



東方明珠石油有限公司
Pearl Oriental Oil Limited

Stock code : 0632

2013

INTERIM REPORT



CONDENSED CONSOLIDATED INCOME STATEMENT

		Six months ended 30 June	
		2013	2012
	Notes	(Unaudited) HK\$'000	(Unaudited) HK\$'000
Revenue			
Sales of oil and gas	3	1,730	3,984
Sales of plastic recycling materials	3	229,933	196,271
Other income		963	4,525
		<u>232,626</u>	<u>204,780</u>
Expenses			
Cost of sales of plastic recycling materials		224,326	190,295
Exploration, repair and maintenance expenses		627	713
Depreciation, depletion and amortisation		866	1,593
Selling, marketing and distribution costs		632	1,960
Other operating expenses		1,565	1,293
Administrative expenses		31,253	20,452
Equity-settled share option expenses		26,567	–
		<u>285,836</u>	<u>216,306</u>
Loss from operations		(53,210)	(11,526)
Gain on disposal of available-for-sale investments		–	51,107
Impairment loss on loan receivables		(1,752)	–
Impairment loss on available-for-sale investments		(29,283)	–
		<u>(84,245)</u>	<u>39,581</u>
(Loss)/Profit before tax	4	(84,245)	39,581
Income tax credit/(expense)	5	1,077	(53)
		<u>(83,168)</u>	<u>39,528</u>
(Loss)/Profit for the period		(83,168)	39,528
Attributable to:			
Owners of the Company		(82,989)	40,462
Non-controlling interests		(179)	(934)
		<u>(83,168)</u>	<u>39,528</u>
(Loss)/Earnings per share attributable to owners of the Company			
– Basic (HK cents)	7	(2.49)	1.19
– Diluted (HK cents)		(2.49)	1.19

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Six months ended 30 June	
	2013	2012
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
(Loss)/Profit for the period and total comprehensive (loss)/income for the period	(83,168)	39,528
Attributable to:		
Owners of the Company	(82,989)	40,462
Non-controlling interests	(179)	(934)
	(83,168)	39,528

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		At 30 June 2013 (Unaudited) HK\$'000	At 31 December 2012 (Audited) HK\$'000
	<i>Notes</i>		
Non-current assets			
Property, plant and equipment		87,447	86,767
Intangible assets	8	2,308,401	2,308,800
Goodwill		5,101	5,101
Deferred tax assets		8,522	7,543
		2,409,471	2,408,211
Current assets			
Available-for-sale investments	9	93,708	–
Inventories and supplies		1,914	–
Trade receivables	10	10,230	6,589
Prepayments, deposits and other receivables		152,890	201,727
Tax recoverable		47	47
Bank balances and cash		19,769	207,816
		278,558	416,179
Current liabilities			
Trade payables	11	7,834	162
Other payables and accruals		12,742	14,803
		20,576	14,965
Net current assets			
		257,982	401,214
Total assets less current liabilities			
		2,667,453	2,809,425
Non-current liabilities			
Deferred tax liabilities		565,558	565,656
Assets retirement obligations		2,301	2,301
		567,859	567,957
Total non-current liabilities			
		567,859	567,957
NET ASSETS			
		2,099,594	2,241,468
Equity			
Share capital	12	324,152	340,826
Reserves		1,778,372	1,903,393
		2,102,524	2,244,219
Equity attributable to owners of the Company		2,102,524	2,244,219
Non-controlling interests		(2,930)	(2,751)
		2,099,594	2,241,468
TOTAL EQUITY			
		2,099,594	2,241,468

