



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

(Stock Code : 8011)

**2013**  
Interim Report



## CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET (“GEM”) OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE “STOCK EXCHANGE”)

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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 2013, together with the comparative unaudited figures for the corresponding period in 2012, as follows:

### CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30 June 2013

	Notes	Unaudited Three months ended 30 June		Unaudited Six months ended 30 June	
		2013 HK\$'000	2012 HK\$'000	2013 HK\$'000	2012 HK\$'000
Turnover	3	—	113	—	462
Cost of sales		—	—	—	—
Gross profit		—	113	—	462
Other revenues		4	—	4	3
Administrative expenses		(4,235)	(4,885)	(7,808)	(11,260)
Share of results of associates		(164)	(5)	(168)	(7)
Operating loss		(4,395)	(4,777)	(7,972)	(10,802)
Finance costs	4	(4,298)	(3,565)	(8,617)	(7,115)
Loss before tax	5	(8,693)	(8,342)	(16,589)	(17,917)
Income tax	6	619	542	1,239	1,080
<b>LOSS FOR THE PERIOD</b>		<b>(8,074)</b>	<b>(7,800)</b>	<b>(15,350)</b>	<b>(16,837)</b>



	Notes	Unaudited Three months ended 30 June		Unaudited Six months ended 30 June	
		2013	2012	2013	2012
		HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>Attributable to:</b>					
Owners of the Company		(7,950)	(7,759)	(15,178)	(16,789)
Non-controlling interests		(124)	(41)	(172)	(48)
		(8,074)	(7,800)	(15,350)	(16,837)
<b>Loss per share</b>					
Basic (in HK cents)	7	(0.44)	(0.43)	(0.83)	(0.92)
Diluted (in HK cents)		N/A	N/A	N/A	N/A
Dividend	8	—	—	—	—

## CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2013

	Unaudited Three months ended 30 June		Unaudited Six months ended 30 June	
	2013 HK\$'000	2012 HK\$'000	2013 HK\$'000	2012 HK\$'000
Loss for the period	(8,074)	(7,800)	(15,350)	(16,837)
Other comprehensive income:				
Exchange difference arising on translation of foreign operations	(88)	(58)	25	(137)
<b>TOTAL COMPREHENSIVE INCOME FOR THE PERIOD</b>	<b>(8,162)</b>	<b>(7,858)</b>	<b>(15,325)</b>	<b>(16,974)</b>
<b>Attributable to:</b>				
Owners of the Company	(8,209)	(7,802)	(15,151)	(16,913)
Non-controlling interests	47	(56)	(174)	(61)
	<b>(8,162)</b>	<b>(7,858)</b>	<b>(15,325)</b>	<b>(16,974)</b>



## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2013

		Unaudited 30 June 2013 HK\$'000	Audited 31 December 2012 HK\$'000
	<i>Notes</i>		
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment		467	578
Interests in associates		60,777	60,945
Interests in jointly controlled entities		1,391,382	1,389,541
Deferred exploration expenditure		22,923	22,415
		1,475,549	1,473,479
<b>CURRENT ASSETS</b>			
Amounts due from associates		15,811	15,085
Other receivables	10	1,084	1,408
Cash and bank balances		299	1,668
		17,194	18,161
<b>CURRENT LIABILITIES</b>			
Other payables	11	(7,884)	(10,487)
Amount due to a director		(992)	(1,005)
Bank borrowing		(6,624)	(7,176)
Convertible bonds		(15,856)	(15,672)
		(31,356)	(34,340)
<b>NET CURRENT LIABILITIES</b>		(14,162)	(16,179)
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		1,461,387	1,457,300

