**POLYARD PETROLEUM INTERNATIONAL GROUP LIMITED**
**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 2016

**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 2016, 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 2016*

| | Notes | **2016** | 2015 |
|---|---|---|---|
| | | ***HK$'000*** | *HK$'000* |
| **Turnover** | *5* | **—** | — |
| Other income | *5* | **143** | 133 |
| Administrative and other operating expenses | | **(37,013)** | (30,764) |
| Finance costs | *6* | **(18,737)** | (5,584) |
| Impairment losses recognised on deferred exploration expenditure | | **(25,548)** | — |
| Impairment losses recognised on interests in associates | | **(27,430)** | (2,644) |
| Impairment losses recognised on amounts due from associates | | **(16,287)** | — |
| Share of results of associates | | **(6)** | (14) |
| Reversal of impairment losses recognised on interests in a joint venture | | **102,376** | — |
| Impairment losses recognised on interests in a joint venture | | **—** | (98,382) |
| Loss on early redemption of promissory note | | **—** | (814) |
| **Loss before income tax** | *7* | **(22,502)** | (138,069) |
| Income tax credit | *8* | **663** | 126 |
| **Loss for the year** | | **(21,839)** | (137,943) |
| **Attributable to:** | | | |
| Owners of the Company | | **(51,694)** | (99,583) |
| Non-controlling interests | | **29,855** | (38,360) |
| | | **(21,839)** | (137,943) |
| **Loss per share** | *9* | | |
| — Basic (in HK cents) | | **(1.80) cents** | (3.99) cents |
| — Diluted (in HK cents) | | **(1.80) cents** | (3.99) cents |

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

*For the year ended 31 December 2016*

| | 2016 | 2015 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| **Loss for the year** | **(21,839)** | (137,943) |
| **Other comprehensive (expense)/income** | | |
| Items that may be reclassified subsequently to profit or loss: | | |
| Exchange differences on translation of foreign operations | **(1,511)** | 160 |
| Release of exchange reserve upon deregistration of a subsidiary | **—** | (53) |
| **Total comprehensive expense for the year** | **(23,350)** | (137,836) |
| **Attributable to:** | | |
| Owners of the Company | **(53,231)** | (99,465) |
| Non-controlling interests | **29,881** | (38,371) |
| **Total comprehensive expense for the year** | **(23,350)** | (137,836) |

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

*As at 31 December 2016*

| | Notes | 2016 HK$'000 | 2015 HK$'000 |
|---|---|---|---|
| **NON-CURRENT ASSETS** | | | |
| Property, plant and equipment | | **912** | 1,199 |
| Interests in associates | | **—** | 27,436 |
| Interests in a joint venture | | **330,768** | 134,877 |
| Deferred exploration expenditure | | **—** | 25,048 |
| | | **331,680** | 188,560 |
| **CURRENT ASSETS** | | | |
| Amounts due from associates | | **—** | 16,257 |
| Other receivables | *11* | **35,520** | 17,190 |
| Cash and bank balances | | **4,698** | 51,774 |
| | | **40,218** | 85,221 |
| **CURRENT LIABILITIES** | | | |
| Other payables | *12* | **(16,153)** | (6,153) |
| Amounts due to directors | | **(735)** | (1,391) |
| Amounts due to a shareholder | | **(9)** | (1,578) |
| Convertible bonds | | **(98,874)** | — |
| Obligations under finance leases – current portion | | **(163)** | (155) |
| | | **(115,934)** | (9,277) |
| **NET CURRENT (LIABILITIES)/ASSETS** | | **(75,716)** | 75,944 |
| **TOTAL ASSETS LESS CURRENT LIABILITIES** | | **255,964** | 264,504 |
| **NON-CURRENT LIABILITIES** | | | |
| Convertible bonds | | **(47,086)** | (97,013) |
| Deferred tax liabilities | | **(667)** | (493) |
| Obligations under finance leases – non-current portion | | **(214)** | (377) |
| | | **(47,967)** | (97,883) |
| **NET ASSETS** | | **207,997** | 166,621 |

| | 2016 | 2015 |
|---|---|---|
| | *HK$'000* | *HK$'000* |
| **CAPITAL AND RESERVES** | | |
| Share capital | **117,502** | 111,502 |
| Reserves | **47,329** | 41,834 |
| Equity attributable to owners of the Company | **164,831** | 153,336 |
| Non-controlling interests | **43,166** | 13,285 |
| **TOTAL EQUITY** | **207,997** | 166,621 |