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to owners of the Company									Non-controlling interests	Total equity
	Share capital	Share premium	Treasury shares	Capital reserve	Exchange reserve	Share option reserve	Warrants reserve	Accumulated losses	Total		
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 31 December 2012 (Audited)	340,826	2,288,522	(10,556)	403,851	357	42,216	3,263	(824,260)	2,244,219	(2,751)	2,241,468
Loss for the period and total comprehensive loss for the period	-	-	-	-	-	-	-	(82,989)	(82,989)	(179)	(83,168)
Repurchase of shares	(16,674)	(68,599)	-	-	-	-	-	-	(85,273)	-	(85,273)
Equity-settled share option	-	-	-	-	-	26,567	-	-	26,567	-	26,567
At 30 June 2013 (Unaudited)	<u>324,152</u>	<u>2,219,923</u>	<u>(10,556)</u>	<u>403,851</u>	<u>357</u>	<u>68,783</u>	<u>3,263</u>	<u>(907,249)</u>	<u>2,102,524</u>	<u>(2,930)</u>	<u>2,099,594</u>
At 31 December 2011 (Audited)	340,826	2,288,522	(10,556)	403,851	357	42,216	3,263	(520,939)	2,547,540	(8,485)	2,539,055
Profit for the period and total comprehensive income for the period	-	-	-	-	-	-	-	40,462	40,462	(934)	39,528
Capital contribution	-	-	-	-	-	-	-	-	-	6,284	6,284
At 30 June 2012 (Unaudited)	<u>340,826</u>	<u>2,288,522</u>	<u>(10,556)</u>	<u>403,851</u>	<u>357</u>	<u>42,216</u>	<u>3,263</u>	<u>(480,477)</u>	<u>2,588,002</u>	<u>(3,135)</u>	<u>2,584,867</u>

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Six months ended 30 June	
	2013	2012
	(Unaudited)	(Unaudited)
	<i>HK\$'000</i>	<i>HK\$'000</i>
Net cash (used in)/from operating activities	(23,924)	4,348
Net cash (used in)/from investing activities	(78,850)	52,777
Net cash used in financing activities	(85,273)	—
	(188,047)	57,125
Net (decrease)/increase in cash and cash equivalents		
Cash and cash equivalents at beginning of period	207,816	168,861
	19,769	225,986
Cash and cash equivalents at end of period		



NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. BASIS OF PREPARATION

The Group's unaudited condensed consolidated interim financial statements have been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited and with Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). The unaudited condensed consolidated interim financial statements should be read in conjunction with the annual financial statements for the year ended 31 December 2012.

2. PRINCIPAL ACCOUNTING POLICIES

The accounting policies used in the preparation of these unaudited condensed consolidated financial statements are the same as those used in the preparation of the Group's annual financial statements for the year ended 31 December 2012, except for the adoption of the new or amended Hong Kong Financial Reporting Standards ("HKFRSs") issued by the HKICPA which are relevant to and effective for the Group's financial statements for the annual period beginning on 1 January 2013.

The adoption of the new or amended HKFRSs had no material effect on the results or financial position of the Group for the current or prior accounting periods.

3. SEGMENT INFORMATION

The Group has identified the following reportable segments:

- (a) Plastic recycling materials – procuring, processing and sales of recycling materials; and
- (b) Oil and gas sales – exploring, exploiting and sales of gas and oil.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

3. SEGMENT INFORMATION (continued)

	Segment revenue Six months ended 30 June 2013 (Unaudited) HK\$'000		Segment (loss)/profit from operations Six months ended 30 June 2013 (Unaudited) HK\$'000			
	2012 (Unaudited) HK\$'000	2013 (Unaudited) HK\$'000	2012 (Unaudited) HK\$'000	2013 (Unaudited) HK\$'000		
Sales of plastic recycling materials		229,933		381		
Sales of oil and gas	1,730	196,271	(2,077)	(1,567)		
	<u>231,663</u>	<u>200,255</u>		<u>828</u>		
Unallocated expenses			<u>(55,982)</u>	<u>(10,787)</u>		
Loss from operations			<u>(57,678)</u>	<u>(11,526)</u>		
Equity-settled share option expenses			<u>(26,567)</u>	<u>-</u>		
Gain on disposal of available-for-sale investments			<u>-</u>	<u>51,107</u>		
(Loss)/profit before tax			<u>(84,245)</u>	<u>39,581</u>		
	As at 30 June 2013 (Unaudited)		As at 31 December 2012 (Audited)			
	Plastic recycling materials HK\$'000	Oil and gas HK\$'000	Total HK\$'000	Plastic recycling materials HK\$'000	Oil and gas HK\$'000	Total HK\$'000
Segment assets	64,683	2,408,944	2,473,627	56,184	2,411,080	2,467,264
Deferred tax assets			8,522			7,543
Unallocated assets			<u>205,880</u>			<u>349,583</u>
Total assets			<u>2,688,029</u>			<u>2,824,390</u>
Segment liabilities	15,349	2,402	17,751	7,234	2,463	9,697
Deferred tax liabilities			565,558			565,656
Unallocated liabilities			<u>5,126</u>			<u>7,569</u>
Total liabilities			<u>588,435</u>			<u>582,922</u>

