

2016

Interim Report



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

(Stock Code: 8011)

Room 801-802, 8/F, Shanghai Industrial Investment Building
48-62 Hennessy Road, Wan Chai, Hong Kong
www.ppig.com.hk

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

GEM has been positioned as a market designed to accommodate companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.

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.

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this report, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this report.

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 2016, together with the comparative unaudited figures for the corresponding period in 2015, as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2016

	<i>Notes</i>	Unaudited		Unaudited	
		Three months ended		Six months ended	
		30 June		30 June	
		2016	2015	2016	2015
		<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Turnover		—	—	—	—
Other revenue		4	—	13	—
Administrative and other operating expenses		(9,266)	(6,143)	(17,563)	(11,921)
Finance costs	3	(4,754)	(46)	(8,948)	(311)
Share of results of associates		—	(1)	(1)	(3)
Impairment loss on interests in joint ventures written back		62,914	—	62,914	—
Loss on derecognition of promissory note		—	(814)	—	(814)

	Notes	Unaudited Three months ended 30 June		Unaudited Six months ended 30 June	
		2016	2015	2016	2015
		HK\$'000	HK\$'000	HK\$'000	HK\$'000
Profit/(Loss) before tax	4	48,898	(7,004)	36,415	(13,049)
Income tax	5	168	—	304	—
PROFIT/(LOSS) FOR THE PERIOD		49,066	(7,004)	36,719	(13,049)
Attributable to:					
Owners of the Company		26,403	(6,905)	14,680	(12,930)
Non-controlling interests		22,663	(99)	22,039	(119)
		49,066	(7,004)	36,719	(13,049)
Earnings/(Loss) per share	6				
Basic (<i>in HK cents</i>)		0.94	(0.28)	0.52	(0.59)
Diluted (<i>in HK cents</i>)		0.94	(0.28)	0.52	(0.59)
Dividend	7	—	—	—	—

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2016

	Unaudited Three months ended 30 June		Unaudited Six months ended 30 June	
	2016	2015	2016	2015
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Profit/(Loss) for the period	49,066	(7,004)	36,719	(13,049)
Other comprehensive income/ (expense):				
Item that may be reclassified subsequently to profit or loss:				
Exchange differences on translation of foreign operations	(4)	(39)	254	(52)
TOTAL COMPREHENSIVE INCOME/(EXPENSE) FOR THE PERIOD	49,062	(7,043)	36,973	(13,101)
Attributable to:				
Owners of the Company	22,465	(6,939)	14,900	(12,975)
Non-controlling interests	22,597	(104)	22,073	(126)
TOTAL COMPREHENSIVE INCOME/(EXPENSE) FOR THE PERIOD	49,062	(7,043)	36,973	(13,101)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2016

		Unaudited 30 June 2016	Audited 31 December 2015
	<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
NON-CURRENT ASSETS			
Property, plant and equipment		1,068	1,199
Interests in associates		27,435	27,436
Interests in joint ventures		281,751	134,877
Deferred exploration expenditure		25,318	25,048
		335,572	188,560
CURRENT ASSETS			
Amounts due from associates		16,257	16,257
Other receivables	9	21,009	17,190
Cash and bank balances		32,515	51,774
		69,781	85,221
CURRENT LIABILITIES			
Other payables	10	(5,389)	(6,153)
Amounts due to directors		–	(1,391)
Amount due to a shareholder		(2,937)	(1,578)
Obligations under finance lease current portion		(159)	(155)
		(8,485)	(9,277)

		Unaudited 30 June 2016	Audited 31 December 2015
	<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
NET CURRENT ASSETS		61,296	75,944
TOTAL ASSETS LESS CURRENT LIABILITIES		396,868	264,504
NON-CURRENT LIABILITIES			
Convertible bonds		(143,785)	(97,013)
Deterred tax liabilities		(1,026)	(493)
Obligations under finance lease – non-current portion		(297)	(377)
		(145,108)	(97,883)
NET ASSETS		251,760	166,621
CAPITAL AND RESERVES			
Share capital	11	115,902	111,502
Reserves		100,500	41,834
Equity attributable to owners of the Company		216,402	153,336
Non-controlling interests		35,358	13,285
TOTAL EQUITY		251,760	166,621

