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 2018

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 2018, 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 2018

	Notes	**2018** *HK$'000*	2017 *HK$'000*
Turnover	*5*	**—**	—
Other income	*5*	**1,897**	1,276
Administrative and other operating expenses		**(26,262)**	(27,973)
Finance costs	*6*	**(16,535)**	(19,135)
Impairment losses recognised on deferred exploration expenditure		**(141)**	(717)
Impairment losses recognised on amounts due from associates		**—**	(20)
Share of results of a joint venture		**(37)**	20,880
Loss before income tax	*7*	**(41,078)**	(25,689)
Income tax credit	*8*	**36**	631
Loss for the year		**(41,042)**	(25,058)
Attributable to:			
Owners of the Company		**(40,694)**	(31,992)
Non-controlling interests		**(348)**	6,934
		(41,042)	(25,058)
Loss per share	*9*		
—Basic (in HK cents)		**(1.39) cents**	(1.09) cents
—Diluted (in HK cents)		**(1.39) cents**	(1.09) cents

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2018

	2018	2017
	HK$'000	*HK$'000*
Loss for the year	**(41,042)**	(25,058)
Other comprehensive income (expense)		
Item that may be reclassified subsequently to profit or loss:		
Exchange differences on translation of foreign operations	**(647)**	2,130
Total comprehensive expense for the year	**(41,689)**	(22,928)
Attributable to:		
Owners of the Company	**(41,531)**	(30,417)
Non-controlling interests	**(158)**	7,489
	(41,689)	(22,928)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2018

	Notes	2018 HK$'000	2017 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment		**363**	637
Interests in associates		**—**	—
Interests in a joint venture		**361,377**	357,470
Deferred exploration expenditure		**—**	—
		361,740	358,107
CURRENT ASSETS			
Amounts due from associates		**—**	—
Other receivables	*11*	**41,516**	39,307
Cash and cash equivalents		**243**	4,894
		41,759	44,201
CURRENT LIABILITIES			
Other payables	*12*	**(36,981)**	(20,283)
Amounts due to directors		**(10,540)**	(6,054)
Convertible bonds	*13*	**(150,000)**	(149,781)
Obligations under finance leases — current portion		**(58)**	(171)
		(197,579)	(176,289)
NET CURRENT LIABILITIES		**(155,820)**	(132,088)
TOTAL ASSETS LESS CURRENT LIABILITIES		**205,920**	226,019

	2018	2017
	HK$'000	*HK$'000*
NON-CURRENT LIABILITIES		
Amounts due to a shareholder	**(62,540)**	(40,870)
Deferred tax liabilities	**—**	(36)
Obligations under finance leases — non-current portion	**—**	(44)
	(62,540)	(40,950)
NET ASSETS	**143,380**	185,069
CAPITAL AND RESERVES		
Share capital	**117,502**	117,502
Reserves	**(24,619)**	16,912
Equity attributable to owners of the Company	**92,883**	134,414
Non-controlling interest	**50,497**	50,655
TOTAL EQUITY	**143,380**	185,069

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2018

	Attributable to owners of the Company								
	Share capital	Share premium	Share reserve	Exchange reserve	Convertible bonds reserve	Accumulated losses	Total	Non-controlling interests	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 1 January 2017	117,502	998,012	985	(1,560)	3,285	(953,393)	164,831	43,166	207,997
(Loss) profit for the year	–	–	–	–	–	(31,992)	(31,992)	6,934	(25,058)
Other comprehensive income for the year	–	–	–	1,575	–	–	1,575	555	2,130
Total comprehensive income (expense) for the year	–	–	–	1,575	–	(31,992)	(30,417)	7,489	(22,928)
At 31 December 2017 and 1 January 2018	**117,502**	**998,012**	**985**	**15**	**3,285**	**(985,385)**	**134,414**	**50,655**	**185,069**
Loss for the year	**–**	**–**	**–**	**–**	**–**	**(40,694)**	**(40,694)**	**(348)**	**(41,042)**
Other comprehensive income (expense) for the year	**–**	**–**	**–**	**(837)**	**–**	**–**	**(837)**	**190**	**(647)**
Total comprehensive expense for the year	**–**	**–**	**–**	**(837)**	**–**	**(40,694)**	**(41,531)**	**(158)**	**(41,689)**
At 31 December 2018	**117,502**	**998,012**	**985**	**(822)**	**3,285**	**(1,026,079)**	**92,883**	**50,497**	**143,380**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

1. GENERAL INFORMATION

Polyard Petroleum International Group Limited (the "Company") is a public limited company incorporated in the Cayman Islands and its shares are listed on the GEM of The Stock Exchange of Hong Kong Limited. Its parent is Silver Star Enterprises Holdings Inc. (incorporated in the British Virgin Islands) and the ultimate controlling party is Mr. Lam Nam. The addresses of the registered office and principal place of business of the Company are disclosed in the corporate information section of the annual report.

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.