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

3. SEGMENT INFORMATION (continued)

The Group's revenue from external customers and its non-current assets (other than deferred tax assets) are divided into the following geographical areas:

	Revenue from external customers		Non-current assets	
	Six months ended 30 June		At 30 June	At 31 December
	2013 (Unaudited) HK\$'000	2012 (Unaudited) HK\$'000	2013 (Unaudited) HK\$'000	2012 (Audited) HK\$'000
Hong Kong (place of domicile)	229,933	196,271	6,569	6,657
United States of America	1,730	3,984	2,394,380	2,394,011
	<u>231,663</u>	<u>200,255</u>	<u>2,400,949</u>	<u>2,400,668</u>

4. (LOSS)/PROFIT BEFORE TAX

	Six months ended 30 June	
	2013 (Unaudited) HK\$'000	2012 (Unaudited) HK\$'000
The Group's (loss)/profit before tax is arrived at after charging/(crediting):		
Depreciation, depletion and amortization	866	1,593
Compensation from settlement of litigation	–	(1,781)
Exchange losses, net	625	800
Operating lease charges in respect of land and buildings	3,125	2,578
Impairment loss on loan receivables	1,752	–
Impairment loss on available-for-sale investments	29,283	–
Equity-settled share option expenses	<u>26,567</u>	<u>–</u>

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

5. INCOME TAX CREDIT/(EXPENSE)

	Six months ended 30 June	
	2013 (Unaudited) HK\$'000	2012 (Unaudited) HK\$'000
Current tax – Hong Kong Profits Tax	–	(47)
Deferred Tax	<u>1,077</u>	<u>(6)</u>
	<u>1,077</u>	<u>(53)</u>

Hong Kong Profits Tax has been provided at the rate of 16.5% (2012: 16.5%) on the estimated assessable profits for the period. Taxation on overseas profits has been calculated on the estimated assessable profits for the period at the rates of taxation prevailing in the countries in which the Group operates.

6. DIVIDENDS

The directors do not recommend the payment of an interim dividend for the period (2012: Nil).

7. (LOSS)/EARNINGS PER SHARE

(i) Basic (loss)/earnings per share

The calculation of basic (loss)/earnings per share is based on the loss attributable to owners of the Company of HK\$82,989,000 (2012: profit HK\$40,462,000) and the weighted average number of ordinary shares of 3,337,860,000 (2012: 3,408,263,000) in issue during the period.

(ii) Diluted (loss)/earnings per share

The calculation of diluted (loss)/earnings per share is based on the loss attributable to the owners of the Company of HK\$82,989,000 (2012: profit HK\$40,462,000) and the weighted average number of ordinary shares of 3,338,123,000 (2012: 3,409,364,000) in issue during the period, after adjusting the effects of 263,000 (2012: 1,101,000) dilutive potential shares on exercise of share options.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

8. INTANGIBLE ASSETS

	Oil and gas processing rights <i>HK\$'000</i>
Cost	
At 1 January 2012, at 31 December 2012 and at 30 June 2013	<u>2,818,920</u>
Accumulated amortisation and impairment	
At 1 January 2012	112,320
Amortisation for the year	1,385
Impairment	<u>396,415</u>
At 31 December 2012 and at 1 January 2013	510,120
Amortisation for the period	<u>399</u>
At 30 June 2013	<u>510,519</u>
Net carrying amounts	
At 30 June 2013	<u>2,308,401</u>
At 31 December 2012	<u>2,308,800</u>

The intangible assets represents oil and gas processing rights in Utah, the United States of America. The intangible assets are amortised upon the commercial production of oil and gas on a unit-of-production basis over the total proved reserves.

