



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

(Stock Code: 8011)



2020 Interim Report

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**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 2020, together with the comparative unaudited figures for the corresponding period in 2019, as set out below:

## CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2020

	Notes	Unaudited Three months ended 30 June		Unaudited Six months ended 30 June	
		2020 HK\$'000	2019 HK\$'000	2020 HK\$'000	2019 HK\$'000
Turnover		–	–	–	–
Other revenue		75	372	78	489
Administrative and other operating expenses		(3,797)	(4,453)	(7,523)	(8,972)
Finance costs	4	(6,128)	(3,822)	(9,938)	(7,584)
Impairment losses recognised on deferred exploration expenditure		–	132	134	66
Share of results of a joint venture		50	–	66	–
Gains from disposal of a subsidiary	15	3,882	–	3,882	–

	Notes	Unaudited Three months ended 30 June		Unaudited Six months ended 30 June	
		2020 HK\$'000	2019 HK\$'000	2020 HK\$'000	2019 HK\$'000
Loss before tax	5	(5,918)	(7,771)	(13,301)	(16,001)
Income tax	6	–	–	–	–
<b>LOSS FOR THE PERIOD</b>		<b>(5,918)</b>	<b>(7,771)</b>	<b>(13,301)</b>	<b>(16,001)</b>
<b>Attributable to:</b>					
Owners of the Company		(5,638)	(7,704)	(12,651)	(15,684)
Non-controlling interests		(280)	(67)	(650)	(317)
		(5,918)	(7,771)	(13,301)	(16,001)
<b>Loss per share</b>	7				
Basic (in HK cents)		(0.192)	(0.262)	(0.431)	(0.534)
Diluted (in HK cents)		(0.192)	(0.262)	(0.431)	(0.534)
Dividend	8	–	–	–	–

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

For the six months ended 30 June 2020

	Unaudited Three months ended 30 June		Unaudited Six months ended 30 June	
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>Loss for the period</b>	(5,918)	(7,771)	(13,301)	(16,001)
Other comprehensive expense:				
Item that may be reclassified subsequently to profit or loss:				
Exchange differences arising on translation of foreign operations	(2,729)	(2,742)	(1,303)	(2,240)
<b>TOTAL COMPREHENSIVE EXPENSE FOR THE PERIOD</b>	<b>(8,647)</b>	<b>(10,513)</b>	<b>(14,604)</b>	<b>(18,241)</b>
<b>Attributable to:</b>				
Owners of the Company	(8,506)	(10,022)	(13,659)	(17,672)
Non-controlling interests	(141)	(491)	(945)	(569)
<b>TOTAL COMPREHENSIVE EXPENSE FOR THE PERIOD</b>	<b>(8,647)</b>	<b>(10,513)</b>	<b>(14,604)</b>	<b>(18,241)</b>

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2020

		Unaudited 30 June	Audited 31 December
	<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment		65	144
Interests in joint ventures		269,648	270,685
		<b>269,713</b>	<b>270,829</b>
<b>CURRENT ASSETS</b>			
Other receivables	10	45,086	45,001
Cash and cash equivalents		172	296
		<b>45,258</b>	<b>45,297</b>
<b>CURRENT LIABILITIES</b>			
Other payables	11	(71,795)	(63,151)
Amounts due to directors		(11,860)	(11,758)
Convertible bonds	16	(150,000)	(150,000)
Promissory note payable		(2,000)	(2,000)
		<b>(235,655)</b>	<b>(226,909)</b>

		Unaudited 30 June	Audited 31 December
		2020	2019
	<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>NET CURRENT LIABILITIES</b>		(190,397)	(181,612)
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		79,316	89,217
<b>NON-CURRENT LIABILITIES</b>			
Amount due to a shareholder		(71,912)	(67,209)
<b>NET ASSETS</b>		7,404	22,008
<b>CAPITAL AND RESERVES</b>			
Share capital	12	117,502	117,502
Reserves		(127,112)	(113,453)
Equity attributable to owners of the Company	16	(9,610)	4,049
Non-controlling interests		17,014	17,959
<b>TOTAL EQUITY</b>		7,404	22,008

## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2020

	Share capital	Share premium	Special reserve	Exchange reserve	Unaudited Attributable to owners of the Company		Non-controlling interests	Total	
					Convertible bonds reserve	Accumulated losses			
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
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 (expense) 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
At 1 January 2020 (Audited)	117,502	998,012	985	(1,045)	3,285	(1,114,690)	4,049	17,959	22,008
Loss for the period	-	-	-	-	-	(12,651)	(12,651)	(650)	(13,301)
Other comprehensive expense for the period	-	-	-	(1,008)	-	-	(1,008)	(295)	(1,303)
Total comprehensive expense for the period	-	-	-	(1,008)	-	(12,651)	(13,659)	(945)	(14,604)
At 30 June 2020	117,502	998,012	985	(2,053)	3,285	(1,127,341)	(9,610)	17,014	7,404



## CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2020

	Unaudited Six months ended 30 June	
	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Net cash used in operating activities	(4,929)	(9,781)
Net cash generated from investing activities	–	5,182
Net cash generated from financing activities	4,805	4,559
Net decrease in cash and cash equivalents	(124)	(40)
Cash and cash equivalents at 1 January	296	243
Cash and cash equivalents at 30 June	172	203
Analysis of cash and cash equivalents		
Cash and bank balances	172	203

## 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 subsidiaries of the Group are principally engaged in the exploration, exploitation and development of oil and natural gas 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 2019.

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 2020 were approved and authorised for issue by the Directors on 13 August 2020.

### 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 2019. 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 that have been issued but are not yet effective:

HKFRS 17	Insurance Contracts <sup>1</sup>
Amendments to HKFRS 3	Definition of a Business <sup>2</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>4</sup>
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform <sup>4</sup>
Amendments to HKFRS 16	COVID-19 — Related Rent Concessions <sup>5</sup>

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

<sup>2</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>3</sup> Effective for annual periods beginning on or after a date to be determined.

<sup>4</sup> Effective for annual periods beginning on or after 1 January 2020.

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

In addition to the above new and amendments to HKFRSs, a revised Conceptual Framework for Financial Reporting was issued in 2018. Its consequential amendments, the Amendments to References on the Conceptual Framework in HKFRS Standards, have been effective for annual periods beginning on or after 1 January 2020.

The Directors anticipate that the application of all new and amendments to HKFRSs will have no material impact on the Group's consolidated financial statements in the foreseeable future.

#### 4. Finance costs

	Unaudited Three months ended 30 June		Unaudited Six months ended 30 June	
	2020 HK\$'000	2019 HK\$'000	2020 HK\$'000	2019 HK\$'000
Imputed interest on convertible bonds and overdue expense	6,048	3,740	9,778	7,439
Interest on promissory note payable	60	60	120	100
Bank overdraft interest	20	22	40	44
Finance lease expense	–	–	–	1
	<b>6,128</b>	<b>3,822</b>	<b>9,938</b>	<b>7,584</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	
	2020 HK\$'000	2019 HK\$'000	2020 HK\$'000	2019 HK\$'000
Staff costs (including directors' emoluments)				
– Salaries, allowances and benefits in kind	3,112	3,141	5,535	6,473
– Retirement scheme defined contributions	20	19	34	38
Depreciation of property, plant and equipment	11	51	22	102

## 6. Income tax

	Unaudited Three months ended 30 June		Unaudited Six months ended 30 June	
	2020 HK\$'000	2019 HK\$'000	2020 HK\$'000	2019 HK\$'000
Current tax				
– Hong Kong profits tax	–	–	–	–
– PRC enterprise income tax	–	–	–	–
– Other jurisdictions	–	–	–	–
Deferred tax	–	–	–	–
Income tax credit for the period	–	–	–	–

No Hong Kong profits tax has been provided as the Group had no assessable profits in Hong Kong for the year (2019: Nil).