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

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSS")

New and amendments to HKFRSs that are mandatorily effective for the current year

The Group has applied the following new and amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") for the first time in the current year:

HKFRS 9	Financial Instruments
HKFRS 15	Revenue from Contracts with Customers and the related Amendments
HK (IFRIC)-Int 22	Foreign Currency Transactions and Advance Consideration
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions
Amendments to HKFRS 4	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts
Amendments to HKAS 28	As part of the Annual Improvements to HKFRSs 2014-2016 Cycle
Amendments to HKAS 40	Transfers of Investment Property

Except as described below, the application of the above new and amendments to HKFRSs in the current year has had no material impact on the Group's financial performance and positions for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

HKFRS 15 Revenue from Contracts with Customers

The Group has applied HKFRS 15 for the first time in the current year. HKFRS 15 superseded HKAS 18 Revenue, HKAS 11 Construction Contracts and the related interpretations.

The Group has applied HKFRS 15 retrospectively with the cumulative effect of initially applying this Standard recognised at the date of initial application, 1 January 2018. Any difference at the date of initial application is recognised in the opening accumulated losses and comparative information has not been restated. Furthermore, in accordance with the transition provisions in HKFRS 15, the Group has elected to apply the Standard retrospectively only to contracts that are not completed at 1 January 2018. Accordingly, certain comparative information may not be comparable as comparative information was prepared under HKAS 18 Revenue and HKAS 11 Construction Contracts and the related interpretations.

Based on the assessment by the directors of the Company, the application of HKFRS 15 has had no significant impact on the timing and amounts of revenue recognised in the current year and the accumulated losses at 1 January 2018.

HKFRS 9 Financial Instruments

In the current year, the Group has applied HKFRS 9 *Financial Instruments* and the related consequential amendments to other HKFRSs. HKFRS 9 introduces new requirements for 1) the classification and measurement of financial assets and financial liabilities, 2) expected credit losses ("ECL") for financial assets and 3) general hedge accounting.

The Group has applied HKFRS 9 in accordance with the transition provisions set out in HKFRS 9, i.e. applied the classification and measurement requirements (including impairment under ECL model) retrospectively to instruments that have not been derecognised as at 1 January 2018 (date of initial application) and has not applied the requirements to instruments that have already been derecognised as at 1 January 2018. The difference between carrying amounts as at 31 December 2017 and the carrying amounts as at 1 January 2018 are recognised in the opening accumulated losses and other components of equity, without restating comparative information.

Accordingly, certain comparative information may not be comparable as comparative information was prepared under HKAS 39 *Financial Instruments: Recognition and Measurement.*

Accounting policies resulting from application of HKFRS 9 are disclosed in note 4 to the consolidated financial statements.

Summary of effects arising from initial application of HKFRS 9

Classification and measurement of financial assets and financial liabilities at amortised cost

All recognised financial assets and financial liabilities that are within the scope of HKFRS 9 are subsequently measured at amortised cost.

Impairment under ECL model

Financial assets at amortised cost mainly comprise of other debtors, which loss allowances are measured on 12m ECL basis, and there have been no significant increase in credit risk since initial recognition.

Based on the assessment by the Group, the accumulated amount of impairment loss to be recognised under the expected credit loss model of HKFRS 9 is immaterial to the Group and therefore no additional credit loss allowance is recognised against accumulated losses as at 1 January 2018.

New and amendments to HKFRSs in issue but not yet effective

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

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

1 Effective for annual periods beginning on or after 1 January 2019.
2 Effective for annual periods beginning on or after 1 January 2021.
3 Effective date to be determined.

Except for the new and amendments to HKFRSs mentioned below, the directors of the Company anticipate that the application of all other new and amendments to HKFRSs will have no material impact on the consolidated financial statements in the foreseeable future.

HKFRS 16 Leases

HKFRS 16 introduces a comprehensive model for the identification of lease arrangements and accounting treatments for both lessors and lessees. HKFRS 16 will supersede HKAS 17 *Leases* and the related interpretations when it becomes effective.

HKFRS 16 distinguishes lease and service contracts on the basis of whether an identified asset is controlled by a customer. In addition, HKFRS 16 requires sales and leaseback transactions to be determined based on the requirements of HKFRS 15 as to whether the transfer of the relevant asset should be accounted as a sale. HKFRS 16 also includes requirements relating to subleases and lease modifications.

Distinctions of operating leases and finance leases are removed for lessee accounting, and is replaced by a model where a right-of-use asset and a corresponding liability have to be recognised for all leases by lessees, except for short-term leases and leases of low value assets.

The right-of-use asset is initially measured at cost and subsequently measured at cost (subject to certain exceptions) less accumulated depreciation and impairment losses, adjusted for any re-measurement of the lease liability. The lease liability is initially measured at the present value of the lease payments that are not paid at that date. Subsequently, the lease liability is adjusted for interest and lease payments, as well as the impact of lease modifications, amongst others. For the classification of cash flows, the Group currently presents upfront prepaid lease payments as investing cash flows in relation to leasehold lands for own use and those classified as investment properties while other operating lease payments are presented as operating cash flows. Upon application of HKFRS 16, lease payments in relation to lease liability will be allocated into a principal and an interest portion which will be presented as financing and operating cash flows respectively.