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

*For the year ended 31 December 2016*

| | Attributable to owners of the Company | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | Share capital HK$'000 | Share premium HK$'000 | Special reserve HK$'000 | Exchange reserve HK$'000 | Convertible bonds reserve HK$'000 | Accumulated losses HK$'000 | Total HK$'000 | Non-controlling interests HK$'000 | Total HK$'000 |
| At 1 January 2015 | 77,502 | 797,182 | 985 | (141) | – | (802,116) | 73,412 | 51,656 | 125,068 |
| Loss for the year | – | – | – | – | – | (99,583) | (99,583) | (38,360) | (137,943) |
| Other comprehensive income/(expense) for the year | – | – | – | 118 | – | – | 118 | (11) | 107 |
| Total comprehensive expense for the year | – | – | – | 118 | – | (99,583) | (99,465) | (38,371) | (137,836) |
| Issue of shares under share subscription | 8,000 | 44,434 | – | – | – | – | 52,434 | – | 52,434 |
| Issue of shares upon loan capitalisation | 26,000 | 100,321 | – | – | – | – | 126,321 | – | 126,321 |
| Recognition of equity component of convertible bonds | – | – | – | – | 1,253 | – | 1,253 | – | 1,253 |
| Deferred tax liability on recognition of equity component of convertible bonds | – | – | – | – | (619) | – | (619) | – | (619) |
| At 31 December 2015 | 111,502 | 941,937 | 985 | (23) | 634 | (901,699) | 153,336 | 13,285 | 166,621 |
| **At 1 January 2016** | **111,502** | **941,937** | **985** | **(23)** | **634** | **(901,699)** | **153,336** | **13,285** | **166,621** |
| Loss for the year | **–** | **–** | **–** | **–** | **–** | **(51,694)** | **(51,694)** | **29,855** | **(21,839)** |
| Other comprehensive (expense)/income for the year | **–** | **–** | **–** | **(1,537)** | **–** | **–** | **(1,537)** | **26** | **(1,511)** |
| Total comprehensive (expense)/income for the year | **–** | **–** | **–** | **(1,537)** | **–** | **(51,694)** | **(53,231)** | **29,881** | **(23,350)** |
| Issue of shares under share subscription | **6,000** | **56,075** | **–** | **–** | **–** | **–** | **62,075** | **–** | **62,075** |
| Recognition of equity component of convertible bonds | **–** | **–** | **–** | **–** | **3,488** | **–** | **3,488** | **–** | **3,488** |
| Deferred tax liability on recognition of equity component of convertible bonds | **–** | **–** | **–** | **–** | **(837)** | **–** | **(837)** | **–** | **(837)** |
| At 31 December 2016 | **117,502** | **998,012** | **985** | **(1,560)** | **3,285** | **(953,393)** | **164,831** | **43,166** | **207,997** |

## 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 801-802, 8/F, Shanghai Industrial Investment Building, 48-62 Hennessy Road, Wanchai, Hong Kong. The parent company of the Company is Silver Star Enterprises Holdings Inc. (incorporated in British Virgin Islands) and the Company's ultimate controlling party is Mr. Lam Nam.

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.

These consolidated financial statements are presented in Hong Kong dollars ("HK$"), which is also the functional currency of the Company.

## 2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

In the current year, the Group has applied a number of amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") that are mandatorily effective for an accounting period that begins on or after 1 January 2016. These amendments have been applied by the Group for the first time in the current year unless otherwise specified.

| | |
|---|---|
| HKFRS 10, HKFRS 12 and HKAS 28 (Amendments) | *Investment Entities: Applying the Consolidation Exception* |
| HKFRS 11 (Amendments) | *Accounting for Acquisitions of Interests in Joint Operations* |
| HKAS 1 (Amendments) | *Disclosure Initiative* |
| HKAS 16 and HKAS 38 (Amendments) | *Clarification of Acceptable Methods of Depreciation and Amortisation* |
| HKAS 16 and HKAS 41 (Amendments) | *Agriculture: Bearer Plants* |
| HKFRSs (Amendments) | *Annual Improvements to HKFRSs 2012-2014 Cycle* |

The Group has not early applied the following new and revised HKFRSs that have been issued but are not yet mandatorily effective.

| | |
|---|---|
| HKFRS 9 | *Financial Instruments*(1) |
| HKFRS 15 | *Revenue from Contracts with Customers*(1) |
| HKFRS 16 | *Leases*(2) |
| HKFRS 2 (Amendments) | *Classification and Measurement of Share-based Payment Transactions*(1) |
| HKFRS 10 and HKAS 28 (Amendments) | *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*(3) |
| HKAS 7 (Amendments) | *Disclosure Initiative*(4) |
| HKAS 12 (Amendments) | *Recognition of Deferred Tax Assets for Unrealised Losses*(4) |

(1) Effective for annual periods beginning on or after 1 January 2018.
(2) Effective for annual periods beginning on or after 1 January 2019.
(3) Effective for annual periods beginning on or after a date to be determined.
(4) Effective for annual periods beginning on or after 1 January 2017.

## 3. BASIS OF PREPARATION

The consolidated financial statements have been prepared in accordance with HKFRSs issued by the HKICPA. The consolidated financial statements also comply with applicable disclosure requirements of the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited and of the Hong Kong Companies Ordinance.