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2016

	Unaudited									
	Attributable to owners of the Company									
	Share capital	Share premium	Special reserve	Exchange reserve	Capital reserve	Convertible bonds reserve	Accumulated losses	Sub-total	Non-controlling interests	Total
HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 January 2015 (Audited)	77,502	797,182	985	(141)	49,319	-	(851,435)	73,412	51,656	125,068
Total comprehensive expense for the period	-	-	-	(45)	-	-	(12,930)	(12,975)	(126)	(13,101)
Issue of shares	34,000	144,756	-	-	-	-	-	178,756	-	178,756
At 30 June 2015	111,502	941,938	985	(186)	49,319	-	(864,365)	239,193	51,530	290,723
At 1 January 2016 (Audited)	111,502	941,937	985	(23)	49,319	634	(951,018)	153,336	13,285	166,621
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	49,319	3,285	(936,338)	216,402	35,358	251,760

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2016

	Unaudited	
	Six months ended 30 June	
	2016	2015
	HK\$'000	HK\$'000
Net cash used in operating activities	(25,060)	(20,399)
Net cash used in investing activities	(84,242)	(3,098)
Net cash generated from financing activities	90,043	41,042
Net (decrease)/increase in cash and cash equivalents	(19,259)	17,545
Cash and cash equivalents at 1 January	51,774	2,779
Cash and cash equivalents at 30 June	32,515	20,324
Analysis of cash and cash equivalents		
Cash and bank balances	32,515	20,324

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 2015.

3. Finance costs

	Unaudited Three months ended 30 June		Unaudited Six months ended 30 June	
	2016	2015	2016	2015
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Imputed interest on convertible bonds	4,748	–	8,936	–
Imputed interest on promissory note	–	37	–	295
Finance lease interest	6	9	12	16
	4,754	46	8,948	311

4. Loss before tax

Loss before tax is arrived at after charging:

	Unaudited Three months ended 30 June		Unaudited Six months ended 30 June	
	2016	2015	2016	2015
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Staff costs (including directors' remuneration)				
– Salaries and other benefits	5,145	4,335	9,877	8,006
– Retirement scheme defined contributions	78	78	151	154
Depreciation of property, plant and equipment	61	70	122	150

5. Income tax

	Unaudited Three months ended 30 June		Unaudited Six months ended 30 June	
	2016	2015	2016	2015
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Current tax				
– Hong Kong	–	–	–	–
– PRC enterprise income tax	–	–	–	–
– Other jurisdictions	–	–	–	–
Deferred tax	168	–	304	–
Income tax credit for the period	168	–	304	–

Hong Kong profits tax is calculated at the rate of 16.5% (2015: 16.5%) on the estimated assessable profit for the period. PRC subsidiaries are subject to PRC enterprise income tax at the rate of 25% (2015: 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 (2015: Nil) due to unpredictability of future taxable profits that will be available against which the tax losses can be utilised.

6. EARNINGS/(Loss) per share

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

	Unaudited Three months ended 30 June		Unaudited Six months ended 30 June	
	2016	2015	2016	2015
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Profit/(Loss) for the period attributable to owners of the Company	26,403	(6,905)	14,680	(12,930)
	'000	'000	'000	'000
Issued ordinary shares at beginning of period	2,787,538	2,037,538	2,787,538	1,937,538
Effect of ordinary shares issued	33,516	395,604	16,758	256,906
Weighted average number of ordinary shares in issue for the period	2,821,054	2,433,142	2,804,296	2,194,444

During the period ended 30 June 2016, effect of diluted potential ordinary shares on convertible bonds is considered to be nil as the average market price of ordinary shares is below the conversion price of the convertible bonds. The Company had no diluted potential ordinary shares for the period ended 30 June 2015.

