



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

(Stock Code: 8011)



2019 Interim Report

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## **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.**

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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 Growth Enterprise Market 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 enquires, 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”) announces the unaudited consolidated results of the Company and its subsidiaries (collectively the “Group”) for the six months ended 30 June 2019, together with the comparative unaudited figures for the corresponding period in 2018, as set out below:

## CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2019

	<i>Notes</i>	Unaudited Three months ended 30 June		Unaudited Six months ended 30 June	
		2019	2018	2019	2018
		<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Turnover		–	–	–	–
Other revenue		372	631	489	971
Administrative and other operating expenses		(4,453)	(6,651)	(8,972)	(12,805)
Finance costs	4	(3,822)	(3,767)	(7,584)	(7,713)
Impairment losses recognised on deferred exploration expenditure		132	201	66	–

	Notes	Unaudited Three months ended 30 June		Unaudited Six months ended 30 June	
		2019	2018	2019	2018
		HK\$'000	HK\$'000	HK\$'000	HK\$'000
Loss before tax	5	(7,771)	(9,586)	(16,001)	(19,547)
Income tax	6	–	–	–	36
<b>LOSS FOR THE PERIOD</b>		<b>(7,771)</b>	<b>(9,586)</b>	<b>(16,001)</b>	<b>(19,511)</b>
<b>Attributable to:</b>					
Owners of the Company		(7,704)	(9,395)	(15,684)	(19,223)
Non-controlling interests		(67)	(191)	(317)	(288)
		<b>(7,771)</b>	<b>(9,586)</b>	<b>(16,001)</b>	<b>(19,511)</b>
Loss per share	7				
Basic (in HK cents)		0.262	0.320	0.534	0.654
Diluted (in HK cents)		0.262	0.320	0.534	0.654
Dividend	8	–	–	–	–

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

For the six months ended 30 June 2019

	Unaudited Three months ended 30 June		Unaudited Six months ended 30 June	
	2019	2018	2019	2018
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Loss for the period	(7,771)	(9,586)	(16,001)	(19,511)
Other comprehensive income:				
Item that may be reclassified subsequently to profit or loss:				
Exchange differences on translation of	(2,742)	1,084	(2,240)	1,624
<b>TOTAL COMPREHENSIVE EXPENSE FOR THE PERIOD</b>	<b>(10,513)</b>	<b>(8,502)</b>	<b>(18,241)</b>	<b>(17,887)</b>
<b>Attributable to:</b>				
Owners of the Company	(10,022)	(8,510)	(17,672)	(17,892)
Non-controlling interests	(491)	8	(569)	5
<b>TOTAL COMPREHENSIVE EXPENSE FOR THE PERIOD</b>	<b>(10,513)</b>	<b>(8,502)</b>	<b>(18,241)</b>	<b>(17,887)</b>

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2019

		Unaudited 30 June 2019	Audited 31 December 2018
	<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment		220	363
Interests in joint ventures		356,195	361,377
		356,415	361,740
<b>CURRENT ASSETS</b>			
Other receivables	10	43,139	41,516
Cash and bank balances		203	243
		43,342	41,759
<b>CURRENT LIABILITIES</b>			
Other payables	11	(46,922)	(36,981)
Amounts due to directors		(11,218)	(10,540)
Convertible bonds		(150,000)	(150,000)
Promissory note		(2,000)	–
Obligations under finance lease current portion		–	(58)
		(210,140)	(197,579)

		Unaudited 30 June 2019	Audited 31 December 2018
	<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>NET CURRENT LIABILITIES</b>		<b>(166,798)</b>	<b>(155,820)</b>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<b>189,617</b>	<b>205,920</b>
<b>NON-CURRENT LIABILITIES</b>			
Amount due to a shareholder		(64,479)	(62,540)
<b>NET ASSETS</b>		<b>125,138</b>	<b>143,380</b>
<b>CAPITAL AND RESERVES</b>			
Share capital	12	117,502	117,502
Reserves		(42,292)	(24,619)
Equity attributable to owners of the Company		75,210	92,883
Non-controlling interests		49,928	50,497
<b>TOTAL EQUITY</b>		<b>125,138</b>	<b>143,380</b>



## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2019

	Unaudited								
	Attributable to owners of the Company								
	Share capital	Share premium	Special reserve	Exchange 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
At 1 January 2018 (Audited)	117,502	998,012	985	15	3,285	(985,385)	134,414	50,655	185,069
Loss for the period	-	-	-	-	-	(19,223)	(19,223)	(288)	(19,511)
Other comprehensive income for the period	-	-	-	1,331	-	-	1,331	293	1,624
Total comprehensive income for the period	-	-	-	1,331	-	(19,223)	(17,892)	5	(17,887)
At 30 June 2018	117,502	998,012	985	1,346	3,285	(1,004,608)	116,522	50,660	167,182
At 1 January 2019 (Audited)	117,502	998,012	985	(822)	3,285	(1,026,079)	92,883	50,497	143,380
Loss for the period	-	-	-	-	-	(15,684)	(15,684)	(317)	(16,001)
Other comprehensive income for the period	-	-	-	(1,988)	-	-	(1,988)	(252)	(2,240)
Total comprehensive income for the period	-	-	-	(1,988)	-	(15,684)	(17,672)	(569)	(18,241)
At 30 June 2019	117,502	998,012	985	(2,810)	3,285	(1,041,762)	75,210	49,928	125,138



## CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2019

	Unaudited	
	Six months ended 30 June	
	2019	2018
	<i>HK\$'000</i>	<i>HK\$'000</i>
Net cash used in operating activities	(9,781)	(36,853)
Net cash generated from investing activities	5,182	(2,918)
Net cash generated from financing activities	4,559	38,147
Net decrease in cash and cash equivalents	(40)	(1,624)
Cash and cash equivalents at 1 January	243	4,894
Cash and cash equivalents at 30 June	203	3,270
Analysis of cash and cash equivalents		
Cash and bank balances	203	3,270

## 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 condensed consolidated financial statements have been prepared in accordance with Hong Kong Accounting Standard 34 (“HKAS 34”) “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) and the applicable disclosure requirements of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”).

The condensed consolidated financial statements do not include all the information and disclosures required in the annual consolidated financial statements, and should be read in conjunction with the Company’s annual consolidated financial statements for the year ended 31 December 2018.

The condensed consolidated financial statements are unaudited, but have been reviewed by the Company’s audit committee (the “Audit Committee”). The condensed consolidated financial statements for the six months ended 30 June 2019 were approved and authorised for issue by the Directors on 30 December 2019.

### 3. Significant accounting policies

The condensed consolidated financial statements have been prepared on the historical cost.

The accounting policies and method of computation used in preparing the unaudited consolidated results are consistent with those used in the audited financial statements for the year ended 31 December 2018. The condensed consolidated results have not been audited by the Company's auditors, but have been reviewed by the Company's audit committee.

The Company has not early applied the following new and amendments to HKFRSs and an interpretation that have been issued but are not yet effective:

HKFRS 16	Leases <sup>1</sup>
HKFRS 17	Insurance Contracts <sup>2</sup>
HK(IFRIC) – Int 23	Uncertainty over Income Tax Treatments <sup>1</sup>
Amendments to HKFRS 3	Definition of a Business <sup>4</sup>
Amendments to HKFRS 9	Prepayment Features with Negative Compensation <sup>1</sup>
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture <sup>3</sup>
Amendments to HKAS 1 and HKAS 8	Definition of Material <sup>5</sup>
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement <sup>1</sup>
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures <sup>1</sup>
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015 – 2017 Cycle <sup>1</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1 January 2019.

<sup>2</sup> Effective for annual periods beginning on or after 1 January 2021.

<sup>3</sup> Effective for annual periods beginning on or after a date to be determined.

<sup>4</sup> Effective for business combinations and asset acquisitions for which the acquisition date is on or after the beginning of the first annual period beginning on or after 1 January 2020.

<sup>5</sup> Effective for annual periods beginning on or after 1 January 2020.

The Group is in the process of making an assessment of the potential impact of these new and revised HKFRSs upon initial application but is not yet in a position to state whether these new and revised HKFRSs would have any significant impact on its results of operations and financial position.