The consolidated financial statements have been prepared on the historical cost basis. Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

The Group incurred a net loss of approximately HK$21,839,000 during the year ended 31 December 2016, and, as of that date, the Group's current liabilities exceeded its current assets by approximately HK$75,716,000. In preparing the consolidated financial statements, the Directors have given careful consideration to the future liquidity of the Group. The Directors have adopted the going concern basis for the preparation of the consolidated financial statements and taken the following measures in order to improve the working capital and liquidity and cash flow position of the Group.

(i) The Company intends to negotiate with potential strategic investors in respect of a possible equity investment in the Company. On 11 March 2017, the Company entered into a memorandum of understanding with a potential investor, China Wheat (Shenzhen) Equity Investment Fund Management Limited (中麥田(深圳)股權投資基金有限公司) (the "Subscriber") pursuant to which the Company agreed to allot and issue 900,000,000 subscription shares to the Subscriber at a cash price of HK$0.414 per share pursuant to the formal agreement to be negotiated between the Company and the Subscriber;

(ii) The Company intends to negotiate with a holder of convertible bonds to extend the date of redemption of convertible bonds or to exercise the option to convert the convertible bonds to equity investment in the Company upon their maturity on 20 July 2017; and

(iii) The controlling shareholder, Mr. Lam Nam, 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 are satisfied that the Group will be able to meet its financial obiligations as and when they fall due for the foreseeable future. Accordingly, the Directors 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 non-current liabilities as current assets and current 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 years ended 31 December 2015 and 2016, the Group has 3 reportable and operating segments — (1) exploration of oil, natural gas and coal, (2) trading of petroleum-related products and (3) provision of technical services for oil and gas exploration and development. These segments are managed separately as they belong to different industries and require different operating systems and strategies.

The Group accounts for inter-segment revenue and transfers as if revenue or transfers were to third parties.

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

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

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

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

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

**(a) Reportable Segments**

| **2016** | **Exploration of oil, natural gas and coal** *HK$'000* | **Trading of petroleum related products** *HK$'000* | **Provision of technical services** *HK$'000* | **Elimination** *HK$'000* | **Total** *HK$'000* |
|---|---|---|---|---|---|
| Revenue from external customer | **—** | **—** | **—** | **—** | **—** |
| Inter-segment revenue | **—** | **—** | **5,513** | **(5,513)** | **—** |
| Reportable segment revenue | **—** | **—** | **5,513** | **(5,513)** | **—** |
| Reportable segment loss before income tax | **(5,167)** | **—** | **(16,277)** | **—** | **(21,444)** |
| Unallocated corporate income | | | | | **1** |
| Unallocated corporate expenses | | | | | **(15,427)** |
| Impairment losses recognised on interests in associates | **(27,430)** | | | | **(27,430)** |
| Impairment losses recognised on amounts due from associates | **(16,287)** | | | | **(16,287)** |
| Reversal of impairment losses recognised on interests in a joint venture | **102,376** | | | | **102,376** |
| Impairment losses recognised on deferred exploration expenditure | **(25,548)** | | | | **(25,548)** |
| Share of results of associates | **(6)** | | | | **(6)** |
| Interest expenses | | | | | **(18,737)** |
| Loss before income tax | | | | | **(22,502)** |

| 2015 | Exploration of oil, natural gas and coal *HK$'000* | Trading of petroleum related products *HK$'000* | Provision of technical services *HK$'000* | Elimination *HK$'000* | Total *HK$'000* |
|---|---|---|---|---|---|
| Revenue from external customer | — | — | — | — | — |
| Inter-segment revenue | — | — | 8,804 | (8,804) | — |
| Reportable segment revenue | — | — | 8,804 | (8,804) | — |
| Reportable segment loss before income tax | (6,460) | (179) | (12,185) | – | (18,824) |
| Unallocated corporate expenses | | | | | (12,621) |
| Impairment losses recognised on interests in associates | (2,644) | | | | (2,644) |
| Impairment losses recognised on interests in a joint venture | (98,382) | | | | (98,382) |
| Share of results of associates | (14) | | | | (14) |
| Interest expenses | | | | | (5,584) |
| Loss before income tax | | | | | (138,069) |

| **2016** | **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 | **36,214** | **—** | **1,387** | **37,601** |
| Interests in associates | **—** | | | **—** |
| Interests in a joint venture | **330,768** | | | **330,768** |
| Unallocated corporate assets | | | | **3,529** |
| Total assets | | | | **371,898** |
| Liabilities: | | | | |
| Segment liabilities | **1,727** | **—** | **4,506** | **6,233** |
| Unallocated corporate liabilities | | | | **157,668** |
| Total liabilities | | | | **163,901** |

| 2015 | 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 | 89,226 | — | 15,280 | 104,506 |
| Interests in associates | 27,436 | | | 27,436 |
| Interests in a joint venture | 134,877 | | | 134,877 |
| Unallocated corporate assets | | | | 6,962 |
| Total assets | | | | 273,781 |
| Liabilities: | | | | |
| Segment liabilities | 2,392 | — | 1,021 | 3,413 |
| Unallocated corporate liabilities | | | | 103,747 |
| Total liabilities | | | | 107,160 |

