POLYARD PETROLEUM INTERNATIONAL GROUP LIMITED

PPIG 百田石油國際集團有限公司

(incorporated in the Cayman Islands with limited liability)

(Stock code: 8011)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2013

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

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

Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board of the Stock Exchange and no assurance is given that there will be a liquid market in the securities traded on GEM.

This announcement, 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 announcement 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 announcement misleading; and (3) all opinions expressed in this announcement have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.

ANNUAL RESULTS

The board of Directors (the "Board") of Polyard Petroleum International Group Limited (the "Company") announces the audited consolidated results of the Company and its subsidiaries (collectively the "Group") for the year ended 31 December 2013, together with the comparative audited figures for the previous year, as set out below:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2013

	Note	**2013**	2012
		HK$'000	*HK$'000*
Turnover	*5*	—	462
Other revenue	*5*	**3**	1
Administrative and other operating expenses		**(16,392)**	(22,436)
Operating loss		**(16,389)**	(21,973)
Finance costs	*6*	**(16,793)**	(14,460)
Impairment loss on interests in associates	*11*	**(16,849)**	(20,940)
Share of results of associates	*11*	**(141)**	(13)
Impairment loss on interests in joint ventures	*12*	**(11,064)**	(13,183)
Gain on derecognition of convertible bonds		**11,020**	—
Gain on extension of convertible bonds		**1,837**	—
Loss before tax	*7*	**(48,379)**	(70,569)
Income tax	*8*	**2,482**	2,159
Loss for the year		**(45,897)**	(68,410)
Attributable to:			
Owners of the Company		**(40,104)**	(61,342)
Non-controlling interests		**(5,793)**	(7,068)
		(45,897)	(68,410)
Loss per share	*9*		
— Basic (in HK cents)		**(2.19) cents**	(3.36) cents
— Diluted (in HK cents)		**(2.19) cents**	(3.36) cents

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2013

	2013	2012
	HK$'000	*HK$'000*
Loss for the year	**(45,897)**	(68,410)
Other comprehensive income		
Item that may be reclassified subsequently to profit or loss:		
Exchange differences on translation of foreign operations	**(22)**	(164)
Total comprehensive income for the year	**(45,919)**	(68,574)
Attributable to:		
Owners of the Company	**(40,120)**	(61,494)
Non-controlling interests	**(5,799)**	(7,080)
Total comprehensive income for the year	**(45,919)**	(68,574)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2013

	Notes	2013 HK$'000	2012 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment		**376**	578
Interests in associates	*11*	**43,955**	60,945
Interests in joint ventures	*12*	**1,383,033**	1,389,541
Deferred exploration expenditure		**23,707**	22,415
		1,451,071	1,473,479
CURRENT ASSETS			
Amounts due from associates		**15,881**	15,085
Other receivables	*13*	**938**	1,408
Cash and bank balances		**1,381**	1,668
		18,200	18,161
CURRENT LIABILITIES			
Other payables	*14*	**(11,515)**	(10,487)
Amounts due to directors		**(1,856)**	(1,005)
Bank borrowing		**(6,304)**	(7,176)
Convertible bonds	*15*	**(15,523)**	(15,672)
		(35,198)	(34,340)
NET CURRENT LIABILITIES		**(16,998)**	(16,179)
TOTAL ASSETS LESS CURRENT LIABILITIES		**1,434,073**	1,457,300
NON-CURRENT LIABILITIES			
Amount due to a shareholder		**(80,259)**	(50,541)
Convertible bonds	*15*	**(107,638)**	(104,982)
Promissory note	*16*	**—**	(8,456)
Deferred taxation		**(2,118)**	(2,478)
		(190,015)	(166,457)
NET ASSETS		**1,244,058**	1,290,843
CAPITAL AND RESERVES			
Share capital	*17*	**73,320**	73,070
Reserves		**1,044,538**	1,085,774
Equity attributable to owners of the Company		**1,117,858**	1,158,844
Non-controlling interests		**126,200**	131,999
TOTAL EQUITY		**1,244,058**	1,290,843

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2013

	Attributable to owners of the Company									
	Share capital HK$'000	Share premium HK$'000	Special reserve HK$'000	Exchange reserve HK$'000	Capital reserve HK$'000	Convertible bonds reserve HK$'000	Retained profits HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total HK$'000
At 1 January 2012	72,900	777,644	985	(49)	15,392	48,689	303,242	1,218,803	153,679	1,372,482
Total comprehensive income for the year	—	—	—	(152)	—	—	(61,342)	(61,494)	(7,080)	(68,574)
Acquisition of additional interests in subsidiaries	—	—	—	—	—	—	(100)	(100)	(14,600)	(14,700)
Issue of employee shares	170	1,092	—	—	—	—	—	1,262	—	1,262
Recognition of equity component of convertible bonds	—	—	—	—	—	373	—	373	—	373
At 31 December 2012	73,070	778,736	985	(201)	15,392	49,062	241,800	1,158,844	131,999	1,290,843
At 1 January 2013	**73,070**	**778,736**	**985**	**(201)**	**15,392**	**49,062**	**241,800**	**1,158,844**	**131,999**	**1,290,843**
Total comprehensive income for the year	**—**	**—**	**—**	**(16)**	**—**	**—**	**(40,104)**	**(40,120)**	**(5,799)**	**(45,919)**
Derecognition of equity component of convertible bonds	**—**	**—**	**—**	**—**	**33,927**	**(44,606)**	**—**	**(10,679)**	**—**	**(10,679)**
Recognition of equity component of convertible bonds	**—**	**—**	**—**	**—**	**—**	**10,679**	**—**	**10,679**	**—**	**10,679**
Deferred tax liability on recognition of equity component of convertible bonds	**—**	**—**	**—**	**—**	**—**	**(2,141)**	**—**	**(2,141)**	**—**	**(2,141)**
Reversal of deferred tax liability upon extension of convertible bonds	**—**	**—**	**—**	**—**	**—**	**19**	**—**	**19**	**—**	**19**
Issue of employee shares	**250**	**1,006**	**—**	**—**	**—**	**—**	**—**	**1,256**	**—**	**1,256**
At 31 December 2013	**73,320**	**779,742**	**985**	**(217)**	**49,319**	**13,013**	**201,696**	**1,117,858**	**126,200**	**1,244,058**

Notes:

1. General Information

Polyard Petroleum International Group Limited (the "Company") was incorporated in the Cayman Islands as an exempted company with limited liability and its shares are listed on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited. The registered office of the Company is located at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands and its principal place of business is located at Room 2602, 26th Floor, China Merchant Tower, Shun Tak Centre, 200 Connaught Road Central, Sheung Wan, Hong Kong. These consolidated financial statements are presented in Hong Kong dollars ("HK$"), which is also the functional currency of the Company.