		<b>Unaudited</b>	Audited
		<b>30 June</b>	31 December
		<b>2013</b>	2012
	<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>NON-CURRENT LIABILITIES</b>			
Amount due to a shareholder		(62,725)	(50,541)
Convertible bonds		(112,491)	(104,982)
Promissory note		(8,786)	(8,456)
Deferred taxation		(1,239)	(2,478)
		<b>(185,241)</b>	<b>(166,457)</b>
<b>NET ASSETS</b>			
		<b>1,276,146</b>	<b>1,290,843</b>
<b>CAPITAL AND RESERVES</b>			
Share capital	12	73,160	73,070
Reserves		1,071,161	1,085,774
Equity attributable to owners of the Company		<b>1,144,321</b>	<b>1,158,844</b>
Non-controlling interests		<b>131,825</b>	<b>131,999</b>
<b>TOTAL EQUITY</b>			
		<b>1,276,146</b>	<b>1,290,843</b>



## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2013

	Unaudited										
	Attributable to owners of the Company										
	Share capital	Share premium	Special reserve	Exchange reserve	Capital reserve	Convertible bonds		Retained profits	Sub-total	Non-controlling interests	Total
						reserve	reserve				
HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000		
At 1 January 2012 (Audited)	72,900	777,644	985	(49)	15,392	48,689	303,242	1,218,803	153,679	1,372,482	
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	72,999	778,177	985	(173)	15,392	48,689	286,419	1,202,488	153,652	1,356,140	
At 1 January 2013 (Audited)	73,070	778,736	985	(201)	15,392	49,062	241,800	1,158,844	131,999	1,290,843	
Total comprehensive income for the period	—	—	—	27	—	—	(15,178)	(15,151)	(174)	(15,325)	
Issue of employee shares	90	538	—	—	—	—	—	628	—	628	
At 30 June 2013	73,160	779,274	985	(174)	15,392	49,062	226,622	1,144,321	131,825	1,276,146	



## CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2013

	<b>Unaudited</b>	
	<b>Six months ended 30</b>	
	<b>June</b>	
	<b>2013</b>	2012
	<i>HK\$'000</i>	<i>HK\$'000</i>
Net cash used in operating activities	(11,218)	(8,388)
Net cash used in investing activities	(2,190)	(7,270)
Net cash generated from financing activities	12,039	12,574
<b>Net decrease in cash and cash equivalents</b>	<b>(1,369)</b>	<b>(3,084)</b>
Cash and cash equivalents at 1 January	1,668	4,200
<b>Cash and cash equivalents at 30 June</b>	<b>299</b>	<b>1,116</b>
<b>Analysis of cash and cash equivalents</b>		
Cash and bank balances	299	1,116



## 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 2012.

### 3. Turnover

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

	Unaudited Three months ended 30 June		Unaudited Six months ended 30 June	
	2013 HK\$'000	2012 HK\$'000	2013 HK\$'000	2012 HK\$'000
Provision of technical services	—	113	—	462

#### 4. Finance costs

	Unaudited Three months ended 30 June		Unaudited Six months ended 30 June	
	2013	2012	2013	2012
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Effective interest on convertible bonds	3,967	3,272	7,931	6,544
Effective interest on promissory note	236	218	464	432
Bank interest	95	75	222	139
	4,298	3,565	8,617	7,115

#### 5. Loss before tax

Loss before tax is arrived at after charging:

	Unaudited Three months ended 30 June		Unaudited Six months ended 30 June	
	2013	2012	2013	2012
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Staff costs (including directors' remuneration)				
— Salaries and other benefits	2,597	2,086	4,298	5,006
— Retirement scheme contributions	64	90	123	161
Depreciation of property, plant and equipment	52	93	120	186



## 6. Income tax

	Unaudited Three months ended 30 June		Unaudited Six months ended 30 June	
	2013	2012	2013	2012
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Current tax				
— Hong Kong	—	—	—	—
— PRC enterprise income tax	—	—	—	—
— Other jurisdictions	—	—	—	—
Deferred tax	619	542	1,239	1,080
Income tax credit for the period	619	542	1,239	1,080

Hong Kong profits tax is calculated at the rate of 16.5% (2012: 16.5%) on the estimated assessable profit for the period. PRC subsidiaries are subject to PRC enterprise income tax at the rate of 25% (2012: 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 represents income tax recognised on reversal of temporary differences arising from convertible bonds.