Under the Law of the PRC on Enterprises Income Tax and Implementation Regulation of the Enterprises Income Tax Law, the applicable PRC enterprises income tax rate of the Group's PRC subsidiaries is 25% for the period. Taxation arising on other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.

No deferred tax assets has been recognised in respect of such tax losses due to unpredictability stream of future taxable profits that will be available against which the tax losses can be utilized (2019: Nil).

## 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	
	2020 HK\$'000	2019 HK\$'000	2020 HK\$'000	2019 HK\$'000
Loss for the period attributable to owners of the Company	5,638	7,704	12,651	15,684
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 (2019: 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 2020, the Group has two reportable and operating segments – (1) exploration of oil and natural gas, and (2) 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. All inter-segment revenue and transfers are eliminated on consolidation.

The accounting policies of the operating segments are the same as the Group's accounting policies. Segment profit or loss represents profit or loss reported by each segment without allocation of central administration costs including directors' emoluments, finance costs and income tax. This is the measure reported to the chief operating decision makers for the purposes of resource allocation and assessment of segment performance.

For the purposes of monitoring segment performance and allocating resources between segments:

- all assets are allocated to operating segments other than unallocated corporate assets.
- all liabilities are allocated to operating segments other than unallocated corporate liabilities.

An analysis of the Group's reportable segment revenues, results, assets, liabilities and other selected financial information is presented below.

**(a) Reportable Segment*****Segment revenues and results***

	Unaudited Six months ended 30 June 2020				Unaudited Six months ended 30 June 2019			
	Exploration of oil and natural gas	Provision of technical services	Elimination	Total	Exploration of oil and natural gas	Provision of technical services	Elimination	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Revenue from external customer	—	—	—	—	—	—	—	—
Inter-segment revenue	—	—	—	—	—	489	—	489
Reportable segment revenue	—	—	—	—	—	489	—	489
Reportable segment loss before income tax	(1,122)	(2,414)	—	(3,536)	(1,623)	(3,299)	—	(4,922)
Unallocated corporate expenses				(3,909)				(4,050)
Impairment loss recognised for deferred exploration expenses	134			134	66			66
Share of results of a joint venture	66			66	—			—
Unallocated interest expenses				(9,938)				(7,584)
Gains from disposal of a subsidiary				3,882				
Loss before tax				(13,301)				(16,001)



### Segment assets and liabilities

	Unaudited 30 June 2020				Audited 31 December 2019			
	Exploration of oil and natural gas	Provision of technical services	Elimination	Total	Exploration of oil and natural gas	Provision of technical services	Elimination	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Assets:								
Segment assets	43,225	906	—	44,131	43,334	923	—	44,257
Interests in joint ventures	269,648			269,648	270,685			270,685
Unallocated corporate assets				1,192				1,184
Total assets				314,971				316,126
Liabilities:								
Segment liabilities	544	11,723	—	12,267	3,830	10,815		14,645
Unallocated corporate liabilities				295,300				279,473
Total liabilities				307,567				294,118

### Other Segment information

	Unaudited Six months ended 30 June 2020				Unaudited Six months ended 30 June 2019			
	Exploration of oil and natural gas	Provision of technical services	Unallocated	Total	Exploration of oil and natural gas	Provision of technical services	Unallocated	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Depreciation	12	12	3	27	7	11	84	102
Additions to non-current assets	—	—	—	—	—	—	—	—

**(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		30 June	31 December
	2020	2019	2020	2019
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Mainland China, including Hong Kong and Macau	-	-	41	78
Philippines	-	-	269,672	270,751
	-	-	269,713	270,829

**10. Other receivables**

	Unaudited 30 June	Audited 31 December
	2020	2019
	HK\$'000	HK\$'000
Prepayments	955	1,446
Deposits and other receivables	1,724	1,426
Amounts due from parties to a joint venture (Note a)	38,666	38,697
Amounts due from a joint venture (Note b)	3,741	3,432
	45,086	45,001

*Notes:*

- The amounts due from parties to a joint venture represent the expenditure for the joint venture to be recovered from parties to a joint venture. The amounts are interest-free, repayable on demand and could be recovered from the parties to a joint venture through their participating interests and profit sharing in their joint venture.
- The amounts due from a joint venture are interest free, unsecured and repayable on demand. The recoverability of the amounts has been taken into account in the recoverable amount of interests in a joint venture.