Under HKAS 17, the Group has already recognised an asset and a related finance lease liability for finance lease arrangement and prepaid lease payments for leasehold lands where the Group is a lessee. The application of HKFRS 16 may result in potential changes in classification of these assets depending on whether the Group presents right-of-use assets separately or within the same line item at which the corresponding underlying assets would be presented if they were owned.

Other than certain requirements which are also applicable to lessor, HKFRS 16 substantially carries forward the lessor accounting requirements in HKAS 17, and continues to require a lessor to classify a lease either as an operating lease or a finance lease.

Furthermore, extensive disclosures are required by HKFRS 16.

As at 31 December 2018, the Group has non-cancellable operating lease commitments of approximately HK$1,324,000 as disclosed in note 30 to the consolidated financial statements. A preliminary assessment indicates that these arrangements will meet the definition of a lease. Upon application of HKFRS 16, the Group will recognise a right-of-use asset and a corresponding liability in respect of all these leases unless they qualify for low value or short-term leases.

In addition, the Group currently considers refundable rental deposits paid of approximately HK$530,000 as rights and obligations under leases to which HKAS 17 applies. Based on the definition of lease payments under HKFRS 16, such deposits are not payments relating to the right to use the underlying assets, accordingly, the carrying amounts of such deposits may be adjusted to amortised cost. Adjustments to refundable rental deposits paid would be considered as additional lease payments and included in the carrying amount of right-of-use assets.

The application of new requirements may result in changes in measurement, presentation and disclosure as indicated above.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS

Going concern

The Group incurred a net loss of approximately HK$41,042,000 for the year ended 31 December 2018 and, as of that date, the Group had net current liabilities of approximately HK$155,820,000. These conditions indicate the existence of a material uncertainty which may cast significant doubt on the Group's ability to continue as a going concern and therefore, the Group may not be able to realise its assets and discharge its liabilities in the normal course of business.

In order to ensure the Group's ability to operate as a going concern, the directors of the Company have implemented measures as follow:

(i) In relation to the convertible bonds with principal amount of HK$100,000,000 ("CB A") subsequent to reporting period, on 3 January 2020, the Company had entered into a legally binding Memorandum of Understanding ("MOU") with East Asia Oil Engineering Group Limited ("East Asia") where East Asia had undertaken to take over CB A from the original holder ("Original Holder"). On the same date, the Original Holder of CB A had completed transfer of convertible bond with principal amount of HK$75,000,000 ("$75M CB A1") to East Asia. By the same MOU between the Company and East Asia, East Asia had committed that it would not demand for repayment of CB A by the Company within thirty months from the date of the MOU. The remaining principal balance of HK$25,000,000 of CB A not yet transferred to East Asia ("$25M CB A2") are still registered in the name of the Original Holder and is guaranteed by Mr. Lam Nam, the ultimate controlling party of the Company, until its disposal. In view of the above arrangement, the Directors anticipate that the $25M CB A2 will not be called for repayment in the foreseeable future.

    In relation to the convertible bonds with principal amount of HK$50,000,000 ("CB B"), up to the date of this report, the Company and the holder of CB B are in the negotiation regarding the settlement arrangement of CB B.

(ii) The Company has planned and is in negotiation with potential investors to raise sufficient funds through fund-raising arrangement;

(iii) The ultimate controlling party has undertaken to provide adequate funds to enable the Group to meet its liabilities and to settle financial obligations to third parties as and when they fall due so that the Group can continue as a going concern and carry on its business without a significant curtailment of operations for the twelve months from the date of approval of these consolidated financial statements. In addition, the ultimate controlling party will not demand the Company for repayment of such loans until all other liabilities of the Group have been satisfied.

(iv) The directors of the Company will continue to implement measures aiming at improving the working capital and cash flows of the Group including closely monitoring general administrative expenses and operating costs.

The directors of the Company have carried out a detailed review of the cash flow forecast of the Group for the next twelve months from the reporting date taking into account the impact of the above measures, the directors of the Company believe that the Group will have sufficient cash resources to satisfy its future working capital and other financing requirements. Accordingly, the consolidated financial statements for the year ended 31 December 2018 have been prepared on a going concern basis.

Should the Group be unable to continue in business as a going concern, adjustments would have to be made to write down the value of assets to their recoverable amount, to provide for future liabilities which might arise and to reclassify noncurrent assets and liabilities to current assets and liabilities respectively. The effects of these potential adjustments have not been reflected in these 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 2017 and 2018, the Group has two reportable and operating segments — (1) exploration of oil, natural gas and coal, and (2) provision of technical services for oil and gas exploration and development. These segments are managed separately as they belong to different industries and require different operating systems and strategies.

The Group accounts for inter-segment revenue and transfers as if the revenue or transfers were to third parties. All inter-segment revenue and transfers are eliminated on consolidation.