7. Dividend

The Board does not recommend the payment of a dividend for the period (2015: 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 2016, 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 2016				Unaudited Six months ended 30 June 2015			
	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	-	-	-	-	-	-	-	-
Interest income	-	-	13	13	-	-	-	-
Other revenue	-	-	-	-	-	-	-	-
Total income	-	-	13	13	-	-	-	-
Reportable segment loss before tax	(2,427)	-	(5,518)	(7,945)	(1,972)	(179)	(581)	(2,732)
Unallocated corporate expenses				(9,605)				(10,003)
Unallocated interest expense				(8,948)				(311)
Share of results of associates				(1)				(3)
Impairment loss on interests in joint ventures written back				62,914				-
Profit/(Loss) before tax				36,415				(13,049)
Income tax				304				-
Profit/(Loss) for the period				36,719				(13,049)

Segment assets and liabilities

	Unaudited				Audited			
	30 June 2016				31 December 2015			
	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	29,010	-	23,701	52,711	89,226	-	15,280	104,506
Interests in associates	27,435			27,435	27,436			27,436
Interests in joint ventures	281,751			281,751	134,877			134,877
Unallocated corporate assets				43,456				6,962
Total assets				405,353				273,781
Liabilities:								
Segment liabilities	985	-	702	1,687	2,392	-	1,021	3,413
Unallocated corporate liabilities				151,906				103,747
Total liabilities				153,593				107,160

Other segment information

	Unaudited					Unaudited				
	Six months ended 30 June 2016					Six months ended 30 June 2015				
	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	12	-	18	92	122	29	-	26	95	150
Capital expenditure	84,244	-	4	7	84,255	3,097	-	-	-	3,097

(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
	2016	2015	2016	2015
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Mainland China, including Hong Kong and Macau	–	–	670	818
Philippines	–	–	334,902	187,742
	–	–	335,572	188,560

9. Other receivables

	Unaudited	Audited
	30 June	31 December
	2016	2015
	HK\$'000	HK\$'000
Other debtors, deposits and prepayments	21,009	17,190

10. Other payables

	Unaudited	Audited
	30 June	31 December
	2016	2015
	HK\$'000	HK\$'000
Other creditors and accrued charges	5,389	6,153

11. Share capital

	30 June 2016		1 January 2016	
	Number	Amount	Number of	Amount
	of shares		shares	
	'000	HK\$'000	'000	HK\$'000
Authorised:				
Ordinary shares of HK\$0.04 each				
– At 30 June 2016 and 1 January 2016	5,000,000	200,000	5,000,000	200,000
Issued and fully paid:				
Ordinary shares of HK\$0.04 each				
– At 30 June 2016 and 1 January 2016	2,897,538	115,902	2,787,538	111,502

Pursuant to a subscription agreement dated 9 May 2016, an aggregate of 110,000,000 ordinary shares were allotted and issued to an independent third party at HK\$0.414 per share for cash during the period. The new shares rank pari passu in all respects with the existing shares of the Company.

12. Commitments

(a) Capital commitments

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

	Unaudited	Audited
	30 June	31 December
	2016	2015
	HK\$'000	HK\$'000
Contributions to a joint venture	92,259	89,774

(b) Operating lease commitments

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

	Unaudited 30 June 2016 HK\$'000	Audited 31 December 2015 HK\$'000
Premises		
– due within 1 year	2,121	2,170
– due after 1 year but within 5 years	960	1,514
	3,081	3,684

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 2016		Unaudited Six months ended 30 June 2016	
		2016 HK\$'000	2015 HK\$'000	2016 HK\$'000	2015 HK\$'000
Promissory note interest	<i>I</i>	–	37	–	295
Office rentals	<i>II</i>	125	124	250	344

Notes:

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

The Group recorded a net profit attributable to owners of the Company of approximately HK\$14,680,000 for the period as compared to a net loss attributable to owners of the Company of approximately HK\$12,930,000 for the corresponding period last year. Profit for the period 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 recent 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\$17,563,000 representing an increase of approximately HK\$5,642,000 or 47%, as compared with the corresponding period last year. The increase was mainly attributable to increase in business development activities and employee costs.