The principal activity of the Company is investment holding and the principal activities of its subsidiaries are the exploration, exploitation and development of oil, natural gas and coal, trading of petroleum-related products and provision of technical services.

2. Application of New and Revised Hong Kong Financial Reporting Standards ("HKFRSs")

The Hong Kong Institute of Certified Public Accountants ("HKICPA") has issued a number of new and revised HKFRSs, which are generally effective for accounting periods beginning on or after 1 January 2013. The Group has adopted the following new and revised HKFRSs issued up to 31 December 2013 which are pertinent to its operations and relevant to these consolidated financial statements.

HKFRS 1 (Amendments)	*Government Loans*
HKFRS 7 (Amendments)	*Disclosures — Offsetting Financial Assets and Financial Liabilities*
HKFRS 10	*Consolidated Financial Statements*
HKFRS 11	*Joint Arrangements*
HKFRS 12	*Disclosure of Interests in Other Entities*
HKFRS 10, HKFRS 11 and HKFRS 12 (Amendments)	*Amendments to HKFRS 10, HKFRS 11 and HKFRS 12 — Transition Guidance*
HKFRS 13	*Fair Value Measurement*
HKAS 1 (Amendments)	*Presentation of Items of Other Comprehensive Income*
HKAS 19 (as revised in 2011)	*Employee Benefits*
HKAS 27 (as revised in 2011)	*Separate Financial Statements*
HKAS 28 (as revised in 2011)	*Investments in Associates and Joint Ventures*
HK(IFRIC) — Int 20	*Stripping Costs in the Production Phase of a Surface Mine*
HKFRS (Amendments)	*Annual Improvements to HKFRS 2009-2011 Cycle*

The Group has not applied the following new and revised HKFRSs that have been issued but are not yet effective, in the consolidated financial statements:

Amendments to HKFRSs	*Annual Improvements to HKFRSs 2010-2012 Cycle*[2]
Amendments to HKFRSs	*Annual Improvements to HKFRSs 2011-2013 Cycle*[2]
HKFRS 9	*Financial Instruments*[3]
Amendments to HKFRS 9 and HKFRS 7	*Mandatory Effective Date of HKFRS 9 and Transition Disclosures*[2]
Amendments to HKFRS 10, HKFRS 12 and HKAS 27	*Investment Entities*[1]
Amendments to HKAS 19	*Defined Benefit Plans: Employee Contributions*[2]
Amendments to HKAS 32	*Offsetting Financial Assets and Financial Liabilities*[1]
Amendments to HKAS 36	*Recoverable Amount Disclosure for Non-Financial Assets*[1]
Amendments to HKAS 39	*Novation of Derivatives and Continuation of Hedge Accounting*[1]
HK(IFRIC) — Int 21	*Levies*[1]

1 Effective for annual periods beginning on or after 1 January 2014, with earlier application permitted.

2 Effective for annual periods beginning on or after 1 July 2014, except as disclosed below, early application is permitted.

3 Available for application — the mandatory effective date will be determined when the outstanding phases of HKFRS 9 are finalized.

Annual Improvements to HKFRSs 2010-2012 Cycle

The Annual Improvements to HKFRSs 2010-2012 Cycle include a number of amendments to various HKFRSs, which are summarised below.

The amendments to HKFRS 2 (i) change the definitions of 'vesting condition' and 'market condition'; and (ii) add definitions for 'performance condition' and 'service condition' which were previously included within the definition of 'vesting condition'. The amendments to HKFRS 2 are effective for share-based payment transactions for which the grant date is on or after 1 July 2014.

The amendments to HKFRS 3 clarify that contingent consideration that is classified as an asset or a liability should be measured at fair value at each reporting date, irrespective of whether the contingent consideration is a financial instrument within the scope of HKFRS 9 or HKAS 39 or a non-financial asset or liability. Changes in fair value (other than measurement period adjustments) should be recognised in profit or loss. The amendments to HKFRS 3 are effective for business combinations for which the acquisition date is on or after 1 July 2014.

The amendments to HKFRS 8 (i) require an entity to disclose the judgements made by management in applying the aggregation criteria to operating segments, including a description of the operating segments aggregated and the economic indicators assessed in determining whether the operating segment have a 'similar economic characteristics'; and (ii) clarify that a reconciliation of the total of the reporting segments' assets to the entity's asset should only be provided if the segment assets are regularly provided to the chief operating decision-marker.

The amendments to the basis for conclusions of HKFRS 13 clarify that the issue of HKFRS 13 and consequential amendments to HKAS 39 and HKFRS 9 did not remove the ability to measure short-term receivables and payables with no stated interest rate at their invoice amounts without discounting, if the effect of discounting is immaterial.

The amendments to HKAS 16 and HKAS 38 remove perceived inconsistencies in the accounting for accumulated depreciation/amortisation when an item of property, plant and equipment or an intangible asset is revalued. The amended standards clarify that the gross carrying amount is adjusted in a manner consistent with the revaluation of the carrying amount of the asset and that accumulated depreciation/amortisation is the difference between the gross carrying amount and the carrying amount after taking into account accumulated impairment losses.

The amendments to HKAS 24 clarify that a management entity providing key management personnel services to a reporting entity is a related party of the reporting entity. Consequently, the reporting entity should disclose as related party transactions the amount incurred for the service paid or payable to the management entity for the provision of key management personnel services. However, disclosure of the components of such compensation is not required.

The directors of the Company do not anticipate that the application of the amendments included in the Annual Improvements to HKFRSs 2010-2012 Cycles will have a material effect on the Company's consolidated financial statements.