### 11. Other payables

	Unaudited 30 June 2020 HK\$'000	Audited 31 December 2019 HK\$'000
Other payables and accrued interest and charges	71,795	63,151

### 12. Share capital

	30 June 2020		1 January 2020	
	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 2020 and 1 January 2020	5,000,000	200,000	5,000,000	200,000
Issued and fully paid: Ordinary shares of HK\$0.04 each				
– At 30 June 2020 and 1 January 2020	2,937,538	117,502	2,937,538	117,502

### 13. Capital Commitments

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

	Unaudited 30 June 2020 HK\$'000	Audited 31 December 2019 HK\$'000
Contributions to a power plant project	1,465	1,472
Contribution to a gas project in Central Luzon of the Philippines	-	21,025
	1,465	22,497

*Note:*

On 31 December 2019, a wholly-owned subsidiary of the Company entered into a legally binding memorandum of understanding (“MOU”) with an independent third party pursuant to which the subsidiary of the Company has agreed to dispose of the entire interest in Modern Lucky International Limited and its subsidiaries which held 89% equity interest in Central Luzon Gas Project at the consideration of HK\$1 (“Disposal Transaction”). On 19 June 2020, the Disposal Transaction had been completed.

**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:

	Unaudited Three months ended 30 June		Unaudited Six months ended 30 June	
	2020	2019	2020	2019
	<i>Note</i> HK\$'000	HK\$'000	HK\$'000	HK\$'000
Office rentals	122	142	264	278

*Note:*

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

**15. Gains from disposal of a subsidiary**

On 31 December 2019, a wholly-owned subsidiary of the Company entered into a legally binding MOU with an independent third party pursuant to which the subsidiary of the Company has agreed to dispose of the entire interest in Modern Lucky International Limited and its subsidiaries which held 89% equity interest in Central Luzon Gas Project at the consideration of HK\$1. On 19 June 2020, the Disposal Transaction had been completed.

**16. Subsequent events**

On 13 July 2020, all the conditions in respect of the issue and subscription of convertible bonds in an aggregate principal amount of HK\$75,000,000 had been fulfilled. Upon closing, the Company has issued convertible bonds in an aggregate principal amount of HK\$75,000,000 to East Asia Oil Engineering Company Limited (“East Asia”) and has used the proceeds from the subscription of HK\$75,000,000 to redeem and cancel the outstanding convertible bonds issued by the Company on 21 July 2015 (the “2015 Bonds”) in an aggregate principal amount of HK\$75,000,000 registered in the name of East Asia. On 14 July 2020, upon full conversion of the convertible bonds at the conversion price of HK\$0.18 per conversion share, East Asia was allotted and issued an aggregate of 416,666,667 conversion shares.

## 17. 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 2020 (2019: Nil). The Group recorded a net loss attributable to owners of the Company of approximately HK\$12,651,000 for the period as compared to a net loss attributable to owners of the Company of approximately HK\$15,684,000 for the corresponding period last year. Loss for the period includes gains from disposal of a subsidiary of approximately HK\$3,882,000.

Administrative and other operating expenses for the period amounted to approximately HK\$7,523,000 representing a decrease of approximately HK\$1,449,000 or 16%, as compared with the corresponding period last year. The decrease was mainly attributable to decrease in various business expenses such as employee costs, rentals, entertainment and overseas travelling expenses.

Finance costs for the period amounted to approximately HK\$9,938,000 (2019: approximately HK\$7,584,000). The increase in interest costs was mainly resulted from late charges of interest expense on convertible bonds.