No deferred tax has been recognised on loss for the period (2012: Nil) due to unpredictability of future taxable profits that will be available against which the tax losses can be utilised.

## 7. 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	
	2013 <i>HK\$'000</i>	2012 <i>HK\$'000</i>	2013 <i>HK\$'000</i>	2012 <i>HK\$'000</i>
Loss for the period attributable to owners of the Company	7,950	7,759	15,178	16,789
Loss for the period for calculation of basic loss per share	7,950	7,759	15,178	16,789
	<i>'000</i>	<i>'000</i>	<i>'000</i>	<i>'000</i>
Weighted average number of ordinary shares in issue for the period	1,827,436	1,823,942	1,827,090	1,823,224

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

## 8. Dividend

The Board does not recommend the payment of a dividend for the period (2012: Nil).

## 9. Segment information

For the six months ended 30 June 2013, 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 2013				Unaudited Six months ended 30 June 2012			
	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	—	—	—	—	—	—	—	—
Other revenues	—	—	—	—	—	—	—	—
<b>Total income</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>462</b>	<b>462</b>
Reportable segment income/ (loss) before tax	(1,991)	(28)	(580)	(2,599)	(3,110)	(30)	250	(2,890)
Unallocated corporate income				4				3
Unallocated corporate expenses				(5,209)				(7,908)
Unallocated interest expense				(8,617)				(7,115)
Share of results of associates				(168)				(7)
Loss before tax				(16,589)				(17,917)
Income tax				1,239				1,080
<b>Loss for the period</b>				<b>(15,350)</b>				<b>(16,837)</b>

## Segment assets and liabilities

	Unaudited As at 30 June 2013				Audited As at 31 December 2012			
	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	39,420	190	255	39,865	40,092	130	344	40,566
Interests in associates	60,777			60,777	60,945			60,945
Interests in jointly controlled entities	1,391,382			1,391,382	1,389,541			1,389,541
Unallocated corporate assets				719				588
Total assets				<u>1,492,743</u>				<u>1,491,640</u>
Liabilities:								
Segment liabilities	22,458	135	557	23,150	33,690	150	518	34,358
Unallocated corporate liabilities				193,447				166,439
Total liabilities				<u>216,597</u>				<u>200,797</u>

## Other segment information

	Unaudited Six months ended 30 June 2013					Unaudited Six months ended 30 June 2012				
	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	60	—	30	30	120	119	—	—	67	186
Capital expenditure	—	—	3	6	9	—	—	—	11	11

**(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.

	Revenues from external customers		Specified non-current assets	
	Unaudited		Unaudited	Audited
	Six months ended 30 June		30 June	31 December
	2013	2012	2013	2012
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Mainland China, including Hong Kong and Macau	—	462	8,034	2,054
Brunei	—	—	1,085,485	1,085,619
Philippines	—	—	382,030	385,806
	—	462	1,475,549	1,473,479

**10. Other receivables**

	Unaudited	Audited
	30 June	31 December
	2013	2012
	HK\$'000	HK\$'000
Other debtors, deposits and prepayments	1,084	1,408



## 11. Other payables

	<b>Unaudited</b>	Audited
	<b>30 June</b>	31 December
	<b>2013</b>	2012
	<i>HK\$'000</i>	<i>HK\$'000</i>
Other creditors and accrued charges	7,884	10,487

## 12. Share capital

	30 June 2013		1 January 2013	
	Number of shares	Amount	Number of shares	Amount
	<i>'000</i>	<i>HK\$'000</i>	<i>'000</i>	<i>HK\$'000</i>
<i>Authorised:</i>				
Ordinary shares of HK\$0.04 each				
— At 30 June 2013 and 1 January 2013	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 2013 and 1 January 2013	1,829,000	73,160	1,826,741	73,070