Annual Improvements to HKFRSs 2011-2013 Cycle

The Annual Improvements to HKFRSs 2011-2013 Cycle include a number of amendments to various HKFRSs, which are summarised below.

The amendments to HKFRS 3 clarify that the standard does not apply to the accounting for the formation of all types of joint arrangement in the financial statements of the joint arrangement itself.

The amendments to HKFRS 13 clarify that the scope of the portfolio exception for measuring the fair value of a group of financial assets and financial liabilities on a net basis includes all contracts that are within the scope of, and accounted for in accordance with, HKAS 39 or HKFRS 9, even if those contracts do not meet the definitions of financial assets or financial liabilities within HKAS 32.

The amendments to HKAS 40 clarify that HKAS 40 and HKFRS 3 are not mutually exclusive and application of both standards may be required. Consequently, an entity acquiring investment property must determine whether:

(a) the property meets the definition of investment property in terms of HKAS 40; and

(b) the transaction meets the definition of a business combination under HKFRS 3.

The directors of the Company do not anticipate that the application of the amendments included in the Annual Improvements to HKFRSs 2011-2013 Cycle will have a material effect on the financial information.

HKFRS 9 Financial Instruments

HKFRS 9 issued in 2009 introduces new requirements for the classification and measurement of financial assets. HKFRS 9 was subsequently amended in 2010 includes the requirements for the classification and measurement of financial liabilities and for derecognition, and further amended in 2013 to include the new requirements for hedge accounting.

Key requirements of HKFRS 9 are described as follows:

— All recognised financial assets that are within the scope of HKAS 39 Financial Instruments: Recognition and Measurement to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent reporting periods. All other debt investments and equity investments are measured at their fair values at the end of subsequent accounting periods. In addition, under HKFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.

— With regard to the measurement of financial liabilities designated as at fair value through profit or loss, HKFRS 9 requires that the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value of financial liabilities attributable to changes in the financial liabilities' credit risk are not subsequently reclassified to profit or loss. Under HKAS 39, the entire amount of the change in the fair value of the financial liability designated as fair value through profit or loss was presented in profit or loss.

The new general hedge accounting requirements retain the three types of hedge accounting. However, greater flexibility has been introduced to the types of transactions eligible for hedge accounting, specifically broadening the types of instruments that qualify for hedging instruments and the types of risk components of non-financial items that are eligible for hedge accounting. In addition, the effectiveness test has been overhauled and replaced with the principle of an 'economic relationship'. Retrospective assessment of hedge effectiveness is also no longer required. Enhanced disclosure requirements about an entity's risk management activities have also been introduced.

The directors of the Company anticipate that the adoption of HKFRS 9 in the future may have a significant impact on the amounts reported in respect of the Group's financial assets and financial liabilities. Regarding the Group's financial liabilities, it is not practicable to provide a reasonable estimate of that effect until a detailed review has been completed.

Amendments to HKFRS 10, HKFRS 12 and HKAS 27 Investment Entities

The amendments to HKFRS 10 define an investment entity and require a reporting entity that meets the definition of an investment entity not to consolidate its subsidiaries but instead to measure its subsidiaries at fair value through profit or loss in its financial statements.

To qualify as an investment entity, a reporting entity is required to:

— obtain funds from one or more investors for the purpose of providing them with professional investment management services;

— commit to its investor(s) that its business purpose is to invest funds solely for returns from capital appreciation, investment income, or both; and

— measure and evaluate performance of substantially all of its investments on a fair value basis.

Consequential amendments have been made to HKFRS 12 and HKAS 27 introduce new disclosure requirements for investment entities.

The directors of the Company do not anticipate that the investment entities amendments will have any effect on the financial information as the Company is not an investment entity.

Amendments to HKAS 19 Defined Benefit Plans: Employee Contributions

The amendments to HKAS 19 clarify how an entity should account for contributions made by employees or third parties to defined benefit plans, based on whether those contributions are dependent on the number of years of service provided by the employee.

For contributions that are independent of the number of years of service, the entity may either recognise the contributions as a reduction in the service cost in the periods in which the related service is rendered, or to attribute them to the employees' periods of service using the projected unit credit method; whereas for contributions that are dependent on the number of years of services, the entity is required to attribute them to the employees periods of service.

The directors of the Company do not anticipate that the application of these amendments to HKAS 19 will have a significant impact on the financial information as the Group does not have any defined benefit plans.

Amendments to HKAS 32 Offsetting Financial Assets and Financial Liabilities

The amendments to HKAS 32 clarify existing application issues relating to the offset of financial assets and financial liabilities requirements. Specifically, the amendments clarify the meaning of 'currently has a legally enforceable right of set-off' and 'simultaneous realisation and settlement'.

The directors of the Company do not anticipate that the application of these amendments to HKAS 32 will have a significant impact on the financial information as the Group does not have any financial assets and financial liabilities that qualify for offset.

Amendments to HKAS 36 Recoverable Amount Disclosures for Non-Financial Assets

The amendments to HKAS 36 remove the requirement to disclose the recoverable amount of a cash generating unit ("CGU") to which goodwill or other intangible assets with indefinite useful lives had been allocated when there has been no impairment or reversal of impairment of the related CGU. Furthermore, the amendments introduce additional disclosure requirements regarding the fair value hierarchy, key assumptions and valuation techniques used when the recoverable amount of an asset or CGU was determined based on its fair value less costs of disposal.

The directors of the Company do not anticipate that the application of these amendments to HKAS 36 will have a significant impact on the financial information.

Amendments to HKAS 39 Novation of Derivatives and Continuation of Hedge Accounting

The amendments to HKAS 39 provide relief from the requirement to discontinue hedge accounting when a derivative hedging instrument is novated under certain circumstances. The amendments also clarify that any change to the fair value of the derivative hedging instrument arising from the novation should be included in the assessment of hedge effectiveness.

The directors of the Company do not anticipate that the application of these amendments to HKAS 39 will have any effect on the financial information as the Group does not have any derivatives that are subject to novation.