## Liquidity and Financial Resources

As at 30 June 2020, the Group had net assets amounted to approximately HK\$7,400,000 (31 December 2019: approximately HK\$22,000,000) and net current liabilities amounted to approximately HK\$190,400,000 (31 December 2019: approximately HK\$181,600,000). The current ratio was 19% (31 December 2019: 20%). As at 30 June 2020, the gearing ratio of the Group based on net debt to the shareholders' equity was 4,152% (31 December 2019: 1,355%).

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.

## Convertible Bonds

On 31 May 2018, the Company, its holding Company, Silver Star Enterprises Holdings Inc. ("Silver Star"), and Mr. Lam Nam, the ultimate controlling party of the Company ("Personal Guarantor") and the holder of the convertible bonds with principal amount of HK\$100,000,000 ("CB A") entered into the 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, (the "Extension Arrangement") pursuant to which the parties agreed that the maturity date of CB A to be extended from 21 July 2017 to 21 May 2019.

On 3 January 2020, the Company had entered into a legally binding memorandum of understanding ("MOU") with East Asia where East Asia had undertaken to take over CB A from the original holder ("Original Holder"). On the same date, the Original Holder of CB A had completed transfer of convertible bond with principal amount of HK\$75,000,000 ("75M CB A1") to East Asia. By the same MOU between the Company and East Asia, East Asia had committed that it would not demand for repayment of CB A by the Company within thirty months from the date of the MOU.

On 28 June 2020, the Company (as issuer) and East Asia (as subscriber) entered into the subscription agreement pursuant to which the Company agreed to issue and the subscriber agreed to subscribe for, by tranches, the convertible bonds with the principal amount of HK\$100,000,000. The convertible bonds shall accrue no interest and shall mature on 6 July 2021. The bondholder shall have the right at any time during the conversion period to convert the whole or part of the principal amount outstanding under the convertible bonds at the conversion price into conversion shares. Upon full conversion of the convertible bonds at the initial conversion price of HK\$0.18 per conversion share, an aggregate of 555,555,556 conversion shares will be allotted and issued.

The Company intends to allocate the gross proceeds from the subscription of HK\$100,000,000 for the redemption of the outstanding convertible bonds issued by the Company on 21 July 2015 (the "2015 Bonds") in an aggregate principal amount of HK\$100,000,000. As the convertible bonds consideration and the redemption amount shall be set-off against each other, the Group will use its internal resources to settle the related expenses payable in connection with the issuance of the convertible bonds.

On 13 July 2020, all the conditions in respect of the issuance and subscription of convertible bonds in an aggregate principal amount of HK\$75,000,000 had been fulfilled. Upon closing, the Company has issued the convertible bonds in aggregate principal amount of HK\$75,000,000 to the subscriber. Save as disclosed above, the Company has used the proceeds from the subscription of HK\$75,000,000 to redeem the 2015 Bonds in an aggregate principal amount of HK\$75,000,000 registered in the name of the subscriber. Such 2015 Bonds were thereafter cancelled.

On 14 July 2020, East Asia converted the convertible bonds in an aggregate principal amount of HK\$75,000,000 registered in its name at the conversion price of HK\$0.18 per share, and had been allotted and issued 416,666,667 shares, representing (i) approximately 14.18% of the existing issued share capital of the Company before conversion; and (ii) approximately 12.42% of the issued share capital of the Company as enlarged by the allotment and issue of the conversion shares.

The remaining principal balance of HK\$25,000,000 of CB A not yet transferred to East Asia ("25M CB A2") are still registered in the name of the Original Holder and is guaranteed by Mr. Lam Nam, the ultimate controlling party of the Company, until its disposal. Up to the date of this report, the 25M CB A2 is still outstanding and had not been called for repayment. The Company and the Original Holder are in the negotiation regarding the settlement arrangement of 25M CB A2.

On 15 October 2018, the Company and holder of the convertible bonds in principal amount of HK\$50,000,000 (“CB B”) 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.