#### 4. Finance costs

	Unaudited Three months ended 30 June		Unaudited Six months ended 30 June	
	2019	2018	2019	2018
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Imputed interest on convertible bonds	3,740	3,740	7,439	7,657
Promissory note	60	–	100	–
Bank and other interest	22	25	44	51
Finance lease interest	–	2	1	5
	<b>3,822</b>	<b>3,767</b>	<b>7,584</b>	<b>7,713</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	
	2019	2018	2019	2018
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Staff costs (including directors' emoluments)				
– Salaries, allowances and benefits in kind	3,141	3,763	6,473	7,302
– Retirement scheme defined contributions	19	34	38	66
Depreciation of property, plant and equipment	51	81	102	132

## 6. Income tax

	Unaudited Three months ended 30 June		Unaudited Six months ended 30 June	
	2019	2018	2019	2018
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Current tax				
– Hong Kong	–	–	–	–
– PRC enterprise income tax	–	–	–	–
– Other jurisdictions	–	–	–	–
Deferred tax	–	–	–	36
Income tax credit for the period	–	–	–	36

Hong Kong profits tax is calculated at the rate of 16.5% (2018: 16.5%) on the estimated assessable profit for the period. PRC subsidiaries are subject to PRC enterprise income tax at the rate of 25% (2018: 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 (2018: 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 and diluted loss per share are based on the following data:

	Unaudited Three months ended 30 June		Unaudited Six months ended 30 June	
	2019	2018	2019	2018
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Loss for the period attributable to owners of the Company	7,704	9,395	15,684	19,223
	'000	'000	'000	'000
Issued ordinary shares at beginning of period	2,937,538	2,937,538	2,937,538	2,937,538
Weighted average number of ordinary shares in issue for the period	2,937,538	2,937,538	2,937,538	2,937,538

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

**8. Dividend**

The Board does not recommend the payment of a dividend for the period (2018: Nil).

**9. 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 2019, 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				Unaudited			
	Six months ended 30 June 2019				Six months ended 30 June 2018			
	Exploration of oil, natural gas and coal	Trading of petroleum related products	Provision of technical services	Total	Exploration of oil, natural gas and coal	Trading of petroleum related products	Provision of technical services	Total
HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
Revenue from external customers	-	-	-	-	-	-	-	-
Other revenue	-	-	489	489	-	-	971	971
Total income	-	-	489	489	-	-	971	971
Reportable segment loss before tax	(1,623)	-	(3,299)	(4,922)	(2,427)	-	(1,046)	(3,473)
Unallocated corporate expenses				(4,050)				(9,332)
Unallocated interest expense				(7,584)				(7,713)
Impairment losses recognised on deferred exploration expenditure				66				-
Loss before tax				(16,001)				(19,547)
Income tax				-				36
Loss for the period				(16,001)				(19,511)

**Segment assets and liabilities**

	Unaudited 30 June 2019				Audited 31 December 2018			
	Exploration of oil, natural gas and coal HK\$'000	Trading of petroleum related products HK\$'000	Provision of technical services HK\$'000	Total HK\$'000	Exploration of oil, natural gas and coal HK\$'000	Trading of petroleum related products HK\$'000	Provision of technical services HK\$'000	Total HK\$'000
Assets:								
Segment assets	40,302	42	2,048	42,392	38,597	-		38,597
Interests in joint ventures	356,195			356,195	361,377			361,377
Unallocated corporate assets				1,170				3,525
<b>Total assets</b>				<b>399,757</b>				<b>403,499</b>
Liabilities:								
Segment liabilities	3,077	11	10,339	13,427	3,351	-		3,351
Unallocated corporate liabilities				261,192				256,768
<b>Total liabilities</b>				<b>274,619</b>				<b>260,119</b>