HK (IFRIC) — Int 21 Levies

HK (IFRIC) — Int 21 Levies addresses the issue of when to recognise a liability to pay a levy. The Interpretation defines a levy, and specifies that the obligating event that gives rise to the liability is the activity that triggers the payment of the levy, as identified by legislation. The Interpretation provides guidance on how different levy arrangements should be accounted for, in particular, it clarifies that neither economic compulsion nor the going concern basis of financial statements preparation implies that an entity has a present obligation to pay a levy that will be triggered by operating in a future period.

The directors of the Company anticipate that the application of HK (IFRIC) — Int 21 will have no effect on the financial information as the Group does not have any levy arrangements.

Except as described above, the directors of the Company anticipate that the application of the other new and revised HKFRSs that have been issued but are not yet effective will have no material impact on the Group's financial performance and position and/or disclosures set out in the consolidated financial statements.

3. Basis of Preparation

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited and by the Hong Kong Companies Ordinance.

The consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments that are measured at fair values. Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of HKFRS 2, leasing transactions that are within the scope of HKAS 17, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in HKAS 2 or value in use in HKAS 36.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;

- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and

- Level 3 inputs are unobservable inputs for the asset or liability.

During the year ended 31 December 2013, the Group incurred a loss of approximately HK$45,897,000 and, as of that date, the Group had net current liabilities of approximately HK$16,998,000. These conditions indicate the existence of a material uncertainty which may cast doubt about the Group's ability to continue as a going concern.

The directors of the Company have taken the following measures to mitigate the liquidity issues faced by the Group and to improve its financial position which include, but are not limited to, the following:

(i) The Company intends to negotiate with potential strategic investors in respect of a possible equity investment in the Company;

(ii) The Company has reviewed the Group's financial and operational position, and is taking steps to improve cash flow management of the Group with a view to conserve productive assets and operations; and

(iii) The substantial shareholder has agreed to provide continuing financial support for the Group to meet its liabilities as and when they fall due.

Provided that the above measures can successfully improve the liquidity position of the Group, the directors of the Company are satisfied that the Group will be able to meet its financial obligations as and when they fall due for the foreseeable future. Accordingly, the directors of the Company are satisfied that it is appropriate to prepare the consolidated financial statements on the going concern basis. Should the Group be unable to operate as a going concern, adjustments would have to be made to write down the value of assets to their recoverable amounts, to provide for any further liabilities which might arise and to reclassify non-current assets and liabilities as current assets and liabilities. The effect of these adjustments has not been reflected in the consolidated financial statements.

4. 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 year ended 31 December 2013, the Group has 3 reportable segments — (1) exploration of oil, natural gas and coal, (2) trading of petroleum-related products and (3) provision of technical services for oil and gas exploration and development. These segments are managed separately as they belong to different industries and require different operating systems and strategies.

There were no sales or other transactions between those reportable segments.

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

(a) Reportable Segments

2013

	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*
Turnover:				
Revenues from external customers	—	—	—	—
Interest income	—	—	**3**	**3**
Total income	—	—	**3**	**3**
Reportable segment loss before tax	**(4,171)**	**(125)**	**(1,168)**	**(5,464)**
Unallocated corporate income				**12,857**
Unallocated corporate expenses				**(10,925)**
Impairment loss on interests in associates	**(16,849)**			**(16,849)**
Impairment loss on interests in joint ventures	**(11,064)**			**(11,064)**
Share of results of associates	**(141)**			**(141)**
Interest expenses				**(16,793)**
Loss before tax				**(48,379)**
Income tax				**2,482**
Loss for the year				**(45,897)**

2012

	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*
Turnover:				
Revenues from external customers	—	—	462	462
Interest income	1	—	—	1
Total income	1	—	462	463
Reportable segment loss before tax	(16,912)	(668)	(1,368)	(18,948)
Unallocated corporate expenses				(3,025)
Impairment loss on interests in associates	(20,940)			(20,940)
Impairment loss on interests in joint ventures	(13,183)			(13,183)
Share of results of associates	(13)			(13)
Interest expenses				(14,460)
Loss before tax				(70,569)
Income tax				2,159
Loss for the year				(68,410)

The accounting policies of the operating segments are the same as the Group's accounting policies. Segment loss represents loss incurred 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 maker for the purposes of resource allocation and assessment of segment performance.

2013

	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	**41,203**	**45**	**202**	**41,450**
Interests in associates	**43,955**			**43,955**
Interests in joint ventures	**1,383,033**			**1,383,033**
Unallocated corporate assets				**833**
Total assets				**1,469,271**
Liabilities:				
Segment liabilities	**27,064**	**87**	**1,015**	**28,166**
Unallocated corporate liabilities				**197,047**
Total liabilities				**225,213**

2012

	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	40,092	130	344	40,566
Interests in associates	60,945			60,945
Interests in joint ventures	1,389,541			1,389,541
Unallocated corporate assets				588
Total assets				1,491,640
Liabilities:				
Segment liabilities	33,690	150	518	34,358
Unallocated corporate liabilities				166,439
Total liabilities				200,797

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.

Other segment information

2013

	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	**(107)**	**—**	**(62)**	**(51)**	**(220)**
Gain on derecognition of convertible bonds	**—**	**—**	**—**	**11,020**	**11,020**
Gain on extension of convertible bonds	**—**	**—**	**—**	**1,837**	**1,837**
Capital expenditure	**5,991**	**—**	**11**	**7**	**6,009**

2012

	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	(280)	—	(46)	(51)	(377)
Capital expenditure	12,115	—	87	25	12,227

(b) Geographical Segments

The following table sets out information about the geographical location of (i) the Group's revenues from external customers and (ii) the Group's property, plant and equipment, intangible assets, goodwill and interests in associates and 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 operation to which they are allocated, in the case of intangible and goodwill, and the location of operation, in the case of interests in associates and joint ventures.

	Revenue from external customers		Specified non-current assets	
	2013	2012	**2013**	2012
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Mainland China, including Hong Kong and Macau	**—**	462	**262**	2,054
Brunei	**—**	—	**1,085,478**	1,085,619
Philippines	**—**	—	**365,331**	385,806
	—	462	**1,451,071**	1,473,479

(c) Information about major customers

During 2012, included in revenues from external customers of HK$462,000 were revenues of HK$462,000 which arose from provision of technical services to the Group's largest customer.

