東方明珠石油有限公司*

Pearl Oriental Oil Limited

(Incorporated in Bermuda with limited liability)

(Stock Code: 632)

INTERIM RESULTS ANNOUNCEMENT 2016

The board (the "Board") of directors (the "Directors") of Pearl Oriental Oil Limited (the "Company") is pleased to announce the unaudited consolidated results of the Company and its subsidiaries (collectively referred to as the "Group") for the six months ended 30 June 2016 (the "Period") together with comparative figures for the previous corresponding period. The interim results have not been audited but have been reviewed by the Audit Committee of the Company.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

		Six months ended 30 June	
		2016	2015
		(Unaudited)	(Unaudited)
	Notes	***HK$'000***	*HK$'000*
Revenue			
Sales of oil and natural gas	*3*	**127**	519
Other income	*4*	**7,625**	10,156
		7,752	10,675
Expenses			
Exploration, repair and maintenance expenses of oil and natural gas		**385**	1,102
Depreciation, depletion and amortisation of oil and natural gas		**142**	258
Selling, marketing and distribution costs		**6**	13
Other operating expenses		**67**	273
Administrative expenses		**11,746**	14,009
		12,346	15,655

* *For identification purpose only*

	Notes	Six months ended 30 June **2016** **(Unaudited)** ***HK$'000***	 2015 (Unaudited) *HK$'000*
Loss from operations		**(4,594)**	(4,980)
Finance costs		**(1,200)**	(993)
Gain on disposal of property, plant and equipment		**13**	–
Realised loss in financial assets at fair value through profit or loss		**–**	(917)
Unrealised gain in financial assets at fair value through profit or loss		**–**	2,320
Loss before tax	*5*	**(5,781)**	(4,570)
Income tax credit	*6*	**659**	877
Loss and total comprehensive loss for the period		**(5,122)**	(3,693)
Attributable to:			
Owners of the Company		**(7,736)**	(4,242)
Non-controlling interests		**2,614**	549
		(5,122)	(3,693)
Loss per share attributable to owners of the Company	*8*		
– Basic *(HK cents)*		**(0.24)**	(0.13)
– Diluted *(HK cents)*		**(0.24)**	(0.13)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	**At 30 June 2016 (Unaudited) *HK$'000***	At 31 December 2015 (Audited) *HK$'000*
Non-current assets			
Property, plant and equipment		**88,566**	88,426
Intangible assets	*9*	**397,764**	397,800
		486,330	486,226
Current assets			
Prepayment, deposits and other receivables		**6,175**	7,339
Bank balances and cash		**3,229**	17,459
		9,404	24,798
Current liabilities			
Other payables and accruals		**2,191**	11,700
Other unsecured loan		**20,000**	20,000
		22,191	31,700
Net current liabilities		**(12,787)**	(6,902)
Total assets less current liabilities		**473,543**	479,324
Non-current liabilities			
Deferred tax liabilities		**82,327**	82,986
Asset retirement obligations		**3,579**	3,579
		85,906	86,565
Net assets		**387,637**	392,759
Equity			
Share capital	*10*	**324,552**	324,552
Reserves		**82,819**	90,555
Equity attributable to owners of the Company		**407,371**	415,107
Non-controlling interests		**(19,734)**	(22,348)
Total equity		**387,637**	392,759

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. BASIS OF PREPARATION

The Group's unaudited condensed consolidated interim financial statements have been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited and with Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). The unaudited condensed consolidated interim financial statements should be read in conjunction with the annual financial statements for the year ended 31 December 2015.

2. PRINCIPAL ACCOUNTING POLICIES

These unaudited condensed consolidated interim financial statements have been prepared under the historical cost basis except certain financial instruments that are measured at fair values.

The accounting policies used in preparing the condensed consolidated interim financial statements are consistent with those used in the annual consolidated financial statements for the year ended 31 December 2015 except for the adoption of the new and revised Hong Kong Financial Reporting Standards ("HKFRSs") which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKAS") and Interpretations as disclosed below.

In the current interim period, the Group has also applied, for the first time, the following new or revised standards and interpretations issued by the HKICPA:

Amendments to HKFRSs	Annual Improvements to HKFRSs 2012-2014 Cycle
Amendments to HKAS 1	Disclosure Initiative
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation
Amendments to HKAS 16 and HKAS 41	Agriculture: Bearer Plants
Amendments to HKAS 27	Equity Method in Separate Financial Statements
Amendments to HKFRS 10, HKFRS 12 and HKAS 28	Investment Entities: Applying the Consolidation Exemption
Amendments to HKFRS 11	Accounting for Acquisitions of Interests in Joint Operations
HKFRS 14	Regulatory Deferral Accounts

The application of the above new and revised HKFRSs in the current interim period has had no material effect on the Group's financial performance and positions for the current and prior years and/or on the disclosures set out in these condensed consolidated interim financial information.