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

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

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

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

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

(a) Reportable Segments

2018	**Exploration of oil natural gas and coal** *HK$'000*	**Provision of technical services** *HK$'000*	**Elimination** *HK$'000*	**Total** *HK$'000*
Revenue from external customer	—	—	—	—
Inter-segment revenue	—	5,515	(5,515)	—
Reportable segment revenue	—	5,515	(5,515)	—
Reportable segment loss before income tax	(4,812)	(7,160)	—	(11,972)
Unallocated corporate expenses				(12,393)
Share of results of a joint venture	(37)			(37)
Impairment losses recognised on deferred exploration expenditure	(141)			(141)
Unallocated interest expenses				(16,535)
Loss before income tax				(41,078)

2017	Exploration of oil natural gas and coal *HK$'000*	Provision of technical services *HK$'000*	Elimination *HK$'000*	Total *HK$'000*
Revenue from external customer	—	—	—	—
Inter-segment revenue	—	5,982	(5,982)	—
Reportable segment revenue	—	5,982	(5,982)	—
Reportable segment loss before income tax	(4,985)	(8,853)	—	(13,838)
Unallocated corporate income				17
Unallocated corporate expenses				(12,876)
Impairment losses recognised on amounts due from associates	(20)			(20)
Share of results of a joint venture	20,880			20,880
Impairment losses recognised on deferred exploration expenditure	(717)			(717)
Unallocated interest expenses				(19,135)
Loss before income tax				(25,689)

2018	**Exploration of oil natural gas and coal** *HK$'000*	**Provision of technical services** *HK$'000*	**Elimination** *HK$'000*	**Total** *HK$'000*
Assets:				
Segment assets	**38,597**	**—**	**—**	**38,597**
Interests in a joint venture	**361,377**			**361,377**
Unallocated corporate assets				**3,525**
Total assets				**403,499**
Liabilities:				
Segment liabilities	**3,351**	**—**	**—**	**3,351**
Unallocated corporate liabilities				**256,768**
Total liabilities				**260,119**

2017	Exploration of oil natural gas and coal *HK$'000*	Provision of technical services *HK$'000*	Elimination *HK$'000*	Total *HK$'000*
Assets:				
Segment assets	41,506	1,662	—	43,168
Interests in a joint venture	357,470			357,470
Unallocated corporate assets				1,670
Total assets				402,308
Liabilities:				
Segment liabilities	2,525	7,101	—	9,626
Unallocated corporate liabilities				207,613
Total liabilities				217,239

Other segment information

2018	**Exploration of oil natural gas and coal** *HK$'000*	**Provision of technical services** *HK$'000*	**Unallocated** *HK$'000*	**Total** *HK$'000*
Depreciation	**99**	**36**	**166**	**301**
Additions to non-current assets	**3,960**	**—**	**—**	**3,960**

2017	Exploration of oil natural gas and coal *HK$'000*	Provision of technical services *HK$'000*	Unallocated *HK$'000*	Total *HK$'000*
Depreciation	94	37	169	300
Additions to non-current assets	5,827	—	14	5,841

(b) Geographical Information

The following table sets out information about the geographical location of (i) the Group's revenue from external customers and (ii) the Group's property, plant and equipment, interests in associates and a joint venture ("specified non-current assets"). The geographical location of customers is based on the location in 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**	
	2018 *HK$'000*	2017 *HK$'000*	**2018** *HK$'000*	2017 *HK$'000*
Mainland China, including Hong Kong and Macau	**—**	—	**213**	404
Philippines	**—**	—	**361,527**	357,703
	—	—	**361,740**	358,107

5. TURNOVER AND OTHER INCOME

The Group did not have any turnover during the year (2017: Nil) and an analysis of the Group's other income for the year is as follows:

	2018	2017
	HK$'000	*HK$'000*
Bank interest income	**1**	1
Other miscellaneous income	**793**	79
Service income	**1,103**	1,196
	1,897	1,276

6. FINANCE COSTS

	2018	2017
	HK$'000	*HK$'000*
Interest expenses on bank overdraft	**87**	102
Late charges of interest expenses on convertible bonds	**1,222**	232
Interest expenses on convertible bonds	**15,219**	18,786
Finance lease charges	**7**	15
	16,535	19,135

7. LOSS BEFORE INCOME TAX

Loss before income tax is arrived at after charging the following items:

	2018	2017
	HK$'000	*HK$'000*
Staff costs (including directors' emoluments)		
— Salaries, allowances and benefits in kind	**15,529**	15,912
— Discretionary bonus	**—**	—
— Retirement scheme contributions	**128**	179
	15,657	16,091
Auditor's remuneration		
Audit service	**600**	1,050
Non-audit service	**—**	—
	600	1,050
Depreciation of property, plant and equipment	**301**	300
Operating lease payments for land and buildings and equipment	**1,738**	2,009

8. INCOME TAX CREDIT

Income tax credit recognised in profit or loss

	2018	2017
	HK$'000	*HK$'000*
Current income tax	**—**	—
Deferred tax	**36**	631
Income tax credit for the year	**36**	631

No Hong Kong Profits Tax has been provided as the Group had no assessable profits in Hong Kong for the year (2017: Nil).

Under the law of the PRC on Enterprises Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the applicable PRC EIT rate of the Group's PRC subsidiaries is 25% for both years.

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 recognised in respect of such tax losses due to unpredictability stream of future taxable profits that will be available against which the tax losses can be utilised.