5. Turnover and Other Revenue

(a) An analysis of the Group's turnover for the year is as follows:

	2013	2012
	HK$'000	*HK$'000*
Provision of technical services	**—**	462

(b) An analysis of the Group's other revenue for the year is as follows:

	2013	2012
	HK$'000	*HK$'000*
Bank interest income	**3**	1

6. Finance Costs

	2013	2012
	HK$'000	*HK$'000*
Interest on bank borrowing not wholly repayable within five years	**188**	384
Effective interest on promissory note	**761**	884
Effective interest on convertible bonds	**15,844**	13,192
	16,793	14,460

7. Loss Before Tax

Loss before tax is arrived at after charging:

	2013	2012
	HK$'000	*HK$'000*
Staff costs (including directors' remuneration)		
— Salaries and other benefits	**8,725**	9,782
— Retirement scheme defined contributions	**256**	316
	8,981	10,098
Auditors' remuneration		
Audit services	**438**	438
Non-audit services	**—**	—
	438	438
Depreciation of property, plant and equipment	**220**	377
Loss on disposal of property, plant and equipment	**7**	—
Impairment loss on other receivables	**—**	601
Operating lease payments for land and buildings and equipment	**2,006**	2,676

8. Income Tax

Income tax recognised in profit or loss

	2013	2012
	HK$'000	*HK$'000*
Current tax:		
— Hong Kong	**—**	—
— PRC enterprise income tax	**—**	—
— Other jurisdictions	**—**	—
Deferred tax	**2,482**	2,159
Income tax credit for the year	**2,482**	2,159

Hong Kong profits tax is calculated at the rate of 16.5% (2012: 16.5%) on the estimated assessable profit for the year.

PRC subsidiaries are subject to PRC enterprise income tax at the rate of 25% (2012: 25%). Taxation arising in other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.

Deferred tax for the year represents tax income recognised on reversal of temporary differences arising from convertible bonds.

No deferred tax asset has been recognized on losses for the year of approximately HK$185,000 (2012: HK$487,000) due to unpredictability stream of future taxable profits that will be available against which the tax losses can be utilized.

There was no material unprovided deferred tax charge for the year (2012: Nil).

The taxation for the year can be reconciled to the loss before tax per the consolidated statement of profit or loss as follows:

	2013	2012
	HK$'000	*HK$'000*
Loss before tax:	**(48,379)**	(70,569)
Notional loss before tax, calculated at the tax rates applicable to the jurisdictions concerned	**10,310**	11,546
Tax effect of share of results of associates	**(23)**	(4)
Tax effect on impairment loss on associates	**(5,054)**	(3,455)
Tax effect on impairment loss on joint ventures	**(1,826)**	(2,175)
Tax effect of non-deductible expenses	**—**	14
Tax effect of non-taxable income	**21**	—
Tax effect of losses not allowable	**(3,243)**	(5,690)
Tax effect of allowable losses not recognised	**(185)**	(236)
Deferred tax on convertible bonds	**2,482**	2,159
Income tax credit for the year	**2,482**	2,159

9. Loss Per Share

Basic and diluted loss per share

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

	2013	2012
	HK$'000	*HK$'000*
Loss for the year attributable to the owners of the Company	**40,104**	61,342

	2013	2012
	'000	*'000*
Weighted average number of ordinary shares		
Issued ordinary shares at 1 January	**1,826,741**	1,822,506
Effect of shares issued pursuant to employment agreement	**1,717**	1,675
Weighted average number of ordinary shares at 31 December	**1,828,458**	1,824,181

During the years ended 31 December 2013 and 2012, the computation of diluted loss per share does not assume the conversion of the outstanding convertible bonds since it would result in a decease in loss per share, and is regarded as anti-dilutive.

10. Dividends

No dividend has been paid or proposed for the year (2012: Nil).

11. Interests in Associates

This represents the Group's share of the interests in associates which are engaged in the exploration, exploitation and development of coal mine in the Philippines.

	2013	2012
	HK$'000	*HK$'000*
Share of fair value of net assets of associates		
At beginning of the year	**60,945**	81,898
Share of loss from associates	**(141)**	(13)
Impairment loss	**(16,849)**	(20,940)
At end of the year	**43,955**	60,945

12. Interests in Joint Ventures

The interests held by the Group in joint ventures which are engaged in the exploration, exploitation and development of oil and gas in Brunei and Philippines are 21% (2012: 21%) and 80% (2012: 80%) respectively.

	2013	2012
	HK$'000	*HK$'000*
At beginning of the year	**1,389,541**	1,393,203
Additional investment	**4,698**	9,521
Refund of investment	**(142)**	—
Impairment loss	**(11,064)**	(13,183)
At end of the year	**1,383,033**	1,389,541
Analysis of carrying amounts of oil and gas projects held by joint ventures is as follows:		
In Brunei	**1,085,477**	1,085,619
In Philippines	**297,556**	303,922
	1,383,033	1,389,541

13. Other Receivables

	2013	2012
	HK$'000	*HK$'000*
Other debtors, deposits and prepayments	**938**	1,408

14. Other Payables

	2013	2012
	HK$'000	*HK$'000*
Other creditors and accrued charges	**11,515**	10,487

15. Convertible Bonds

	2013	2012
	HK$'000	*HK$'000*
At 1 January	**120,654**	91,894
Liability component of the Convertible Bonds B	—	15,627
Interest charged	**15,844**	13,192
Interest paid	**(480)**	(59)
Derecognition	**(108,000)**	—
Liability component of Convertible Bond A Tranche 2	**96,980**	—
Gain arising from extension	**(1,837)**	—
At 31 December	**123,161**	120,654
Carrying amount repayable		
Within one year	**15,523**	15,672
More than one year, but not exceeding two years	**107,638**	104,982
	123,161	120,654

(a) The convertible bonds issue to China International Mining Holding Company Limited (the "Bondholder 1") at a nominal value of HK$120,000,000 for a term of 5 years (the "Convertible Bonds A") at zero coupon interest of which the HK$108,000,000 (the "Tranche 2") was issued on 29 December 2008 and HK$12,000,000 (the "Tranche 1") was issued on 4 February 2009.