***Other segment information***

| **2016** | **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 | **92** | **—** | **47** | **179** | **318** |
| Additions to non-current assets | **94,035** | **—** | **12** | **7** | **94,054** |

| 2015 | 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 | 61 | — | 53 | 190 | 304 |
| Loss on early redemption of promissory note | — | — | — | 814 | 814 |
| Additions to non-current assets | 48,884 | — | 9 | 92 | 48,985 |

### (b) Geographical Segments

The following table sets out information about the geographical location of (i) the Group's revenue from external customers and (ii) the Group's property, plant and equipment, interests in associates and a joint venture ("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, and the location of operation, in the case of interests in associates and a joint venture.

| | **Revenue from external customers** | | **Specified non-current assets** | |
|---|---|---|---|---|
| | **2016** | 2015 | **2016** | 2015 |
| | ***HK$'000*** | *HK$'000* | ***HK$'000*** | *HK$'000* |
| Mainland China, including Hong Kong and Macau | **—** | — | **598** | 818 |
| Philippines | **—** | — | **331,082** | 187,742 |
| | **—** | — | **331,680** | 188,560 |

## 5. TURNOVER AND OTHER INCOME

(a) The Group did not have any turnover during the year (2015: Nil).

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

| | **2016** | 2015 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Bank interest income | **18** | 1 |
| Gain on deregistration of a subsidiary | **—** | 53 |
| Exchange gain-net | **41** | 79 |
| Other miscellaneous income | **84** | — |
| | **143** | 133 |

## 6. FINANCE COSTS

| | **2016** | 2015 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Imputed interest on promissory note | **—** | 295 |
| Imputed interest on convertible bonds | **18,714** | 5,259 |
| Finance lease interest | **23** | 30 |
| | **18,737** | 5,584 |

## 7. LOSS BEFORE INCOME TAX

Loss before income tax is arrived at after charging:

| | **2016** | 2015 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Staff costs (including directors' emoluments) | | |
| — Salaries, allowances and benefits in kind | **21,425** | 17,149 |
| — Discretionary bonus | **—** | — |
| — Retirement scheme defined contributions | **292** | 339 |
| | **21,717** | 17,488 |
| Auditor's remuneration | | |
| Audit services | **500** | 480 |
| Non-audit services | **—** | — |
| | **500** | 480 |
| Depreciation of property, plant and equipment | **318** | 304 |
| Operating lease payments for land and buildings and equipment | **2,056** | 1,675 |

## 8. INCOME TAX CREDIT

**Income tax credit recognised in profit or loss**

| | **2016** | 2015 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Current tax: | | |
| — Hong Kong | **—** | — |
| — PRC enterprise income tax | **—** | — |
| — Other jurisdictions | **—** | — |
| Deferred tax | **663** | 126 |
| Income tax credit for the year | **663** | 126 |

Hong Kong profits tax is calculated at the rate of 16.5% (2015: 16.5%) on the estimated assessable profit for the year.

PRC subsidiaries are subject to PRC enterprise income tax at the rate of 25% (2015: 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 (2015: Nil) 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 (2015: Nil).

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

| | **2016** | 2015 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Loss before income tax: | **(22,502)** | (138,069) |
| Notional income tax, calculated at the tax rates applicable to the jurisdictions concerned | **3,202** | 22,737 |
| Tax effect of share of results of associates | **(1)** | (2) |
| Tax effect of impairment losses recognised on interests in associates | **(4,526)** | (436) |
| Tax effect of impairment losses recognised on interests in a joint venture | **—** | (16,233) |
| Tax effect of reversal of impairment losses recognised on interests in a joint venture | **16,892** | — |
| Tax effect of impairment losses recognised on amounts due from associates | **(2,687)** | — |
| Tax effect of impairment losses recognised on deferred exploration expenditure | **(3,066)** | — |
| Tax effect of losses not allowable | **(8,972)** | (5,437) |
| Tax effect of allowable losses not recognised | **(842)** | (629) |
| Deferred tax on convertible bonds | **633** | 126 |
| Income tax credit for the year | **633** | 126 |

## 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:

| | **2016** | 2015 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Loss for the year attributable to the owners of the Company | **(51,694)** | (99,583) |

| | **2016** | 2015 |
|---|---|---|
| | ***'000*** | *'000* |
| Weighted average number of ordinary shares | | |
| Issued ordinary shares at 1 January | **2,787,538** | 1,937,537 |
| Effect of loan capitalization | **—** | 423,836 |
| Effect of ordinary shares issued | **80,683** | 132,054 |
| Weighted average number of ordinary shares at 31 December | **2,868,221** | 2,493,427 |

During the years ended 31 December 2016 and 2015, the computation of diluted loss per share does not assume the conversion of the outstanding convertible bonds since it would result in a decrease in loss per share, and is regarded as anti-dilutive.