**Other segment information**

	Unaudited Six months ended 30 June 2019					Unaudited Six months ended 30 June 2018				
	Exploration of oil, natural gas and coal HK\$'000	Trading of petroleum related products HK\$'000	Provision of technical services HK\$'000	Unallocated HK\$'000	Total HK\$'000	Exploration of oil, natural gas and coal HK\$'000	Trading of petroleum related products HK\$'000	Provision of technical services HK\$'000	Unallocated HK\$'000	Total HK\$'000
Depreciation	7	-	11	84	102	7	-	12	113	132
Capital expenditure	-	-	-	-	-	-	-	-	-	-

**(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
	2019	2018	2019	2018
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Mainland China, including Hong Kong and Macau	–	–	390	213
Philippines	–	–	356,025	361,527
	–	–	356,415	361,740

**10. Other receivables**

	Unaudited	Audited
	30 June	31 December
	2019	2018
	HK\$'000	HK\$'000
Other debtors, deposits and prepayments	43,139	41,516

*Note:*

Included in other receivables are amounts due from parties to a joint venture of approximately HK\$37,861,000 (31 December 2018: approximately HK\$38,639,000) representing capital contribution paid on behalf of parties to a joint venture. The amounts are interest-free, repayable on demand and secured by their participating interests in the joint venture.

## 11. Other payables

	Unaudited 30 June 2019 HK\$'000	Audited 31 December 2018 HK\$'000
Other creditors and accrued charges	46,922	36,981

## 12. Share capital

	30 June 2019		1 January 2019	
	Number of shares '000	Amount HK\$'000	Number of shares '000	Amount HK\$'000
Authorised: Ordinary shares of HK\$0.04 each				
– At 30 June 2019 and 1 January 2019	5,000,000	200,000	5,000,000	200,000
Issued and fully paid: Ordinary shares of HK\$0.04 each				
– At 30 June 2019 and 1 January 2019	2,937,538	117,502	2,937,538	117,502

## 13. Commitments

## (a) Capital commitments

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

	Unaudited 30 June 2019 HK\$'000	Audited 31 December 2018 HK\$'000
Contributions to a joint venture	1,476	1,480
Contribution to a gas project in Central Luzon of the Philippines	21,093	21,140
	22,569	22,620

**(b) Operating lease commitments**

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

	<b>Unaudited 30 June 2019 HK\$'000</b>	<b>Audited 31 December 2018 HK\$'000</b>
Premises		
– due within 1 year	1,610	1,259
– due after 1 year but within 5 years	1,041	65
	<b>2,651</b>	<b>1,324</b>

**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:

	<i>Note</i>	<b>Unaudited Three months ended 30 June</b>		<b>Unaudited Six months ended 30 June</b>	
		<b>2019 HK\$'000</b>	<b>2018 HK\$'000</b>	<b>2019 HK\$'000</b>	<b>2018 HK\$'000</b>
Office rentals		142	141	278	274

*Note:*

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

**15. 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 2019 (2018: Nil).

The Group recorded a net loss attributable to owners of the Company of approximately HK\$15,684,000 for the period as compared to a net loss attributable to owners of the Company of approximately HK\$19,223,000 for the corresponding period last year.

Administrative and other operating expenses for the period amounted to approximately HK\$8,972,000 representing a decrease of approximately HK\$3,833,000 or 30%, as compared with the corresponding period last year. The decrease was mainly attributable to decrease in various business expenses such as employee costs, entertainment and overseas travelling expenses.

Finance costs for the period amounted to approximately HK\$7,584,000 (2018: approximately HK\$7,713,000). The decrease in interest costs was mainly resulted from the expiry of the convertible bonds and thus decrease in the imputed interest.

## Liquidity and Financial Resources

As at 30 June 2019, the Group had net assets amounted to approximately HK\$125.1 million (31 December 2018: approximately HK\$143.4 million) and net current liabilities amounted to approximately HK\$166.8 million (31 December 2018: approximately HK\$155.8 million). The current ratio was 21% (31 December 2018: 21%). As at 30 June 2019, gearing ratio of the Group based on net debt to the shareholders' equity was 218% (31 December 2018: 181%).

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.