9. AVAILABLE-FOR-SALE INVESTMENTS

	At 30 June 2013 (Unaudited) <i>HK\$'000</i>	At 31 December 2012 (Audited) <i>HK\$'000</i>
At fair value		
– Listed in Hong Kong	<u>93,708</u>	<u>–</u>

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

10. TRADE RECEIVABLES

Based on invoice dates, the ageing analysis of trade receivables is as follows:

	At 30 June 2013 (Unaudited) HK\$'000	At 31 December 2012 (Audited) HK\$'000
Less than 90 days	<u>10,230</u>	<u>6,589</u>

11. TRADE PAYABLES

Based on invoice dates, the ageing analysis of trade payables is as follows:

	At 30 June 2013 (Unaudited) HK\$'000	At 31 December 2012 (Audited) HK\$'000
Less than 90 days	<u>7,834</u>	<u>162</u>

12. SHARE CAPITAL

	At 30 June 2013 (Unaudited)		At 31 December 2012 (Audited)	
	Number of shares '000	HK\$'000	Number of shares '000	HK\$'000
Authorised:				
Ordinary shares of HK\$0.1 each	<u>200,000,000</u>	<u>20,000,000</u>	<u>200,000,000</u>	<u>20,000,000</u>
Issued and fully paid:				
At 1 January 2013/ 1 January 2012	3,408,262	340,826	3,408,262	340,826
Repurchase of shares	<u>(166,743)</u>	<u>(16,674)</u>	-	-
At 30 June 2013/ 31 December 2012	<u>3,241,519</u>	<u>324,152</u>	<u>3,408,262</u>	<u>340,826</u>

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

13. FAIR VALUE OF FINANCIAL ASSETS

The following table provides an analysis of financial assets that are measured subsequent to initial recognition at fair value, grouped into Level 1 based on the degree to which the fair value is observable. There were no financial assets that were measured subsequent to initial recognition at fair value grouped into Levels 2 and 3 and there were no transfers between Levels 1 and 2 in both periods.

Level 1 fair value measurements are those derived from quoted market prices (unadjusted) in active market for identical assets or liabilities.

Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

	30 June 2013 (Unaudited) HK\$'000	31 December 2012 (Audited) HK\$'000
Level 1 Financial Assets		
Available-for-sale investments – listed equity securities	93,708	–

The Group had no Level 2 and Level 3 of financial assets as at 30 June 2013.

14. CAPITAL COMMITMENT

	At 30 June 2013 (Unaudited) HK\$'000	At 31 December 2012 (Audited) HK\$'000
Authorized but not contracted for:		
Proposed acquisition of a subsidiary	9,476	9,345
Contracted but not provided for:		
Development costs for the Utah Gas and Oil Field	2,391	5,302
	11,867	14,647

MANAGEMENT DISCUSSION & ANALYSIS

RESULT AND REVIEW OF OPERATIONS

For the six months ended 30 June 2013 (the “Period”), the Group recorded a consolidated turnover of HK\$231,663,000 (2012: HK\$200,255,000), and the loss attributable to the owners of the Company for the Period amounted to HK\$82,989,000 (2012: earnings HK\$40,462,000). Basic loss per share for the Period was HK2.49 cents (2012: earnings per share HK1.19 cents). Loss per share was based on the weighted average of 3,337.86 million of shares in issue in first half of 2013.

The consolidated turnover was mainly contributed from the sales of oil and gas and sales of plastic recycling materials operations. Gross profit decreased from HK\$7,903,000 in 2012 to HK\$6,156,000 for the Period, which is mainly due to the decrease in gas production and sales, and the gross profit margin was 2.7% (2012: 3.9%).

Loss for the Period was HK\$83,168,000 (2012: profit HK\$39,528,000) which was mainly attributable to the equity-settled share option expenses and impairment loss on available-for-sale investments.

In March 2013, settlement agreements have been entered between the Company and certain debtors (the “Settlement Agreements”). Pursuant to the Settlement Agreements, the debtors have agreed to irrevocably surrender and deliver the pledged listed securities to the Company. As such, the pledged listed securities were classified as “Available-for-sale investments”. During the Period, HK\$29,283,000 impairment loss on available-for-sale investments was provided under the “mark-to-market” accounting principle.

BUSINESS REVIEW

Plastic Recycling Industry

During the Period, the Group continued to face challenges arising from highly volatile plastic recycling materials market, the sluggish domestic economy and the anticipated slowing economic growth in the People’s Republic of China. However, the Group improved the structures of plastic recycling materials, considerably expanded our market share and improved the intensity of key market development so as to make every endeavor to eliminate the negative market impact on the Group.