## 10. DIVIDENDS

No dividend has been paid or proposed for the year (2015: Nil).

## 11. OTHER RECEIVABLES

| | **2016** | 2015 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Prepayments | **1,339** | 1,128 |
| Deposits and other debtors | **668** | 6,953 |
| Amounts due from parties to a joint venture *(Note)* | **33,513** | 9,109 |
| | **35,520** | 17,190 |

*Note:*

The amounts due from parties to a joint venture represent the capital contribution paid on behalf of the parties to a joint venture. The amounts are interest-free, repayable on demand and secured by their participating interests in the joint venture.

The carrying amounts of the Group's other receivables are denominated in the following currencies:

| | **2016** | 2015 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| HK dollars | **724** | 882 |
| Renminbi | **272** | 1,258 |
| Macau Pataca | **15** | 30 |
| Philippines Peso | **1** | — |
| US dollars | **34,508** | 15,020 |
| | **35,520** | 17,190 |

None of the other receivables is either past due or impaired. The financial assets included in the above balances are related to receivables for which there has been no recent history of default.

The maximum exposure to credit risk at the reporting date is carrying value of each class of receivable mentioned above.

## 12. OTHER PAYABLES

| | **2016** | 2015 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Accrued charges | **9,594** | 3,423 |
| Interest payables | **5,638** | 1,945 |
| Other payables | **921** | 785 |
| | **16,153** | 6,153 |

The carrying amounts of the above balances are denominated in the following currencies:

| | **2016** | 2015 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| HK dollars | **13,879** | 4,897 |
| Renminbi | **574** | 235 |
| Macau Pataca | **555** | 190 |
| Philippines Peso | **548** | — |
| US dollars | **597** | 831 |
| | **16,153** | 6,153 |

## FINANCIAL REVIEW

The Group did not generate any turnover for the year ended 31 December 2016 (2015: Nil). The Group recorded a net loss attributable to owners of the Company of approximately HK$51,694,000 for 2016 (2015: approximately HK$99,583,000).

Loss for the year included (1) a reversal of impairment loss of approximately HK$102,376,000 on the Oil and Gas Project in South Cebu, the Philippines as a result of increased valuation due to the rise in oil prices and increase in the estimate of resources of the project; (2) an impairment loss of approximately HK$27,430,000 on the Coal Mine Project in San Miguel, the Philippines and an impairment loss of approximately HK$16,287,000 on amounts due from associates related to the project; and (3) an impairment loss of approximately HK$25,548,000 on the Gas Project in Central Luzon, the Philippines. Loss for 2015 included (1) an impairment loss of approximately HK$98,382,000 on the Oil and Gas Project in South Cebu, the Philippines; and (2) an impairment loss of approximately HK$2,644,000 on the Coal Mine Project in San Miguel, the Philippines.

Administrative and other operating expenses for the year ended 31 December 2016 amounted to approximately HK$37,013,000 representing an increase of approximately HK$6,249,000 or 20%, as compared with the corresponding period last year. The increase was mainly attributable to increase in business development activities and employee costs.

Finance costs for the year ended 31 December 2016 amounted to approximately HK$18,737,000 (2015: approximately HK$5,584,000). The increase in interest costs was mainly resulted from the issuance of the convertible bonds in the amount of HK$100,000,000 and HK$50,000,000 in July 2015 and January 2016, respectively.

## LIQUIDITY, FINANCIAL RESOURCES, CAPITAL AND GEARING

As at 31 December 2016, the Group had net assets amounted to approximately HK$208.0 million (2015: approximately HK$166.6 million) and net current liabilities amounted to approximately HK$75.7 million (2015: net current assets approximately HK$75.9 million). The current ratio was 35% (2015: 919%). The gearing ratio of the Group based on the net debt to the total equity was 77% (2015: 33%).

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 63 (2015: 51). Remuneration packages are reviewed on a periodical basis. Bonus is awarded to employees according to the assessment of individual performance. Staff cost (including directors' emoluments) was approximately HK$21.7 million for the year as compared with that of approximately HK$17.5 million in 2015.

## BUSINESS REVIEW AND PROSPECTS

### Philippines Central Luzon Gas Project

The project's original 2012 work program was for re-entry work at the Victoria-3 well and drilling a new well. However, the re-entry activity and the drilling a new well were delayed due to rig availability. In 2012, project management gave up the re-entry work and, instead, conducted a further support study for a new drilling plan. The support study, and new well design had continued into 2013. As a result of the above-described delay, consolidation of the work programs under exploration Sub-phases 1 and 2 was granted by the Department of Energy to extend the expiry to 28 February 2017, on condition that (i) two exploration wells will be drilled or (ii) one exploration well will be drilled and 200 line-kilometer of 2D seismic data will be acquired, processed and interpreted by end of the new Sub-phase. Application for further extension has been submitted to the Department of Energy, which is still under process at the date of this announcement.