On 31 May 2018, the Company, Silver Star, Mr. Lam Nam, a ultimate controlling shareholder of the Company (“Personal Guarantor”) and the holder of Convertible Bonds A in principal amount of HK\$100,000,000 entered into a Deed of Undertaking; and the Company, the Personal Guarantor and the holder of CB A entered into the Supplemental Deed, together with the Deed of Undertaking, pursuant to which both parties had agreed that the maturity date of CB A to be been extended from 21 July 2017 to 21 May 2019, which is subject to the Stock Exchange’s listing approval.

On 15 October 2018, the Company and holder of Convertible Bonds B in principal amount of HK\$50,000,000 also entered into an amendment deed pursuant to which both parties had agreed that the maturity date of CB B to be extended from 28 January 2018 to 31 March 2019, which is subject to the Stock Exchange’s listing approval.

Details were disclosed in the Company’s announcements dated 31 May 2018 and 15 October 2018.

### **Employee Information**

The Group had a total number of staff of 55 (31 December 2018: 58). 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\$6.5 million for the six months ended 30 June 2019 as compared with the corresponding period of approximately HK\$7.4 million in 2018.

## Prospects

### Philippines Central Luzon Gas Project

As described in previous reports, while the project's management team conducted a more in-depth study for new well drilling program, Department of Energy granted an approval on 9 May 2017 to extend the expiry of the consolidated Sub-phase 1 to 9 November 2019 with the condition to drill two exploration wells by end of the Sub-phase.

Currently, the Group is applying to replace SC70 exploration project with a new later-stage exploitation project.

### Philippines San Miguel Coal Mine Project

The project has progressed into the development phase. Construction of the phase-2 road, which will extend the vehicle-assessable road into the initial mining area, began in the second quarter 2011 but was suspended pending receipt of clearance from governmental agencies overseeing environmental protection. Construction can be resumed any time 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 17 December 2018. The Group is in the process of applying the renewal of a moratorium on the work commitments for the project. In addition, the Group is currently applying to extend the production phase.

## 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.

As disclosed in previous reports, CIMP signed a crude oil sales contract with Greater Alegria Oil (“GAO”), a Philippine buyer, in January 2019. In April 2019, GAO dispatched a vessel to Cebu hauling oil for the first time. The oil sale continues to date. Besides GAO, Tom’s Power Petroleum Distributor Inc., a company established under the laws of the Philippines and engages in trading and sale of oil products in the Philippines, lifted oil from time to time and many other potential buyers contacted CIMP, and currently, are analyzing oil samples.

Based on single-well production trend test and the test from May to July in 2019, the Group believed that it is of value to drill new wells nearby the production wells. Combined with the results of reservoir and geological analysis, new wells have been deployed and land lease has been completed. It plans to drill 4 production wells in 2020 and material procurement is under way.

## **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 2019, 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 2019, 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
	(Note 1)		
Silver Star Enterprises Holdings Inc.	1,877,115,931 (L) (Note 2)	Beneficial owner	63.90%
Lam Nam	1,877,115,931 (L) (Note 2)	Interest of a controlled corporation	63.90%
	48,480,000 (L)	Beneficial owner	1.65%
Haitong International Securities Company Limited	250,000,000 (L) (Note 3)	Beneficial owner	8.51%
Shu Xin	152,580,000	Beneficial owner	5.19%

*Notes:*

- 1 The letter “L” denotes long positions in shares or underlying shares.
- 2 The entire issued share capital of Silver Star Enterprises Holdings Inc. is beneficially owned by Mr. Lam Nam. Mr. Lam Nam is deemed to be interested in 1,877,115,931 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 2019, 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 2019.

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

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

## **PRE-EMPTIVE RIGHTS**

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

## **COMPETING INTERESTS**

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

## **CODE ON CORPORATE GOVERNANCE PRACTICES**

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



## AUDIT COMMITTEE

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

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

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

For and on behalf of the Board

**Lai Chun Liang**

*Executive Director and Chief Executive Officer*

Hong Kong, 6 January 2020

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

***Executive Directors***

Mr. Zhao Zhiyong

Mr. Kuai Wei (resigned on 1 July 2019)

Mr. Lai Chun Liang

Mr. Lin Zhang

***Independent Non-Executive Directors***

Mr. Pai Hsi-Ping

Ms. Xie Qun

Mr. Kwan King Chi George