Plastic recycling material operations contribute over 99% of the Group’s consolidated turnover and cash flows from operating activities during the Period. The consolidated turnover of sales of recycling materials increased from HK\$196,271,000 in 2012 to HK\$229,933,000 during the Period, representing an increase of 17%.

MANAGEMENT DISCUSSION & ANALYSIS

Oil and Gas Business

The Group owns 100% ownership interest of the Utah Gas and Oil Field.

There are four (4) shale gas producing wells in the Utah Gas and Oil Field with gas production of around 12,738 thousand cubic feet in the first half of 2013 which is being sold to Anadarko's midstream operations. On the other hand, there are three (3) oil producing wells with oil production of around 3,418 barrels during the Period. Plains All American Pipeline, L.P., USA is the purchaser to collect the Group's crude oil produced in the Utah Gas and Oil Field.

EXPENDITURES INCURRED ON OIL & GAS PRODUCTION ACTIVITIES

During the Period, no exploration activity had taken place. One (1) well was under plugging jobs required by Bureau of Land Management of Utah. The expenditures incurred on the development and mining production activities during the Period were approximately HK\$2.9 million in aggregate.

There was constant and durable oil and gas production in the Utah Gas and Oil Field during the Period.

PROSPECTS

In light of the relatively low gas prices in U.S. last year which rendered the Group's sales of gas at a lower level, management has taken appropriate measures to temporarily slowdown the oil & gas exploitation activities in Utah, and may consider to utilize part of the remaining funds in the Utah Gas and Oil Field and the Company's internal resources to invest in certain possible crude oil exploitation projects in Texas, U.S. in order to maximize return to the shareholders of the Company. Despite the recent fall of gas price in U.S., the medium and long term outlook for gas remains positive.

On 7 June 2013, the Group entered into a share purchase agreement (the "S&P Agreement") with Levant Energy Limited (the "Vendor"), an independent third party, to acquire 105,636,001 Timan Oil & Gas plc's share(s) (the "Sale Shares"). Based on currently available information, the Company expects to acquire 23.10% of the total issued share capital of Timan Oil & Gas plc (the "Target") upon completion of Phase I Acquisition on the basis that the Restructuring is completed before completion of Phase I Acquisition. The S&P Agreement provides for a total consideration of US\$105,636,001 (equivalent to approximately HK\$823,960,808), on the basis that the Sale Shares will represent not less than 23.79% of the number of total issued shares in the Target immediately following completion of Phase I Acquisition, subject to a pro rata reduction of consideration if the shareholding percentage is in fact lower.

MANAGEMENT DISCUSSION & ANALYSIS

According to the S&P Agreement, within one year after completion of Phase I Acquisition, the Company is entitled to options to acquire up to 63.05% shareholding of the Target by investing further sum of US\$300,978,500 (equivalent to approximately HK\$2,347,632,300) in total.

The major assets held by the Target and its subsidiaries (collectively referred to as the “Target Group”), through a number of Russian subsidiaries, include two onshore oilfields in Russia and two offshore exploration blocks in the Caspian Sea of Russia. The Target Group holds subsoil licenses for exploration, survey and production of oil and gas in these oilfields and exploration blocks. Ownership of these assets and subsoil licenses are subject to further due diligence by the Company.

Among the two existing onshore oilfields, Nizhnechutinsky Field has proved (1P) oil reserves of 118 million stbs, proved and probable (2P) oil reserves of 284 million stbs and proved, probable and possible (3P) oil reserves of 609 million stbs. Nizhnechutinsky Field is in the preliminary stage of production and is ready to go into the stage of full field development. The Directors consider that the significant confirmed oil reserves and easy access to good facilities including nearby pipeline, railway, main road, power supply and logistics for oil production provide a favourable basis for future development and production of the two existing onshore oilfields of the Target Group.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

The Group generally finances its operations with issue of new shares and internally generated resources. At the Period end date, the Group did not have any bank borrowings (2012: Nil). The Group's cash and bank balances as at 30 June 2013 have decreased to approximately HK\$20 million from HK\$208 million as at 31 December 2012, mainly as a result of repurchases of shares in the Company during the Period and the partial consideration paid for the acquisition of the Target. The current ratio (calculated on the basis of the Group's current assets over current liabilities) has decreased to 13.54 as at 30 June 2013 (31 December 2012: 27.81).