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

Completion of the Disposal was to take place upon receiving total consideration in two installments on or before 30 September 2015. After numerous extensions, the Purchaser did not perform its duties as set out under the Agreement. On 31 August 2016, PPIC terminated the Agreement in accordance with the provisions set out thereunder, and is seeking legal advices and considering taking further action if necessary. The Board considers that termination of the Agreement will not have any material adverse impact on the financial and operational positions of the Company.

As described in the above, the development of the Gas Project has been delayed and the duration of exploration period has expired on 28 February 2017 and application for further extension has not been granted by the Department of Energy of Philippines. Management determined that it was appropriate to adopt a prudence approach to fully write down the carrying amount of the deferred exploration expenditure associated with the Gas Project. As a result, an impairment loss of approximately HK$25.5 million (2015: Nil) was made in the financial year in respect of the Gas Project. This impairment loss was non-cash in nature and would not affect the Group's liquidity, cash flows or debt covenants, nor have any impact on future operations.

**Philippines San Miguel Coal Mine Project**

The project has progressed into the development phase. Construction of the phase-2 road, which will extend the vehicle-assessable road into the initial mining area, began in the second quarter 2011 but was suspended pending receipt of clearance from governmental agencies overseeing environmental protection. Construction can only be resumed upon the grant of tree cutting permit. A moratorium on the work commitments for the project has been granted by the Department of Energy to 31 December 2017.

As described in the above, the development of the Coal Mine Project has been suspended and could only be resumed after obtaining a tree cutting permit. In addition, upon the new president was elected during 2016, the new Philippines government planned to review coal power projects and to seek for the increased use of renewable energy in response to the protests of anti-coal activists and environmental advocates. Hence, the condition of the development of the associate's coal mine in the Philippines has become considerably more unfavourable to the Group. Management was in its view that the issue might not be resolved in the short term and it was appropriate to adopt a prudence approach to fully write down the carrying amount of the project. As a result, an impairment loss of approximately HK$27.4 million (2015: approximately HK$2.64 million) was made in the financial year in respect of the Coal Mine Project. This impairment loss was non-cash in nature and would not affect the Group's liquidity, cash flows or debt covenants, nor have any impact on future operations.

**Philippines South Cebu Oil and Gas Project**

The project ("SC49") is situated at the southern part of Cebu, central Philippines. China International Mining Petroleum Company Limited ("CIMP") acquired 80% participating interests of SC49 and became the operator of SC49 in July 2009. The Group indirectly acquired 51% of CIMP's issued capital in October 2012, and an additional 12% in April 2014, bringing the effective interest in the project to 50.4% after the latest acquisition.

Building on the discoveries of Polyard-2 and Polyard-1 in the A6 and A8 Fault Blocks, CIMP has been actively procuring the required materials and equipment for the preparation of the drilling of Polyard-3 and the subsequent production wells.

On 7 May 2016, the third appraisal well, Polyard-3 was successfully spudded. On 9 July 2016, Polyard-3 completed the fourth section drilling, reaching the final depth at 2,118 meters. There are positive oil and gas shows, with discoveries of multiple oil and gas layers. According to the results of on-site wireline logging interpretation, a total of 29 hydrocarbon-bearing intervals were discovered in the third section, totaling 83.6 meters in thickness, including 5.2 meters of oil zone, 18.7 meters of gas zone, and 26.4 meters of gas-bearing zone. Oil testing operation completed on 25 August 2016 which indicated that the main target intervals attain steady oil production of 235.3 barrels per day and gas production of 9,022 cubic meters per day. Polyard-3 has turned into a production well.

On 23 September 2016, the fourth appraisal well, Polyard-6 successfully spudded in. The drilling of Polyard-6 was completed on 14 October 2016 at the total depth of 1,420 meters. Polyard-6 mainly appraised the Miocene Maingit Sandstone reservoir in the Alegria Anticline, pre-exploring the Upper Miocene Maingit Limestone reservoir for acquiring key hydrocarbon reservoir parameters which will provide a reliable basis for future oil and gas production and development. The wireline logging was completed on 16 October 2016. According to the results of on-site wireline logging interpretation, multiple gas zones were discovered with a net thickness of 31.2 meters. Oil testing operation commenced on 17 November 2016 and was completed on 12 December 2016. After testing for 26 days, a single layer of the main gas interval tested with a 4 mm choke is estimated to report a daily gas production of 21,000 cubic meters. Polyard-6 has turned into a production well.