Finance costs for the period amounted to approximately HK\$8,948,000 (2015: approximately HK\$311,000). The increase in interest costs was mainly resulted from the issuance of the convertible bonds in the amount of HK\$100,000,000 and HK\$50,000,000 in July 2015 and January 2016, respectively.

Subscription of Convertible Bonds

On 21 December 2015, the Company as the issuer, and CCB International Overseas Limited as the subscriber, entered into a subscription agreement pursuant to which the Company agreed to issue and the subscriber agreed to subscribe for the convertible bonds in the principal amount of HK\$50,000,000 ("CCB Convertible Bonds Subscription Agreement").

The convertible bonds accrue interest at the rate of 10% per annum, mature on the second anniversary of the issue date, and may be converted to an aggregate of 120,772,946 conversion shares at an initial conversion price of HK\$0.414 per conversion share during the conversion period.

On 28 January 2016, the conditions precedent set out in the CCB Convertible Bonds Subscription Agreement had been fulfilled and completion took place. The convertible bonds in the principal amount of HK\$50,000,000 were issued to the subscriber on 28 January 2016. The net proceeds from the subscription after deducting the related expenses were approximately HK\$49,300,000.

Further details of the above are explained in the Company's announcements dated 21 December 2015 and 28 January 2016, and the Company's circular dated 12 January 2016.

Subscription of New Shares

On 9 May 2016, the Company entered into a subscription agreement with the subscriber, an independent third party and pursuant to which, the subscriber agreed to subscribe for and the Company agreed to allot and issue a total of 150,000,000 new shares at a subscription price of HK\$0.414 per new share. The net proceeds from the subscription after deducting the related expenses were approximately HK\$62,050,000. On 29 July 2016 the subscription was completed.

Further details of the above are explained in the Company's announcements dated 9 May 2016, 12 May 2016, and 29 July 2016.

Formation of Joint Venture Company

On 27 May 2016, a joint venture agreement was entered into between Joyful View International Limited (“Joyful View”, a direct wholly-owned subsidiary of the Company) and 深圳金澳控股集團有限公司 (Kingao Holding Group Co. Ltd.) (“Kingao”), to form a joint venture company, namely Platinum Petroleum Chemical Industry Limited (“Platinum Petroleum Chemical”), with the intention to conduct import and export trading of crude oil and petroleum-related products. Pursuant to the joint venture agreement, Platinum Petroleum Chemical, with a proposed issued share capital of HK\$10,000,000, will be 50% each owned by Joyful View and Kingao.

Further details of the above are explained in the Company’s announcement dated 27 May 2016.

Liquidity and Financial Resources

As at 30 June 2016, the Group had net assets amounted to approximately HK\$251.8 million (31 December 2015: approximately HK\$166.6 million) and net current assets amounted to approximately HK\$61.3 million (31 December 2015: approximately HK\$75.9 million). The current ratio was 822% (31 December 2015: 919%). As at 30 June 2016, gearing ratio of the Group based on net debt to the shareholders’ equity was 48% (31 December 2015: 33%).

For the period ended 30 June 2016, the Group financed its operations mainly by issuing convertible bonds and new shares to investors in the financial market and with the funds provided by the substantial shareholder.

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

Employee Information

The Group had a total number of staff of 60 (31 December 2015: 51). 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\$10.0 million for the six months ended 30 June 2016 as compared with the corresponding period of approximately HK\$8.2 million in 2015.

Prospects

Philippines Central Luzon Gas Project

The project's original 2012 work program was for re-entry work at the Victoria-3 well and drilling a new well. However, the re-entry activity and the drilling a new well were delayed due to rig availability. In 2012, project management gave up the re-entry work and, instead, conducted a further support study for a new drilling plan. The support study, and new well design had continued into 2013. As a result of the above-described delay, application for consolidation of the work programs under exploration Sub-phases 1 and 2 has been granted by the 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.