Details were disclosed in the announcements of the Company dated 31 May 2018, 15 October 2018, 5 January 2020, 28 June 2020, 6 July 2020 and 13 July 2020.

### **Employee Information**

The Group had a total number of staff of 43 (31 December 2019: 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 labor legislations. Staff cost was approximately HK\$5,600,000 for the six months ended 30 June 2020 as compared with the corresponding period of approximately HK\$6,500,000 in 2019.

## **Prospects**

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

As to the Philippines Central Luzon Gas Project, the project was granted by the Department of Energy of the Philippines (“DOE”) to extend to 9 November 2019. On 31 December 2019, a wholly-owned subsidiary of the Company entered into a legally binding memorandum of understanding with an independent third party pursuant to which the subsidiary of the Company has agreed to dispose of the entire interest in Modern Lucky International Limited and its subsidiaries which held 89% equity interest in Central Luzon Gas Project at the consideration of HK\$1. On 19 June 2020, the disposal transaction had been completed.

### **Philippines San Miguel Coal Mine Project**

As to the Philippines San Miguel Coal Mine Project, DOE officially approved the extension of the project’s production period for another 10 years and its five-year development plan. Access roads construction and continued work related to production and development of the project will be resumed after the Department of Environment and Natural Resources of the Philippines issues tree-cutting permits.



### **Philippines South Cebu Oil and Gas Project (“SC49”)**

For SC49 project in southern Cebu, Philippines, due to outbreak of Covid-19, Manila and Cebu were shut down, and the restriction still goes on as relevant personnel are banned from entering the country. This has resulted in a postponement of the project’s drilling progress.

CIMP has informed DOE, who later acknowledged, that the drilling program will be postponed due to the outbreak of Covid-19 and it will be resumed after the country lifted its restrictions on the travel of personnel and goods.

During the outbreak, the oil sale continued, however, was affected as demands for power and fuel oil in the Philippines declined and the oil prices were dropping to historical low. But since the oil price had been climbing up and the shutdown is loosening up, it’s expected that the oil sales will go back to normal.

In the aspect of oil sales, because of some internal disputes of Greater Alegria Oil Inc. (“GAO”), an oil buyer of CIMP, the sales and purchase agreement went expired on March 15, 2020. After that, CIMP continued to look for more buyers. Now, it’s under negotiation with some power plants to sign sales and purchase agreements, it’s projected that SC49 will generate a stable sales volume after the signing of such SPAs.

In May 2020, DOE approved SC49’s retention area application. Aside from the current production area, DOE granted an additional 32,172 hectares of retention area for CIMP to conduct exploration activities, for which CIMP is expected to allocate US\$3,000,000 in the following five years.

## **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 2020, 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 2020, 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
	L (Note 1)		
Silver Star Enterprises Holdings Inc.	1,876,875,931 (L) (Note 2)	Beneficial owner	63.89%
Lam Nam	1,876,875,931 (L) (Note 2)	Interest of a controlled corporation	63.89%
	48,480,000 (L)	Beneficial owner	1.65%
East Asia Oil Engineering Group Limited	187,500,000 (L) (Note 3)	Beneficial owner	6.38%
Li Suiqing	127,500,000 (L) (Note 4)	Interest of a controlled corporation	4.34%
	62,500,000 (L)	Beneficial owner	2.13%
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 1,876,875,931 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.
- 4 The 68% of the issued share capital of East Asia Oil Engineering Group Limited is beneficially owned by Ms. Li Suiqing. Ms. Li Suiqing is deemed to be interested in 127,500,000 shares held by East Asia Oil Engineering Group Limited.

Save as disclosed above, as at 30 June 2020, 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 2020.

## **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  
**Zhao Zhiyong**  
*Chairman*

Hong Kong, 13 August 2020

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

***Executive Directors***

Mr. Zhao Zhiyong, Mr. Lai Chun Liang, Mr. Lin Zhang

***Independent Non-Executive Directors***

Mr. Pai Hsi Ping, Ms. Xie Qun, Mr. Kwan King Chi George