The fifth appraisal well, Polyard-8 was spudded in on 17 November 2016 to mainly appraise the Upper Miocene Maingit Sandstone reservoir in the Alegria Anticline for acquiring key hydrocarbon reservoir parameters in order to provide a reliable basis for future oil and gas production and development. Drilling was completed on 30 November 2016 at the final depth of 1,026 meters at Toledo formation. Lithology of the well bottom is mudstone. On 2 December 2016, logging of Polyard-8 Well was successfully completed, indicating good oil and gas shows. According to initial on-site logging interpretation, five hydrocarbon bearing sandstone zones were discovered at the 258 meters to 830 meters interval with a net pay thickness of 21 meters. Cementing was successfully completed on the same day. Oil testing operation commenced on 15 December 2016 and was completed on 28 December 2016. The single oil zone of the main interval tested with a 4mm choke indicated an estimated daily oil production of 153.22 barrels, which is of light crude oil, and an associated daily gas production of 1,387 cubic meters. Polyard-8 has turned into a production well. The project will submit to Department of Energy a plan of development comprising Polyard-8 together with Polyard-3 and Polyard-1 oil blocks and, upon its approval, oil production will officially commence and more development wells will be drilled.

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

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

An impairment loss reversal of approximately HK$102.4 million (2015 impairment loss: approximately HK$98.4 million) was made in the financial year in respect of the Oil and Gas Project. This impairment loss reversal was non-cash in nature and would not affect the Group's liquidity, cash flows or debt covenants, nor have any impact on future operations.

An impairment analysis with the assistance of an independent valuer was undertaken. Since the detailed feasibility study and production plan of Oil and Gas Project have not yet been finalized, the independent valuer adopted market approach to obtain the recoverable amount of the Oil and Gas Project as at 31 December 2016. The market approach was based on price information on recent comparable sale and purchase transactions of oil and gas fields of similar character and location (the "Comparable Transactions"). The underlying theory of this approach is that the recoverable amount of the Oil and Gas Project can be determined with reference to consideration price to resources multiple (adjusted to reflect the value of controlling interest) of the Comparable Transactions and adjusted against the changes in oil and gas price indexes at the date of Comparable Transactions and at the end of the reporting period. The major change from last year's valuation under market approach was the upward adjustment of the oil and gas price indexes based on the latest information available.

The Company believes that the estimates/assumptions applied in the assessment of recoverable amount by the independent valuer are reasonable. However, these estimates/assumptions are subject to significant uncertainties and judgments. The Company has made its best estimates of all relevant factors to be included in the market approach based on the latest information available. However, it is possible that the underlying estimates/assumptions can be changed significantly and further impairment charges/ reversal of charges may be required in future period.

**Summary of Expenditure Incurred for Projects**

A summary of expenditure incurred for the above projects by the Group for the year ended 31 December 2016 is as follows:

| | **2016** | 2015 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Philippines Central Luzon Gas Project | **500** | 429 |
| Philippines San Miguel Coal Mine Project | **41** | 101 |
| Philippines South Cebu Oil and Gas Project | **93,515** | 48,009 |

## RISK FACTORS

The Group's business and financial performance may be affected by risks and uncertainties as set out below. Such risks are by no means exhaustive and there may be other risks which are not known to the Group.

### 1. Price Fluctuation of Crude Oil Risk

The Group is engaged in the exploration and development of oil and natural gas and trading of petroleum-related products. The prices of crude oil, natural gas and refined products in the international market are affected by various factors such as changes in demand and supply of oil and gas and the general state of the global economy, which could adversely affect the valuation of the projects and financial results of the Group.

### 2. Overseas Investment Risk

As the Group's principal investment projects are all located in the Philippines, it is subject to the influences of the stability of the local political environment, taxation policies and other legal and regulatory requirements. The Group will continue to mitigate the concentration investment risk by exploring other investment opportunities in other countries.

### 3. Operational Risk

Oil and gas exploration and development involve hazard risks such as accidents, personal injuries or death, property and environment damages, natural disasters such as typhoon and tsunami etc., which may cause stoppage and losses to the operations. The Group has implemented a HSE (Health, Safety and Environment) management system which requires strict compliance by the employees, contractors, sub-contractors, suppliers and third party personnel working on the Group's project sites or facilities.

### 4. Financial and Capital Risk

The Group also faces financial risks including foreign currency risk, interest rate risk, credit risk and liquidity risk as well as capital risk. Management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

## ENVIRONMENTAL POLICIES AND PERFORMANCE

The Group's operations are subject to the environmental laws and regulations in relation to the oil and gas exploration and development in the Philippines. An independent environmental consultant is engaged by the Group to conduct environmental impact assessments at all of the projects, which are submitted to the Department of Environment and Natural Resources (DENR) for approval. After satisfying the requirements in the application, and with the recommendation of the Environmental Management Bureau (EMB), the DENR will grant the Environmental Compliance Certificate (ECC) to the project. With the issue of the ECC, the Group will need to implement measures to protect and mitigate the project's adverse impacts on community health, welfare and the environment throughout all phases of the project. The Group is required to secure all necessary permits in areas such as hazardous waste materials and wastewater management and control, transportation of oil, drainage systems and road networks etc. To effectively monitor the compliance requirements, a Multi-partite Monitoring (MMT) Committee composed of representatives from the project, contractor, EMB, Department of Energy (DOE), Department of Social Welfare and Development (DSWD), religious organization and local environmental non-government organization (NGO) is established to oversee the compliance of the project with the requirements of the ECC conditions. The Group has also put in place a strict HSE management system in the protection of health, safety and environment. The Group is in compliance in all material aspects with the applicable environmental laws and regulations in the Philippines.