During the Period, the Group conducted its business transactions principally in US dollars, Renminbi and Hong Kong dollars, or in the local currencies of the operating subsidiaries. The Directors considered that the Group had no significant exposure to foreign exchange fluctuations and believed it was not necessary to hedge against any exchange risk. Nevertheless, management will continue to monitor the foreign exchange exposure position and will take any future prudent measure it deems appropriate.

MANAGEMENT DISCUSSION & ANALYSIS

LITIGATIONS

Grand Ascend Investments Limited (“Grand Ascend”), a wholly owned subsidiary of the Company issued an indorsement of claim on 27 October 2009 at the High Court of Hong Kong against Laurent Kim and Ung Phong as guarantors for damages in the sum of approximately Euro 9.83 million as a result of their breaches of profit guarantee under the agreement dated 29 July 2006 between them and Grand Ascend. In addition, Grand Ascend has successfully claimed against them and Christine Tran Kim, wife of Laurent Kim for an order of declarations that:

- (i) Laurent Kim is the sole beneficial owner of 5,000,000 shares (the “Relevant Shares”) in the Company registered in the name of Christine Tran Kim which have been issued by the Company as part of the consideration for the Group’s acquisition of 50% shares in Euro Resources China Limited in 2007;
- (ii) Grand Ascend is entitled to levy execution of judgment obtained against the Relevant Shares. On 11 August, 2011, the Group successfully obtained a judgment together with legal costs from the High Court of Hong Kong for a declaration that Laurent Kim is the sole beneficial owner of 6,000,000 ordinary shares (of which included 1,000,000 bonus shares issued by the Company on 9 June 2011) in the Company registered in the name of Kim Tran Christine.

In July 2013, the Group has already obtained a court order to sell the 6,000,000 ordinary shares and will proceed to levy execution thereon as soon as practicable in respect of the judgment that the Group has obtained for a sum of Euro 9,833,000 (equivalent to approximately HK\$94,927,600) together with interest payable by Laurent Kim.

EMPLOYEES AND REMUNERATION POLICIES

As at 30 June 2013, the number of employees of the Group was approximately 60. The remuneration packages of employees are maintained at competitive levels and include monthly salaries, mandatory provident fund, medical insurance and share option schemes; other employee benefits include meal and travelling allowances and discretionary bonuses.

ADDITIONAL INFORMATION REQUIRED UNDER THE RULES GOVERNING THE LISTING OF SECURITIES ON THE STOCK EXCHANGE OF HONG KONG LIMITED (“LISTING RULES”)

Directors’ Interests in Shares and Underlying Shares

At 30 June 2013, the interests of the Directors and their associates in the shares, underlying shares and convertible bonds of the Company and its associated corporations, as recorded in the register maintained by the Company pursuant to Section 352 of the Securities and Futures Ordinance, or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited pursuant to the Model Code for Securities Transactions by directors of Listed Companies, were as follows:

MANAGEMENT DISCUSSION & ANALYSIS

Long Positions

(A) Ordinary Shares of HK\$0.10 each of the Company

Name of Directors	Number of Shares held in the Capacity of		Total number of Shares held	Approximate percentage to the issued share capital of the Company
	Beneficial owner	Held by controlled corporation		
Wong Kwan (Note)	—	849,530,000	849,530,000	26.21%
Baiseitov Bakhytbek	6,090,000	—	6,090,000	0.19%
Zhou Li Yang	3,600,000	—	3,600,000	0.11%

Note: These Shares were held by Charcon Assets Limited and Orient Day Developments Limited, which are wholly-owned by Mr. Wong Kwan.