There was no material unprovided deferred tax liabilities as at the end of the year (2017: 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:

	2018	2017
	HK$'000	*HK$'000*
Loss before income tax	**(41,078)**	(25,689)
Notional income tax, calculated at the tax rates applicable to the jurisdictions concerned	**(6,821)**	(3,372)
Tax effect of share of results of a joint venture	**6**	(3,445)
Tax effect of impairment losses recognised on amounts due from associates	**—**	3
Tax effect of impairment losses recognised on deferred exploration expenditure	**—**	118
Tax effect of losses not allowable	**6,835**	5,757
Tax effect of allowable losses not recognised	**—**	939
Utilisation of allowable losses previously not recognised	**(20)**	—
Deferred tax on convertible bonds	**(36)**	(631)
Income tax credit for the year	**(36)**	(631)

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:

	2018	2017
	HK$'000	*HK$'000*
Loss for the year attributable to the owners of the Company	**(40,694)**	(31,992)

	2018	2017
	'000	*'000*
Weighted average number of ordinary shares for the year	**2,937,538**	2,937,538

During the years ended 31 December 2018 and 2017, 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, declared or proposed during the year, nor has any dividend been proposed since the end of reporting period (2017: Nil).

11. OTHER RECEIVABLES

	2018	2017
	HK$'000	*HK$'000*
Prepayments	**1,499**	1,905
Deposits and other debtors	**1,378**	797
Amounts due from parties to a joint venture *(Note)*	**38,639**	36,605
	41,516	39,307

Note:

The amounts due from parties to a joint venture represent the expenditure for the joint venture to be recovered from parties to a joint venture. The amounts are interest-free, repayable on demand and could be recovered from the parties to a joint venture through their participating interests and profit sharing in their joint venture.

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

	2018	2017
	HK$'000	*HK$'000*
HK dollars	**530**	796
Renminbi	**1,126**	949
Macau Pataca	**12**	12
Philippine Peso	**61**	—
US dollars	**39,787**	37,550
	41,516	39,307

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 receivables mentioned above.

12. OTHER PAYABLES

	2018	2017
	HK$'000	*HK$'000*
Accrued charges	**18,246**	12,566
Interest payables	**17,784**	6,603
Other payables	**951**	1,114
	36,981	20,283

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

	2018	2017
	HK$'000	*HK$'000*
HK dollars	**34,457**	18,583
Renminbi	**199**	291
Macau Pataca	**2,280**	1,308
US dollars	**45**	101
	36,981	20,283

13. CONVERTIBLE BONDS

	Convertible Bonds A	**Convertible Bonds B**	**Total**
	HK$'000	***HK$'000***	***HK$'000***
At 1 January 2017	98,874	47,086	145,960
Interest charged	11,092	7,694	18,786
Interest paid/payable	(9,966)	(4,999)	(14,965)
At 31 December 2017 and 1 January 2018	100,000	49,781	149,781
Interest charged	10,000	5,219	15,219
Interest paid/payable	(10,000)	(5,000)	(15,000)
At 31 December 2018	100,000	50,000	150,000

	2018	2017
	HK$'000	*HK$'000*
Carrying amount repayable:		
Overdue	**150,000**	100,000
Within one year	**—**	49,781
	150,000	149,781

The details of convertible bonds issued by the Company are as follows:

	Convertible Bonds A ("CB A")	Convertible Bonds B ("CB B")
Principal amount:	HK$100,000,000 in HKD settlement	HK$50,000,000 in HKD settlement
Interest:	10% p.a. payable quarterly	10% p.a. payable semi-annually
Issue date:	21 July 2015	28 January 2016
Maturity date:	21 July 2017 *(Note (a))*	28 January 2018 *(Note (b))*
Conversion price per share:	HK$0.4	HK$0.414
Particulars of guarantee:	Personal guarantee given by Mr. Lam Nam, the controlling shareholder of the Company	Personal guarantee given by Mr. Lam Nam, the controlling shareholder of the Company
Survival of conversion right:	Exercisable until fully settled	Exercisable until fully settled

Notes:

(a) On 31 May 2018, the Company, its holding Company, Silver Star, and Mr. Lam Nam, the ultimate controlling party of the Company ("Personal Guarantor") and the holder of CB A entered into the Deed of Undertaking; and the Company, the Personal Guarantor and the holder of CB A entered into the Supplemental Deed, together with the Deed of Undertaking, (the "Extension Arrangement") pursuant to which the parties agreed that the maturity date of CB A to be extended from 21 July 2017 to 21 May 2019.

Subsequent to reporting period, on 3 January 2020, the Company had entered into a legally binding Memorandum of Understanding ("MOU") with East Asia Oil Engineering Group Limited ("East Asia") where East Asia had undertaken to take over CB A from the original holder ("Original Holder"). On the same date, the Original Holder of CB A had completed transfer of convertible bond with principal amount of HK$75,000,000 ("$75M CB A1") to East Asia. By the same MOU between the Company and East Asia, East Asia had committed that it would not demand for repayment of CB A by the Company within thirty months from the date of the MOU. The remaining principal balance of HK$25,000,000 of CB A not yet transferred to East Asia ("$25M CB A2") are still registered in the name of the Original Holder and is guaranteed by Mr. Lam Nam, the ultimate controlling party of the Company, until its disposal. In view of the above arrangement, the Directors anticipate that the $25M CB A2 will not be called for repayment in the foreseeable future.