## SUBSCRIPTION OF CONVERTIBLE BONDS

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

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

On 28 January 2016, the conditions precedent set out in the CCB Convertible Bonds Subscription Agreement had been fulfilled and completion took place. The convertible bonds in the principal amount of HK$50,000,000 were issued to the subscriber on 28 January 2016.

The net proceeds from the subscription after deducting the related expenses were approximately HK$49,300,000. The net proceeds from the subscription were intended to be used for as to (i) approximately HK$20,000,000 for the exploration and development of the oil and gas project in South Cebu, Philippines; and (ii) approximately HK$29,300,000 for general working capital of the Group. As at 31 December 2016, (i) approximately HK$19,100,000 was used for the exploration and development of the oil and gas project in South Cebu, Philippines; and (ii) approximately HK$30,200,000 was used for general working capital.

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

## SUBSCRIPTION OF NEW SHARES

On 9 May 2016, the Company entered into a subscription agreement with the subscriber, an independent third party and pursuant to which, the subscriber agreed to subscribe for and the Company agreed to allot and issue a total of 150,000,000 new shares at a subscription price of HK$0.414 per new share. On 29 July 2016 the subscription was completed.

The gross proceeds raised from the subscription were approximately HK$62,100,000. The net proceeds from the subscription after deducting the related expenses were approximately HK$62,050,000. The net proceeds from the subscription were intended to be used for as to (i) approximately HK$35,000,000 for the exploration and development of the oil and gas project in South Cebu, Philippines; and (ii) approximately HK$27,050,000 for general working capital of the Group. As at 31 December 2016, (i) approximately HK$31,500,000 was used for the exploration and development of the oil and gas project in South Cebu, Philippines; and (ii) approximately HK$26,050,000 was used for general working capital.

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

## FORMATION OF JOINT VENTURE COMPANY

On 27 May 2016, a joint venture agreement was entered into between Joyful View International Limited ("Joyful View", a direct wholly-owned subsidiary of the Company) and 深圳金澳控股集團有限公司 (Kingao Holding Group Co. Ltd.) ("Kingao"), to form a joint venture company, namely Platinum Petroleum Chemical Industry Limited ("Platinum Petroleum Chemical"), with the intention to conduct import and export trading of crude oil and petroleum-related products. Pursuant to the joint venture agreement, Platinum Petroleum Chemical, with an issued share capital of HK$10,000,000, is 50% each owned by Joyful View and Kingao. The joint venture company had no business activities during the year.

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

## EVENT AFTER THE END OF THE REPORTING PERIOD

### Memorandum of Understanding in respect of a Possible Subscription

On 11 March 2017, the Company and China Wheat (Shenzhen) Equity Investment Fund Management Limited (中麥田(深圳)股權投資基金管理有限公司) (the "Subscriber") entered into a memorandum of understanding pursuant to which the Company agreed to allot and issue 900,000,000 subscription shares to the Subscriber at a cash price of HK$0.414 per share pursuant to the formal agreement to be negotiated between the Company and the Subscriber.

Further details of the above are explained in the Company's announcement dated 12 March 2017.

## EXTRACT OF INDEPENDENT AUDITOR'S REPORT

The following is an extract from the independent auditor's report issued by Pan-China (H.K.) CPA Limited on the consolidated financial statements of the Group as at 31 December 2016.

### Opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2016, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

### Material Uncertainty Related to Going Concern

We draw attention to note 3(b) to the consolidated financial statements, which describes that the Group incurred a net loss of approximately HK$21,839,000 during the year ended 31 December 2016 and, as of that date, the Group's current liabilities exceeded its current assets by approximately HK$75,716,000. Notwithstanding the above, the consolidated financial statements have been prepared on a going concern basis, the validity of which is dependent on the Group's ability to extend the redemption date of convertible bonds upon maturity and obtain alternative sources of external funding in order for the Group to meet its financial obligations as they fall due and to finance its future working capital and financial requirements. These conditions, along with other matters as set forth in note 3(b), indicate the existence of a material uncertainty which may cast significant doubt about the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

## 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 2016.

## 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 2016, 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 the Company's financial controls, risk management and internal control systems. It is also responsible for making recommendations to the Board on the appointment, re-appointment and removal of external auditor, approving the remuneration and terms of engagement of the external auditor, reviewing and monitoring the external auditor's independence and objectivity, and meeting the external auditor at least twice a year regarding the review of the financial reports and accounts. The Audit Committee has reviewed the Company's audited financial statements for the year ended 31 December 2016.

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

## 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 2016 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, 20 March 2017

*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. Kwan King Chi George

*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.*