(B) Share Options

Name of Directors	Capacity	Number of options held	Exercise period	Exercise price (HK\$)
Wong Kwan	Beneficial owner	3,600,000	05/08/2009-14/07/2019	0.4666
	Beneficial owner	6,000,000	09/06/2010-14/07/2019	0.9416
	Beneficial owner	9,500,000	01/09/2013-14/07/2019	0.52
Baiseitov Bakhytbek	Beneficial owner	18,000,000	05/10/2010-14/07/2019	1.3366
Mohanad Ajami	Beneficial owner	10,000,000	01/09/2013-14/07/2019	0.52
Law Wing Tak, Jack	Beneficial owner	10,000,000	01/09/2013-14/07/2019	0.52
Wong Hiu Tung	Beneficial owner	10,000,000	01/09/2013-14/07/2019	0.52
Zhou Li Yang	Beneficial owner	6,000,000	09/06/2010-14/07/2019	0.9416
	Beneficial owner	10,000,000	01/09/2013-14/07/2019	0.52
Lam Kwan	Beneficial owner	7,000,000	01/09/2013-14/07/2019	0.52
Chan Kwan Pak	Beneficial owner	5,000,000	01/09/2013-14/07/2019	0.52
Yuen Sau Ying, Christine	Beneficial owner	5,000,000	01/09/2013-14/07/2019	0.52

Save as disclosed above, none of the directors nor their associates had any interests or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporations as at 30 June 2013.

MANAGEMENT DISCUSSION & ANALYSIS

(C) Warrants

Name of the holder	Number of underlying shares held	Expiry date	Approximate percentage of issued share capital of the Company
Orient Day Developments Limited (<i>Note</i>)	384,000,000	24/10/2013	11.85%

Note: Orient Day Developments Limited is wholly-owned by Mr. Wong Kwan.

Substantial Shareholders

The register of substantial shareholders maintained by the Company pursuant to Section 336 of the Securities and Futures Ordinance shows that, as at 30 June 2013, other than the interests disclosed above in respect of certain Directors, the following shareholders had notified the Company of relevant interests in the issued share capital of the Company:

Long Positions

Name of substantial shareholders	Capacity	Number of shares/underlying shares held	Approximate percentage to the issued share capital of the Company
Charcon Assets Limited (<i>Note</i>)	Beneficial owner	839,530,000	25.90%
Ma Yueng Lin	Beneficial owner	672,000,000	20.73%
Orient Day Developments Limited (<i>Note</i>)	Beneficial owner	394,000,000	12.15%

Note: Charcon Assets Limited and Orient Day Developments Limited are wholly owned by Mr. Wong Kwan.

Save as disclosed above, the Company has not been notified of any other relevant interests or short positions in the issued share capital of the Company as at 30 June 2013.

MANAGEMENT DISCUSSION & ANALYSIS

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted a code of conduct regarding securities transactions by the Directors on terms no less exacting than the required standard set out in the Model Code for Securities Transactions by Directors of Listed Issues (the "Model Code") contained in Appendix 10 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"). Having made specific enquiry of all Directors, the Company confirmed that all Directors have complied with the required standard set out in the Model Code and the Company's code of conduct regarding securities transactions by the Directors during the Period.

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

During the Period, the Company made the following repurchase of the Company's listed shares (the "Shares") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") in accordance with the repurchase mandate granted to the Directors in the annual general meeting of the Company held on 22 May 2012:

Trade Date	No. of Share repurchased	Highest price paid (HK\$)	Lowest price paid (HK\$)	Total paid (HK\$)
2 April 2013	49,953,000	0.51	0.40	24,726,735
3 April 2013	57,244,000	0.53	0.49	29,280,320
5 April 2013	58,046,000	0.52	0.495	29,384,480
8 April 2013	1,500,000	0.50	0.495	747,500

On 15 April 2013, all the repurchased shares were cancelled.

Save as disclosed above, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any listed securities of the Company during the Period.

MANAGEMENT DISCUSSION & ANALYSIS

CORPORATE GOVERNANCE PRACTICES

The Board is committed to achieving high standard of corporate governance.

In the opinion of the Board, the Company has complied throughout the Period with the code provisions as set out in the Corporate Governance Code contained in Appendix 14 to the Listing Rules.

REVIEW BY THE AUDIT COMMITTEE

The Audit Committee consists of three independent non-executive Directors, namely Mr. Lam Kwan (Chairman of the Audit Committee), Mr. Chan Kwan Pak and Ms. Yuen Sau Ying, Christine. The Audit Committee has reviewed with management the accounting principles and practices adopted by the Group, and has reviewed the unaudited interim results for the six months ended 30 June 2013.

By Order of the Board
Pearl Oriental Oil Limited
Law Wing Tak, Jack
*Executive Director and
Chief Executive Officer*

Hong Kong, 28 August 2013