(b) On 15 October 2018, the Company and holder of CB B entered into an amendment deed pursuant to which both parties agreed that the maturity date of CB B to be extended from 28 January 2018 to 31 March 2019. Up to the date of this report, the Company and the holder of CB B are in the process of negotiation regarding the settlement arrangement of CB B.

14. EVENTS AFTER THE REPORTING PERIOD

i. Subsequent to the end of the reporting period, in the first half of year 2019, the Group's joint venture had formally commenced its oil production operation in Cebu, Philippines.

ii. On 3 January 2020, the Company had entered into a legally binding Memorandum of Understanding ("MOU") with East Asia Oil Engineering Group Limited ("East Asia") where East Asia had undertaken to take over CB A from the original holder ("Original Holder"). On the same date, the Original Holder of CB A had completed transfer of convertible bond with principal amount of HK$75,000,000 ("$75M CB A1") to East Asia. By the same MOU between the Company and East Asia, East Asia had committed that it would not demand for repayment of CB A by the Company within thirty months from the date of the MOU. The remaining principal balance of HK$25,000,000 of CB A not yet transferred to East Asia ("$25M CB A2") are still registered in the name of the Original Holder and is guaranteed by Mr. Lam Nam, the ultimate controlling party of the Company, until its disposal. In view of the above arrangement, the Directors anticipate that the $25M CB A2 will not be called for repayment in the foreseeable future.

iii. On 3 January 2020, the Company has entered into a memorandum of understanding for share subscription with GuangDong Namyue Capital Investment Co., Ltd. (the "Subscriber") pursuant to which, the Company is agreeing to allot and the Subscriber is willing to subscribe 200,000,000 shares at the price of HK$0.18 per share which shall rank pari passu with all existing shares of the Company.

EXTRACTS FROM INDEPENDENT AUDITOR'S REPORT

The following is an extract of the independent auditor's report on the Group's consolidated financial statements for the year ended 31 December 2018.

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 2018, 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

The accompanying consolidated financial statements for the year ended 31 December 2018 have been prepared assuming that the Group will continue as a going concern. We draw attention to note 3 to the consolidated financial statements which indicates that the Group incurred a net loss attributable to owners of the Company of approximately HK$40,694,000 for the year ended 31 December 2018 and, as of that date, the Group had net current liabilities of approximately HK$155,820,000. These conditions indicate the existence of a material uncertainty that may cast significant doubt on the Group's ability to continue as a going concern. Management's arrangements to address the going concern issue are also described in note 3 to the consolidated financial statements. The consolidated financial statements do not include any adjustments that might result from the outcome of this uncertainty. Our opinion is not modified in respect of this matter.

FINANCIAL REVIEW

The Group did not generate any turnover for the year ended 31 December 2018 (2017: Nil). The Group recorded a net loss attributable to owners of the Company of approximately HK$40,694,000 for 2018 (2017: approximately HK$31,992,000).

Loss for the year included an impairment loss of approximately HK$37,000 on the Oil and Gas Project in South Cebu, the Philippines as a result of changes in oil prices. Loss for 2017 included a reversal of impairment loss of approximately HK$20,880,000 on the Oil and Gas Project in South Cebu, the Philippines as a result of increased valuation due to the rise in oil prices.

Administrative and other operating expenses for the year ended 31 December 2018 amounted to approximately HK$26,262,000 representing a decrease of approximately HK$1,711,000 or 6%, as compared with the corresponding period last year. The decrease was mainly attributable to decrease in various business expenses such as employee costs and entertainment expenses.

Finance costs for the year ended 31 December 2018 amounted to approximately HK$16,535,000 (2017: approximately HK$19,135,000). The decrease in interest costs was mainly resulted from expiry of the convertible bonds and thus decrease in the imputed interest.

LIQUIDITY, FINANCIAL RESOURCES, CAPITAL AND GEARING

As at 31 December 2018, the Group had net assets amounted to approximately HK$143.40 million (2017: approximately HK$185.1 million) and net current liabilities amounted to approximately HK$155.8 million (2017: approximately HK$132.1 million). The current ratio was 21% (2017: 25%). The gearing ratio of the Group based on the net debt to the total equity was 181% (2017: 115%).

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. The Group currently does not have a foreign currency hedging policy. However, the management monitors closely foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

On 31 May 2018, the Company, Silver Star, Mr. Lam Nam, a ultimate controlling party of the Company ("Personal Guarantor") and the holder of Convertible Bonds A in principal amount of HK$100,000,000 entered into a the Deed of Undertaking; and the Company, the Personal Guarantor and the holder of CB A entered into the Supplemental Deed, together with the Deed of Undertaking, pursuant to which both parties had agreed that the maturity date of CB A to be been extended from 21 July 2017 to 21 May 2019. On 3 January 2020, the Company had entered into a legally binding Memorandum of Understanding ("MOU") with East Asia Oil Engineering Group Limited ("East Asia") where East Asia had undertaken to take over CB A from the original holder ("Original Holder"). On the same date, the Original Holder of CB A had completed transfer of convertible bond with principal amount of HK$75,000,000 ("$75M CB A1") to East Asia. By the same MOU between the Company and East Asia, East Asia had committed that it would not demand for repayment of CB A by the Company within thirty months from the date of the MOU. The remaining principal balance of HK$25,000,000 of CB A not yet transferred to East Asia ("$25M CB A2") are still registered in the name of the Original Holder and is guaranteed by Mr. Lam Nam, the ultimate controlling party of the Company, until its disposal. In view of the above arrangement, the Directors anticipate that the $25M CB A2 will not be called for repayment in the foreseeable future.