Pursuant to the resolution passed by independent shareholders of the Company on 28 December 2013, the maturity dates of the Tranche 1 and Tranche 2 are extended by one year to 4 February 2015 and 29 December 2014 ("New Maturity Date") respectively under the deed of extension entered into between the Company and Bondholder 1 ("New Convertible Bonds A"). The Bondholder 1 may at any time up to the New Maturity Dates of the New Convertible Bonds A convert the whole or any part at an amount in an amount of the Convertible Bonds A into ordinary shares of HK$0.04 each in the share capital of the Company at the adjusted conversion price of HK$0.742 per conversion share.

The New Maturity Date is considered to be a substantial modification of Convertible Bonds A Tranche 2 as the net present value of the cash flows of the New Convertible Bonds A Tranche 2 is more than 10% different from the net present value of the cash flows of the outstanding Convertible Bonds A Tranche 2 prior to the extension of maturity date discounted at the original effective interest rate of 14.62% per annum. As such, Convertible Bonds A Tranche 2 were derecognised and New Convertible Bonds A Tranche 2 were recognised. The fair value of New Convertible Bonds A Tranche 2 as at 28 December 2013 amounting to approximately HK$105,827,000 of which approximately HK$96,980,000 and HK$8,847,000 have been allocated as consideration to redeem the liability and equity component of the Convertible Bonds A Tranche 2 respectively, resulting in a gain on the redemption of the liability component of approximately HK$11,020,000 recognised in profit or loss. As there is no substantial modification of Convertible Bonds A Tranche 1 upon extension of its maturity date, no derecognition has been made and only a gain on extension of approximately HK$1,223,000 was recognized in profit or loss.

Upon extension of the maturity date of the Convertible Bonds A Tranche 1, their fair values are remeasured and split into two components, liability and equity elements. The liability component is remeasured at fair value of approximately HK$10,658,000 at 28 December 2013, being the present value of the contractual stream of future cash flows discounted using the prevailing market interest of similar traded bonds of 10.82% per annum. The equity component of approximately HK$1,089,000, being the residual amount of the Convertible Bonds A Tranche 1 after separating the liability component, is presented in equity heading in “Convertible Bonds Reserve”. On initial recognition, the New convertible Bonds A Tranche 2 are split into two components, liability and equity elements. The liability component is measured at fair value of approximately HK$96,980,000 at 28 December 2013, being the present value of the contractual stream of future cash flows discounted using the prevailing market interest of similar traded bonds of 10.82% per annum. The equity component of approximately HK$8,847,000, being the residual amount of the New Convertible Bonds A Tranche 2 after separating the liability component, is presented in equity heading in “Convertible Bonds Reserve”.

Deferred tax liability in the amount of HK$2,040,000 of New Convertible Bonds A is charged directly to the carrying amount of the equity component.

(b) The Convertible bonds issue to an independent third party (the “Bondholder 2”) at a nominal value of HK$16,000,000 on 19 November 2012 (the “Convertible Bonds B”) at the interest rate of 3% per annum accrued on a day to day basis was matured on 19 November 2013.

The maturity date of the Convertible Bonds B is extended by six months to 19 May 2014 (“New Maturity Date”) under the deed of extension entered into between the Company and Bondholder 2 (“New Convertible Bonds B”) on 19 November 2013. The Bondholder 2 may at any time up to the New Maturity Date of the New Convertible Bonds B convert the whole or any part at an amount in an integral multiple of HK$100,000 of the principle amount of the New Convertible Bonds B into ordinary shares of HK$0.04 each in the share capital of the Company at the conversion price of HK$0.16 per conversion share.

As there is no substantial modification of Convertible Bonds B upon extension of its maturity date, no derecognition has been made and only a gain on extension of approximately HK$614,000 was recognized in profit or loss.

Upon extension of the Convertible Bonds B, their fair values are remeasured and split into two components, liability and equity elements. The liability component is remeasured at fair value of approximately HK$15,384,000 at 19 November 2013, being the present value of the contractual stream of future cash flows discounted using the prevailing market interest of similar traded bonds of 10.92% per annum. The equity component of approximately HK$5,219,000, being the residual amount of the Convertible Bonds B after separating the liability component, is presented in equity heading in "Convertible Bonds Reserve".

Deferred tax liability in the amount of HK$101,640 of New Convertible Bonds B is charged directly to the carrying amount of the equity component.

16. Promissory Note

On 21 October 2011, the Company issued a promissory note with a principal amount of HK$9,000,000 ("Promissory Note") to Mr. Lam Nam, a substantial shareholder of the Company, as consideration for the acquisition of Mr. Lam Nam's 51% of the entire issued share capital in Mass Leader Inc.. The Promissory Note is unsecured, bears interest at the rate of 3% per annum and has a maturity period of 24 months from the date of issue. The Promissory Note was reallocated to amount due to a shareholder upon its maturity on 20 October 2013.

	2013	2012
	HK$'000	*HK$'000*
As at 1 January	**8,456**	7,842
Imputed interest charge	**761**	884
Interest paid	**(217)**	(270)
Transfer to amount due to a shareholder	**(9,000)**	—
As at 31 December	**—**	8,456

Note:

The Promissory Note was measured at amortised cost using effective interest method with the effective interest rate at 11.3% per annum.

17. Share Capital

	Number of shares		**Amount**	
	2013	2012	**2013**	2012
	'000	*'000*	***HK$'000***	*HK$'000*
Authorised:				
Ordinary shares of HK$0.04 each	**2,500,000**	2,500,000	**100,000**	100,000
Issued and fully paid:				
At beginning of the year	**1,826,741**	1,822,506	**73,070**	72,900
Issue of shares to an employee	**6,250**	4,235	**250**	170
At end of the year	**1,832,991**	1,826,741	**73,320**	73,070

On 21 May 2012, pursuant to an employment agreement, 2,464,764 employee shares were allotted and issued at an issue price of HK$0.2563 per share. On 29 November 2012, pursuant to the same employment agreement, 1,770,077 employee shares were allotted and issued at an issue price of HK$0.3560 per share. The employee shares rank pari passu in all respects with the existing shares of the Company.