On 3 June 2013, pursuant to an employment agreement, 2,259,326 ordinary shares were allotted and issued to an employee at an issue price of HK\$0.2783 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:

	<b>Unaudited</b>	Audited
	<b>30 June</b>	31 December
	<b>2013</b>	2012
	<i>HK\$'000</i>	<i>HK\$'000</i>
Contributions to jointly controlled entities	36,775	35,780

#### (b) Operating lease commitments

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

	<b>Unaudited</b>	Audited
	<b>30 June</b>	31 December
	<b>2013</b>	2012
	<i>HK\$'000</i>	<i>HK\$'000</i>
Premises		
— due within 1 year	1,420	1,850
— due after 1 year but within 5 years	183	—
	<b>1,603</b>	1,850

### 14. Contingent liabilities

On 28 August 2012, a jointly controlled entity (the "JCE") of the Group was demanded for the payment of compensation of US\$16,350,000 (approximately HK\$127,530,000) in respect of the incomplete obligations in drilling program arising from the rejection of application for extension of exploration period of oil and gas project in Brunei. The JCE has filed an appeal and has sought legal advice in respect of the dispute about extension. The management of the Company considers that no compensation will be required if the dispute about extension is resolved in favour of the JCE. Accordingly, provision for compensation of US\$3,433,500 (approximately HK\$26,781,000), which represents 21% participating interest of the Group in the JCE, has not been made by the Group in this respect.

## 15. 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	
		2013 HK\$'000	2012 HK\$'000	2013 HK\$'000	2012 HK\$'000
Convertible bonds interest	I	3,754	3,272	7,509	6,544
Promissory note interest	II	236	218	464	432

Notes:

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



## MANAGEMENT DISCUSSION AND ANALYSIS

### Business and Financial Review

The Group did not generate any turnover for the period ended 30 June 2013. 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 approximately HK\$462,000.

The Group recorded a net loss attributable to owners of the Company of approximately HK\$15,178,000 for the period as compared to a net loss attributable to owners of the Company of approximately HK\$16,789,000 for the corresponding period last year.

Administrative expenses for the period amounted to approximately HK\$7,808,000 representing a decrease of approximately HK\$3,452,000 or 31%, as compared with the corresponding period last year. The decrease was mainly attributable to reduction in business development activities, employee costs and overseas travelling expenses.

Finance costs for the period amounted to approximately HK\$8,617,000 (2012: approximately HK\$7,115,000). The increase in interest costs was mainly resulted from the increase in effective interest of the convertible bonds in the amount of HK\$120,000,000 and issuance of a HK\$16,000,000 convertible bonds on 19 November 2012 to provide for general working capital to the Group.

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.

## Liquidity and Financial Resources

As at 30 June 2013, the Group had net assets amounted to approximately HK\$1,276.1 million (31 December 2012: HK\$1,290.8 million) and net current liabilities amounted to approximately HK\$14.2 million (31 December 2012: HK\$16.2 million). The current ratio was 55% (31 December 2012: 53%). Bank borrowings amounted to approximately HK\$6.6 million as at 30 June 2013 (31 December 2012: HK\$7.2 million). As at 30 June 2013, gearing ratio of the Group based on the net debt to the shareholders' equity was 17% (31 December 2012: 15%).

For the period ended 30 June 2013, 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.

## Employee Information

The Group had a total number of staff of 43 (31 December 2012: 46). 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\$4.4 million for the six months ended 30 June 2013 as compared with the corresponding period of approximately HK\$5.2 million in 2012.