On 2 September 2015, Polyard Petroleum International Company Limited ("PPIC"), an indirect whollyowned subsidiary of the Company which owns 89% participating interests of the project, along with two other project owners owning the remaining 11% participating interests (together "Vendors"), entered into a sale and purchase agreement with an independent third party ("Purchaser"), pursuant to which the Vendors conditionally agreed to sell and the Purchaser agreed to purchase the entire participating interests of the Vendors, and the corresponding Vendors' rights, interests, privileges, duties and obligations pursuant thereto, at an aggregate consideration of US\$4,995,000, among which the consideration payable to PPIC was US\$4,500,000 (the "Disposal").

Completion of the Disposal would take place upon receiving total consideration in two installments on or before 30 September 2015. As at the date of this report, the Purchaser has not fulfilled its duties as set out under the sale and purchase agreement.

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.

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.

Building on the discovery in the A6 and A8 Fault Blocks, CIMP has been acquiring and installing production facilities, including civil construction in preparation for the production of Polyard-1. During the period, the operator had been dedicating to complete the construction of the well site of the third appraisal well, Polyard-3, and actively procuring the required materials and equipment for the preparation of the drilling of Polyard-3 and the subsequent production wells.

On 7 May 2016, Polyard-3 was successfully spudded. On 9 July 2016, Polyard-3 completed the fourth section drilling, reaching the final depth at 2,118 meters. There are positive oil and gas shows, with discoveries of multiple oil and gas layers. According to the results of on-site wireline logging interpretation, a total of 29 hydrocarbon-bearing intervals were discovered in the third section, totaling 83.6 meters in thickness, including 5.2 meters of oil zone, 18.7 meters of gas zone, and 26.4 meters of gas-bearing zone. Oil testing on oil and gas intervals will follow after well completion.

During the period, the Group had organized the well log details related to Polyard-1 and Polyard-2 oil and gas discoveries, which were provided to a competent person for the purposes of re-evaluating resources of the project. Based on the newly acquired data, the competent person determined an upward adjustment on the estimate of Project's resources. An impairment analysis with the assistance of an independent valuer was undertaken subsequently, which has resulted in a reversal of impairment loss of approximately HK\$62.9 million in respect of the Project.

On 3 April 2016, CIMP entered into a sale and purchase agreement with an independent third party namely Tom's Power Petroleum Distributor Inc. ("TPPDI", a company incorporated under the laws of the Philippines specializing in fuels and lubricants distribution) for the sale and purchase of crude oil in the Philippines (the "Agreement"). The Agreement shall last for one year unless extended by mutual consent.

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 2016 is as follow:

	Unaudited Six months ended 30 June	
	2016	2015
	HK\$'000	HK\$'000
Philippines Central Luzon Gas Project	270	213
Philippines San Miguel Coal Mine Project	23	51
Philippines South Cebu Oil and Gas Project	83,960	2,873

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 2016, 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 2016, the interests and short positions of persons, other than Directors or chief executive of the Company, in the shares and/or underlying shares of the Company which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or, who is, directly or indirectly, interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other members of the Group, or substantial shareholders as recorded in the register of substantial shareholders required to be kept by the Company under Section 336 of the SFO were as follows:

Name of person	Number of shares held	Capacity	Approximate percentage of interest
	<i>(Note 1)</i>		
Silver Star Enterprises Holdings Inc. <i>(Note 2)</i>	1,894,255,931 (L)	Beneficial owner	65.38%
Lam Nam	1,894,255,931 (L) <i>(Note 2)</i>	Interest of a controlled corporation	65.38%
	38,040,000 (L)	Beneficial owner	1.31%
Haitong International Securities Company Limited	250,000,000 (L) <i>(Note 3)</i>	Beneficial owner	8.63%

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 2016, 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 2016.

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 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, 8 August 2016

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