for future drilling.

### ***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 is expected to resume in the third quarter of 2012 and completed in the following quarter. Test production is anticipated to take place in the fourth quarter of 2012.

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

This project is situated in the Cebu Island, central Philippines. Geologist were retained to perform site evaluation for 2D and 3D seismic projects and to create digital topographic maps and diagrams. The management team is working with governmental agencies and local residents on forest clearing, relocation compensation and land lease negotiation. A drilling rig sourced outside the Philippines is undergoing and will have to pass a testing program before the equipment will be imported. A field office with full-fledged manpower will be established in Alegria, Cebu and the first well is expected to spud in the fourth quarter of 2012.

## 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 2012 is as follow:

	Unaudited Six months ended 30 June	
	2012	2011
	HK\$'000	HK\$'000
Brunei Block M Oil and Gas Project	1,622	382
Philippines Central Luzon Gas Project	1,410	3,813
Philippines San Miguel Coal Mine Project	361	1,003
Philippines South Cebu Oil and Gas Project	3,253	—

## 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 2012, 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.

On 17 April 2012, Polyard Petroleum Resources Development Inc., a wholly-owned subsidiary of the Company, purchased from Mr. Zhang Xiaobao, a former executive Director of the Company who resigned on 25 May 2012, 9,900 issued shares of Sinotech Polyard Petroleum Exploration & Development Research Institute Limited ("Sinotech Polyard"), for a total consideration of HK\$1. Subsequent to the acquisition, Sinotech Polyard became a 70% indirectly owned subsidiary of the Company. For details, please refer to the Company's announcement published on 17 April 2012.

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

As at 30 June 2012, 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:

<b>Name of person</b>	<b>Number of shares held (Note 1)</b>	<b>Capacity</b>	<b>Approximate percentage of interest</b>
Lam Nam	1,339,255,931 (Note 2)	(L) Interest of a controlled corporation	73.39%
	161,725,067 (Notes 3 and 4)	(L) Interest of a controlled corporation	8.86%
Silver Star Enterprises Holdings Inc. (Note 2)	1,339,255,931	(L) Beneficial owner	73.39%
China International Mining Holding Company Limited (Note 3)	161,725,067 (Note 4)	(L) Beneficial owner	8.86%

*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.
- 3 The entire issued share capital of China International Mining Holding Company Limited is beneficially owned by Mr. Lam Nam.
- 4 These shares may be allotted and issued upon exercise of the conversion rights attaching to the convertible bonds issued by the Company.

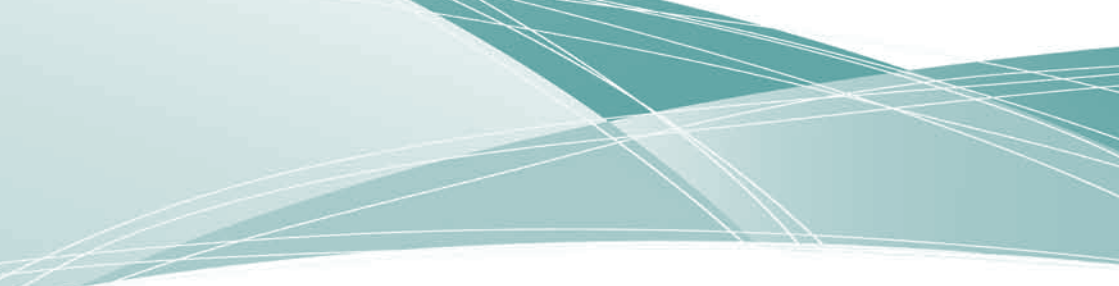
Save as disclosed above, as at 30 June 2012, the Directors were not aware of any other person (other than the Directors or chief executive of the Company) who had an interest or short position in the shares and/or underlying shares of the Company which would fall to be disclosed to the Company and the 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.

## **SHARE OPTION SCHEMES**

Pursuant to the pre-IPO share option scheme (the "Pre-IPO Share Option Scheme") adopted by the Company on 26 June 2002, certain Directors and participants have been granted options to subscribe for shares at an exercise price of HK\$0.002 per share. All of these share options granted were exercised or lapsed in or before 2008.

No share options under the share option scheme (the "Share Option Scheme") adopted by the Company on 26 June 2002 were granted, exercised or lapsed during the period.





Details of the Pre-IPO Share Option Scheme and the Share Option Scheme are set out in the Prospectus issued by the Company on 5 July 2002.

## **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 required standard of dealings and the code of conduct regarding securities transactions throughout the period ended 30 June 2012.

## **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 an audit committee (the “Audit Committee”) with written terms of reference pursuant to the GEM Listing Rules. The primary duties of the Audit Committee include reviewing the financial statements and monitoring the financial reporting procedures and internal control system of the Group.

The Audit Committee comprises three independent non-executive Directors, namely Mr. Wang Yanhui, Mr. Pai Hsi-Ping and Mr. Wong Kon Man Jason.

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 2012



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. Wang Yanhui

Mr. Pai Hsi-Ping

Mr. Wong Kon Man Jason