On 15 October 2018, the Company and holder of Convertible Bonds B in principal amount of HK$50,000,000 also entered into an amendment deed pursuant to which both parties had agreed that the maturity date of CB B to be extended from 28 January 2018 to 31 March 2019. Up to the date of this report, the Company and the holder of CB B are in the process of negotiation regarding the settlement arrangement of CB B.

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

EMPLOYEE INFORMATION

The Group had a total number of staff of 58 (2017: 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$15.7 million for the year as compared with that of approximately HK$16.1 million in 2017.

BUSINESS REVIEW AND PROSPECTS

Philippines Central Luzon Gas Project

As described in previous reports on the delay of the project, consolidation of the work programs under exploration Sub-phases 1 and 2 was granted by the Department of Energy ("DOE") to extend the expiry day 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. In October 2016, the responsible officer of the project informed DOE that the prescribed work program under Sub-phase 1 would not be timely completed upon expiration by reasons of force majeure, and further extension was requested. On 9 May 2017, DOE granted an approval to extend the expiry of the consolidated Sub-phase 1 to 9 November 2019 with the condition to drill two exploration wells by end of the Sub-phase.

Although further extension was granted by the Department of Energy, due to the delay of the development of the project, the recoverability of the Gas Project was still in doubt. 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 was made in the financial year ended 31 December 2016 in respect of the Gas Project. An additional impairment loss of approximately HK$0.7 million was made in the financial year ended 31 December 2017.

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 DOE to 17 December 2018. The Group is in the process of applying the renewal of a moratorium on the work commitments for the project.

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 in 2016, the new Philippines government planned to review coal-generated 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. In view to the ongoing suspension for the development of the coal mine and the pessimistic business outlook of the coal industry in the Philippines, 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 was made in the financial year ended 31 December 2016 in respect of the Coal Mine Project.

Philippines South Cebu Oil and Gas Project ("SC49")

The 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.

Between 2014 and 2016, the project had drilled, wireline-logged, and cemented five appraisal wells, namely Polyard-1, Polyard-2, Polyard-3, Polyard-6 and Polyard-8. According to results of well logging and oil testing, all wells have different levels of oil and gas shows, with discoveries of multiple oil and gas layers. All five wells converted into production wells.

Given the commercial quantity of gas discovery by Polyard-2, on 22 December 2015 DOE confirmed that SC49 was converted from the exploration period to the production period effective from 1 March 2015 for a period of 25 years to 29 February 2040, thereafter renewable for a series of 5-year periods but shall in no case exceed a total of 15 years. The production period is made retroactive to the date of the expiration of the exploration period on 1 March 2015 and shall be reckoned from the said date. The approved production block area is 430 sq. km.

There was no well drilling in 2017. Efforts were made in analyzing drilling results of the appraisal wells by the Sinotech Research Institute and in preparing the plan of development ("Oil POD") for the oil blocks, comprising technical and financial data of the South Cebu SC49 project, which was submitted to the DOE of the Government of the Republic of the Philippines in March 2017 for its consideration and approval. On 19 December 2017, the DOE granted the approval of the Oil POD for the SC49 Block, which served as the basis for the Joint Declaration of Commerciality. The Group is required to submit a revised project timeline and commence the development within one year from the date of approval. The Group will need to drill at least one development well and submit to the DOE within one year an oil purchase agreement with a potential buyer.

During the year, the project team has carried out preparation work for drilling, the sixth appraisal well, Polyard-9 Well, in the first quarter of 2018, including drilling designing of geological and engineering designs, land leasing and compensation negotiation, as well as applying for tree-cutting permit from environmental protection authority. Polyard-9 Well was successfully spudded on 24 February 2018 and completed drilling on 6 March 2018 at the final depth of 860 meters. The well logging was completed on 11 March 2018. According to initial on-site logging interpretation, multiple oil and gas zones were discovered. The total thickness of oil and gas intervals is 78.1 meters, including 39.1 meters of oil zone and 39.0 of gas zone. Oil testing will follow after well completion, and it will convert into a production well.

As part of the conditions stated in the approved Oil POD, on 12 March 2018 CIMP entered into a sales and purchase agreement (the "Crude Oil SPA") with Tom's Power Petroleum Distributor Inc. ("TPPDI") for the sale and purchase of crude oil in the Philippines. TPPDI is a company incorporated under the laws of the Philippines and is a trading company which engages in the sales of petroleum products in the Philippines. Pursuant to the Crude Oil SPA, CIMP shall sell crude oil to TPPDI according to the increasing production quantity but actual quantity shall be determined upon loading. The purchase price shall be determined with reference to the international oil prices pursuant to the terms of the Crude Oil SPA. The Crude Oil SPA shall last for a period of one year from the date of the Crude Oil SPA, and the term shall automatically extend yearly unless otherwise specified under the Crude Oil SPA. To satisfy the increasing production of CIMP in future, TPPDI agreed after signing of the Crude Oil SPA to increase the oil container storage capacity in its pier facility.