On 13 May 2013, pursuant to the same employment agreement, 2,259,326 employee shares were allotted and issued at an issue price of HK$0.2783 per share. On 18 November 2013, pursuant to the same employment agreement, 3,991,090 employee shares were allotted and issued at an issue price of HK$0.1573 per share. The employee shares rank pari passu in all respects with the existing shares of the Company.

18. Capital Commitments

At the reporting date, the capital commitments outstanding contracted for but not provided for in these consolidated financial statements are as follows:

	2013	2012
	HK$'000	*HK$'000*
Contributions to a joint venture	**33,081**	35,780

19. Contingent Liabilities

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

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Review

For the year ended 31 December 2013, the Group did not generate any turnover, as compared with approximately 462,000 in 2012. The Group recorded a loss attributable to owners of the Company of approximately HK$40,104,000 in 2013 (2012: approximately HK$61,342,000).

The current year loss includes (1) an impairment loss on the Coal Mine Project in the Philippines of approximately HK$16,849,000; (2) an impairment loss of approximately HK$11,064,000 on Oil and Gas Project in South Cebu, Philippines; and (3) a gain on derecognition of convertible bonds of approximately HK$11,020,000.

Administrative and other operating expenses for the year ended 31 December 2013 amounted to approximately HK$16,392,000, representing a decrease of approximately HK$6,044,000 or 27%, as comparing with last year. The decrease was mainly attributable to reduction in business development activities, employee costs and overseas traveling expenses.

Finance costs for the year ended 31 December 2013 amounted to approximately HK$16,793,000 (2012: approximately HK$14,460,000). The increase in interest costs was mainly resulted from the increase in effective interest of the convertible bonds in the amount of HK$120,000,000 and issuance of a HK$16,000,000 convertible bonds on 19 November 2012 to provide for general working capital to the Group.

Liquidity, Financial Resources, Capital and Gearing

As at 31 December 2013, the Group had net assets amounted to approximately HK$1,244.1 million (2012: approximately HK$1,290.8 million) and net current liabilities amounted to approximately HK$17.0 million (2012: approximately HK$16.2 million). The current ratio was 52% (2012: 53%). The gearing ratio of the Group based on the net debt to the shareholders' equity was 18% (2012: 15%).

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

Employee Information

The Group had a total number of staff of 35 (2012: 43). Remuneration packages are reviewed on a periodical basis. Bonus is awarded to employees according to the assessment of individual performance. Staff cost was approximately HK$9.0 million for the year as compared with that of approximately HK$10.1 million in 2012.

Business Review and Prospects

Professional Services

During 2013, the Company generated no turnover from provision of professional services.

Brunei Block M Oil and Gas Project

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

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

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

Philippines Central Luzon Gas Project

The project's original 2012 work program was for re-entry work at the Victoria-3 well and drilling a new well. However, the re-entry activity and the drilling a new well were delayed due to rig availability. In 2012, project management gave up the re-entry work and, instead, conducted a further support study for a new drilling plan. The support study, and new well design has continued into 2013. As a result of the above-described delay, applications for extensions of the current exploration sub-phase to 28 February 2014 was granted by Philippines Department of Energy. The project has applied for another extension which is pending the approval from Department of Energy.

Philippines San Miguel Coal Mine Project

The project has progressed into the development phase. Construction of the phase-2 road, which will extend the vehicle-assessable road into the initial mining area, began in the second quarter 2011 but was suspended pending receipt of clearance from governmental agencies overseeing environmental protection. Construction can only be resumed upon the grant of tree cutting permit.

Philippines South Cebu Oil and Gas Project

This project is situated in the Cebu Island, central Philippines. During 2012, a field office has been established in Alegria, Cebu, to carry out the work program of drilling two new wells, followed by long term testing plan and post-drilling study. However, the drilling program was delayed due to rig availability and funding requirement. Project management decided to finish the preparation work for drilling program in the first half of 2013, and to defer the two-well drilling operation. As a result of the delay, application for a twelve-month extension of the current exploration sub-phase to 30 June 2014 was submitted and has been granted by Philippines Department of Energy.

In 2013, the project invited tenders for drilling of two wells in Cebu. Two contestants that entered the final stage of the bidding respectively conducted a field study, filed evaluation reports and submitted bidding documents stating clearly required business and technical terms. The tender has been closed recently and the result will be announced as soon as practicable. The site construction will commence thereafter. After the first two vertical wells are completed, the Company will further evaluate and study the parameters obtained for developing the following directional or horizontal wells' drilling.

Summary of Expenditure Incurred for Projects

A summary of expenditure incurred for the above projects by the Group for the year ended 31 December 2013 is as follows:

	2013	2012
	HK$'000	*HK$'000*
Brunei Block M Oil and Gas Project	—	2,168
Philippines Central Luzon Gas Project	**797**	2,518
Philippines San Miguel Coal Mine Project	**684**	1,312
Philippines South Cebu Oil and Gas Project	**3,700**	3,787

MEMORANDUM OF UNDERSTANDING IN RESPECT OF A POSSIBLE SUBSCRIPTION

On 25 September 2013, the Company and Beijing Enterprises Energy Development (Holdings) Company Limited ("BEEDHC") entered into a memorandum of understanding pursuant to which the Company agreed to allot and issue 1,733,800,000 subscription shares to BEEDHC at a cash price of HK$0.19 per share pursuant to the formal agreement to be negotiated between the Company and BEEDHC. At the date of this report, BEEDHC's has substantially completed the current stage of due diligence investigation on the Group. Currently, both parties are reviewing the debt reorganisations of the Company and the further legal advice on the extension of the Brunei Block M Oil and Gas Project. The Company is using its best effort to resolve the extension of the Brunei Block M Oil and Gas Project with Negara Brunei Darussalam and thereafter will negotiate and finalize the terms of a formal agreement with BEEDHC with the aim to enter into the formal agreement no later than 25 June 2014.