## Prospects

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

Notwithstanding a full 2012 work program framed around the remaining work commitments under the exploration phase to drill 3 additional wells was planned, exploration phase of the project expired on 27 August 2012. The Consortium submitted requests to Brunei National Petroleum Company Sendirian Berhad (“Petroleum Brunei”) before expiration for extension of time to complete the remaining work commitments but was informed by Petroleum Brunei on 24 August 2012 that the exploration period would not be extended. On 28 August 2012, Petroleum Brunei demanded a compensation of US\$16.35 million from the Consortium, based on unfulfilled drilling commitments arising from dispute about extension. On the same day, the Consortium submitted an appeal to the Ministry of Energy of Brunei on the rejection of request for extension of term of the project.

In these respects, the Consortium has sought legal opinion on the appropriate action to be taken, including taking legal action and seeking compensation from relevant parties. The Board has considered the impact of disapproval of extension and compensation on the Group. The Board is of opinion that the Consortium has reasonable grounds to raise fair claims against the refusal to grant extension of exploration period and the compensation clause is unenforceable with reference to legal opinion sought by the Consortium.

On 15 July 2013, legal counsel of the Project’s operator issued a formal notice to the Government of Brunei Darussalam stating that the investors invite Brunei to explore resolution through consultation and negotiation, and the investors reserve the right to refer the dispute to international arbitration. As the result of the process could not be determined up to the date of this report, the Board has not taken into account any financial impacts that might have been arisen.

### ***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 has continued into 2013. As a result of the above-described delay, application for a twelve-month extension of the current exploration sub-phase to 28 February 2014 was submitted and has been granted by Philippines Department of Energy. The new well was named A1 and spud is expected to take place in the later part of 2013.

### ***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 granting of a tree cutting permit.

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

This project is situated in the Cebu Island, central Philippines. During 2012, a field office has been established in Alegria, Cebu, to carry out the work program of drilling two new wells, followed by long term testing plan and post-drilling study. However, the drilling program was delayed due to rig availability and funding requirement. Project management decided to finish the preparation work for drilling program in the first half of 2013, and to defer the two-well drilling operation to the later part of 2013. During July 2013, two prospective drilling contractors visited Alegria, Cebu to survey the topography and to compile a bidding package for management's review.

As a result of the above-described delay, application for a twelve-month extension of the current exploration sub-phase to 30 June 2014 was submitted and has been granted by Philippines Department of Energy.



## 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 2013 is as follow:

	<b>Unaudited</b>	
	<b>Six months ended</b>	
	<b>30 June</b>	
	<b>2013</b>	2012
	<i>HK\$'000</i>	<i>HK\$'000</i>
Brunei Block M Oil and Gas Project	—	1,622
Philippines Central Luzon Gas Project	438	1,410
Philippines San Miguel Coal Mine Project	641	361
Philippines South Cebu Oil and Gas Project	2,048	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 2013, 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 2013, 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 (Note 1)	Capacity	Approximate percentage of interest
Lam Nam	1,274,255,931 (L) (Note 2)	Interest of a controlled corporation	69.67%
	161,725,067 (L) (Note 3 and 4)	Interest of a controlled corporation	8.84%
Silver Star Enterprises Holdings Inc. (Note 2)	1,274,255,931 (L)	Beneficial owner	69.67%
China International Mining Holding Company Limited (Note 3)	161,725,067 (L) (Note 4)	Beneficial owner	8.84%



<b>Name of person</b>	<b>Number of shares held</b> <i>(Note 1)</i>	<b>Capacity</b>	<b>Approximate percentage of interest</b>
Sun Wai Pan	93,000,000 (L)	Beneficial owner	5.08%
Chan Meng Kam	100,000,000 (L) <i>(Note 4)</i>	Beneficial owner	5.47%

*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 2013, 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 required standard of dealings and the code of conduct regarding securities transactions throughout the period ended 30 June 2013.

## **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 auditors 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. Wang Yanhui, Mr. Pai Hsi-Ping and Mr. Wong Kon Man Jason. Mr. Wong Kon Man Jason 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, 9 August 2013

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