On 14 March 2018, the DOE and CIMP have announced the Joint Declaration of Commerciality for oil of SC49 at Manila, the Philippines, and both parties have signed the Joint Declaration of Commerciality for oil, pursuant to which the parties jointly determine that the Alegria Oil Field in SC49 located in Southern Cebu contains certified hydrocarbon reserves in commercial quantity.

CIMP as the Contractor and taking part in its appraisal and development plan for the development of the Alegria Gas Field, which was earlier jointly determined by the parties to contain commercial quantity of natural gas, discovered an oil accumulation in adjacent hydrocarbon traps within the Alegria Anticlines in 2016.

In view of the foregoing, the parties stipulated and agreed as follows:

1. That the Contractor shall comply with all the conditions stated in the approved Oil Plan of Development dated 19 December 2017;

2. That the Alegria Oil Field located in Southern Cebu which contains certified hydrocarbon reserves is hereby jointly determined by the parties to be in commercial quantity as contemplated under Section 9.01 to 9.04 of SC49; and

3. For consistency, the development of the oil resource will commence according to the timeline as stipulated in the submitted and approved Oil Plan of Development for the discovered oil resource which is designed to increase the oil production rates from the said Field.

The DOE and CIMP discovered an estimated 27.93 million barrels of oil reserves with a possible production recovery of 3.35 million barrels or a conservative estimate of 12% of total oil reserves. For natural gas, about 9.42 billion cubic feet reserves were found, with the recoverable resource estimated at 6.6 billion cubic feet or about 70% of total natural gas reserves. CIMP is speeding up its preparation for the commencement of production and development.

An impairment loss of approximately HK$37,000 (2017: reversal of impairment loss approximately HK$20.8 million) was made in the financial year in respect of the Oil and Gas Project.

On reading the above decision, an impairment analysis with the assistance of an independent valuer has been undertaken. The independent valuer adopted income approach to determine the recoverable amount of the Oil and Gas Project as at 31 December 2018. The income approach was based on discounted cash flow projection covering twenty-two period using a discount rate of 16.15% p.a.

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 income 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.

Significant Investments, Acquisitions and Disposals

Apart from the investment as disclosed in the "Business Review and Prospects" section, there were no significant investments held, acquisitions or disposals of subsidiaries and affiliated companies by our Group throughout the year ended 31 December 2018. Our Group did not have other plans for significant investments, acquisitions and disposal of subsidiaries as at 31 December 2018.

Charges on Assets

As at 31 December 2018, the Group did not charge any of its assets (31 December 2017: nil) as securities for any facilities granted to the Group.

Contingent Liabilities

Other than the disclosure under note 30 "Operating Leases" and note 31 "Capital Commitments" to the consolidated financial statements of this annual report, the Group did not have any other material contingent liabilities as at 31 December 2018.

Subsequent events

Saved as disclosed in above note 14, the Group did not have any material subsequent events up to the date of this announcement.

Summary of Expenditure Incurred for Projects

A summary of expenditure incurred for the above projects by the Group for the year ended 31 December 2018 is as follows:

	2018	2017
	HK$'000	*HK$'000*
Philippines Central Luzon Gas Project	**141**	717
Philippines San Miguel Coal Mine Project	**—**	10
Philippines South Cebu Oil and Gas Project	**3,944**	5,822

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, details of which are set out in note 32 to the consolidated financial statements.

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. The environmental consultant and Company team will ensure 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.

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 2018.

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 2018, 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 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.

The Group's unaudited quarterly and interim results and audited annual results for the year ended 31 December 2018 have been reviewed by the Audit Committee, which was of the opinion that the preparation of such results complied with the applicable accounting standards, the Stock Exchange and legal requirements, and that adequate disclosure have been made.

SCOPE OF WORK OF CONFUCIUS INTERNATIONAL CPA LIMITED

The figures in respect of the preliminary announcement of the Group's results for the year ended 31 December 2018 have been agreed by the Group's auditor, Confucius International CPA Limited, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by Confucius International 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 Confucius International CPA Limited on the preliminary announcement.

CONTINUED SUSPENSION OF TRADING

At the request of the Company, trading in the shares of the Company on GEM of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") has been suspended from 9:00 a.m. on 1 April 2019, and will remain suspended until publication of all the aforesaid financial results of the Group. The Company will keep its shareholders (the "Shareholders") and the public informed of the latest developments by making further announcement(s) as and when appropriate.

Shareholders and potential investors of the Company should exercise caution when dealing in the securities of the Company.

For and on behalf of the Board
Polyard Petroleum International Group Limited
Lai Chun Liang
Executive Director & CEO

Hong Kong, 6 January 2020

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

Executive Directors
Mr. Zhao Zhiyong
Mr. Lai Chun Liang
Mr. Lin Zhang

Independent Non-Executive Directors
Mr. Pai Hsi-Ping
Ms. Xie Qun
Mr. Kwan King Chi George

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.