EXTRACT OF INDEPENDENT AUDITOR'S REPORT ON THE COMPANY'S CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013

Basis for disclaimer of opinion

(1) Opening balances and comparative figures

The comparative figures in the consolidated financial statements are based on the audited financial statements in respect of the year ended 31 December 2012 on which our auditor's report contained a disclaimer of opinion stating that we were unable to ascertain (i) the recoverability of the carrying value of interests in a joint venture ("JV") of approximately HK$1,085,619,000 included in the total amount of approximately HK$1,389,541,000 as shown in the consolidated statement of financial position as at 31 December 2012 and (ii) whether provision for the payment of compensation of approximately HK$127.5 million in respect of unfulfilled obligation arising from the application for the extension of exploration period not granted to a JV.

Therefore the corresponding amounts shown may not be comparable and any adjustments to the opening balances as at 1 January 2013 and the result reported for the year ended 31 December 2012 would have a consequential effect on the result for the year ended 31 December 2013.

(2) Interests in a joint venture

As explained in the note 17 to the consolidated financial statements, the issue in connection with the application for extension of exploration period, which was expired on 27 August 2012, had not been granted to a JV in respect of exploration, exploitation and development of oil and gas in Brunei, has not yet been resolved. The JV has continued to explore resolution in respect of the dispute of extension. As the outcome of resolution has not yet been determined up to the date of this report, the management of the Company has not made any impairment loss on the carrying value of interests in the JV. We were unable to ascertain the recoverability of the carrying value of interests in the JV of approximately HK$1,085,477,000 included in the total amount of approximately HK$1,383,033,000 as shown in the consolidated statement of financial position as at 31 December 2013. As explained in point (1) above, we were unable to ascertain the opening balance of interests in the JV, any adjustments or disclosures that might have been found to be necessary in respect of the carrying value would have a consequential significant effect on the Group's net assets as at 31 December 2013, and of the Group's loss for the year then ended and related note disclosures to the consolidated financial statements.

(3) Provision for compensation

As further explained in note 37 to the consolidated financial statements and the point (2) above, JV was demanded for the payment of compensation of approximately HK$127.5 million in respect of unfulfilled obligation arising from the dispute of extension. The management of the Company considers that no compensation will be required if the dispute of extension is resolved in favour of the JV and no provision for the compensation in the consolidated financial statements was made by the Group in this respect. We were unable to ascertain whether such provision should be made since it depends on future outcome. As explained in point (1) above, we were unable to ascertain whether such provision should be made, any adjustments or disclosures that might have been found to be necessary would have a consequential significant effect on the Group's net assets as at 31 December 2013, and of the Group's loss for the year then ended and related note disclosures to the consolidated financial statements.

Disclaimer of Opinion

Because of the significance of the matters described in the basis for disclaimer of opinion paragraphs, we have not been able to obtain sufficient appropriate audit evidences to provide a basis for an audit opinion. Accordingly, we do not express an opinion on the consolidated financial statements as to whether they give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2013 and of the Group's loss and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and as to whether the consolidated financial statements have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Emphasis of Matter

Without qualifying our opinion, we draw attention to note 3(b) to the consolidated financial statements which indicates that the Group incurred a loss of approximately HK$45,897,000 for the year ended 31 December 2013 and, as of that date, the Group's current liabilities exceeded its current assets by approximately HK$16,998,000. These conditions indicate the existence of a material uncertainty which may cast doubt about the Group's ability to continue as going concern. As explained in note 3(b), the consolidated financial statements have been prepared on a going concern basis, the validity of which depends upon the Group's ability to improve the liquidity position to enable the Group to meet its financial obligations as and when they fall due in the foreseeable future. The consolidated financial statements do not include any adjustments that would result from the failure to operate as a going concern.

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. Upon the Company's specific enquiry, all Directors confirmed that they have fully complied with the code of conduct and the required standard of dealings regarding securities transactions throughout the year ended 31 December 2013.

COMPETING INTERESTS

None of the Directors or the management shareholders of the Company (as defined in the GEM Listing Rules) had any interest in a business which competes or may compete with the business of the Group.

CODE ON CORPORATE GOVERNANCE PRACTICES

Throughout the year, 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.

PURCHASE, SALE OR REDEMPTION OF SECURITIES

During the year ended 31 December 2013, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

AUDIT COMMITTEE

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

The Audit Committee comprises three independent non-executive Directors, namely Mr. Pai Hsi-Ping, Ms. Xie Qun and Mr. Pan Wen-Cheng. Mr. Pan Wen-Cheng is the Chairman of the Audit Committee.

As Ms. Wang Ai-Chin was not re-elected as independent non-executive Director of the Company in the EGM on 28 December 2013, the Company had only two independent non-executive Directors, namely Mr. Pai Hsi-Ping and Ms. Xie Qun and did not meet the requirements under Rules 5.05(1) and 5.05(2) of the GEM Listing Rules, and the Audit Committee also had two members only and did not meet the requirements under Rule 5.28 of the GEM Listing Rules. The deviation was rectified on 10 January 2014, when the Board appointed Mr. Pan Wen-Cheng as an independent non-executive Director and a member of the Audit Committee in accordance with the requirements under Rules 5.06 and 5.33 of the GEM Listing Rules.

SCOPE OF WORK OF PAN-CHINA (H.K.) CPA LIMITED

The figures in respect of the preliminary announcement of the Group's results for the year ended 31 December 2013 have been agreed by the Group's auditor, Pan-China (H.K.) CPA Limited, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by Pan-China (H.K.) CPA Limited in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Pan-China (H.K.) CPA Limited on the preliminary announcement.

For and on behalf of the Board
Polyard Petroleum International Group Limited
Kuai Wei
Chairman

Hong Kong, 26 March 2014

As at the date of this announcement, the Board comprises:

Executive Directors
Mr. Kuai Wei
Mr. Lai Chun Liang
Mr. Lin Zhang

Independent Non-Executive Directors
Mr. Pai Hsi-Ping
Ms. Xie Qun
Mr. Pan Wen-Cheng

The announcement will remain on the "Latest Company Announcements" page of the GEM website at www.hkgem.com for at least seven days from the date of its posting and on the Company's website at www.ppig.com.hk.