3. SEGMENT INFORMATION

The Group has identified the following reportable segments:

(a) Plastic recycling materials – procuring, processing and sales of recycling materials; and

(b) Oil and gas sales – exploring, exploitating and sales of oil and natural gas.

	Segment revenue		Segment loss from operations	
	Six months ended 30 June		Six months ended 30 June	
	2016	2015	**2016**	2015
	(Unaudited)	(Unaudited)	**(Unaudited)**	(Unaudited)
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Sales of plastic recycling materials	**–**	–	**(9)**	(42)
Sales of oil and natural gas	**127**	519	**(905)**	(1,622)
	127	519		
Unallocated income			**7,625**	10,154
Unallocated expenses			**(11,305)**	(13,470)
Loss from operations			**(4,594)**	(4,980)
Finance costs			**(1,200)**	(993)
Gain on disposal of property, plant and equipment			**13**	–
Realised loss in financial assets at fair value through profit or loss			**–**	(917)
Unrealised gain in financial assets at fair value through profit or loss			**–**	2,320
Loss before tax			**(5,781)**	(4,570)
Income tax credit			**659**	877
Loss for the period			**(5,122)**	(3,693)

	As at 30 June 2016 (Unaudited)			As at 31 December 2015 (Audited)		
	Plastic recycling materials	**Oil and gas sales**	**Total**	Plastic recycling materials	Oil and gas sales	Total
	HK$'000	***HK$'000***	***HK$'000***	*HK$'000*	*HK$'000*	*HK$'000*
Segment assets	**776**	**489,764**	**490,540**	785	490,021	490,806
Unallocated assets			**5,194**			20,218
Total assets			**495,734**			511,024
Segment liabilities	**–**	**5,506**	**5,506**	6,011	5,520	11,531
Deferred tax liabilities			**82,327**			82,986
Unallocated liabilities			**20,264**			23,748
Total liabilities			**108,097**			118,265

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

	Revenue from external customers Six months ended 30 June		Specified non-current assets	
	2016	2015	**At 30 June 2016**	At 31 December 2015
	(Unaudited)	(Unaudited)	**(Unaudited)**	(Audited)
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Hong Kong (place of domicile)	**–**	–	**347**	101
United States of America	**127**	519	**485,983**	486,125
	127	519	**486,330**	486,226

4. OTHER INCOME

	Six months ended 30 June	
	2016	2015
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Reversal of impairment loss on loan receivables	**–**	10,000
Others	**7,625**	156
	7,625	10,156

5. LOSS BEFORE TAX

	Six months ended 30 June	
	2016	2015
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
The Group's loss before tax is arrived at after charging/(crediting):		
Depreciation, depletion and amortization	**207**	530
Operating lease charges in respect of land and buildings	**2,056**	2,056
Realised loss in financial assets at fair value through profit or loss	**–**	917
Unrealised gain in financial assets at fair value through profit or loss	**–**	(2,320)
Employee benefit expense, including director emoluments:		
– Salaries and allowances	**5,626**	7,230
– Retirement scheme contributions	**102**	118

6. INCOME TAX CREDIT

	Six months ended 30 June	
	2016	2015
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Deferred Tax	**659**	877

No provision for Hong Kong Profits Tax has been made as the Group has no assessable profits for the year (2015: Nil). Taxation on overseas profits has been calculated on the estimated assessable profits for the period at the rates of taxation prevailing in the countries in which the Group operates.

7. DIVIDENDS

The directors do not recommend the payment of an interim dividend for the period (2015: Nil).

8. LOSS PER SHARE

(i) Basic loss per share

The calculation of basic loss per share is based on the loss attributable to owners of the Company of HK$7,736,000 (2015: loss HK$4,242,000) and the weighted average number of ordinary shares of 3,245,520,000 (2015: 3,241,973,000) in issue during the period.

(ii) Diluted loss per share

During the period ended 30 June 2016 and 2015, diluted loss per share equals to basic loss per share as the potential ordinary shares were not included in the calculation of diluted loss per share because they are anti-dilutive.

9. INTANGIBLE ASSETS

	Oil and gas processing rights *HK$'000*
Cost	
At 1 January 2015, at 31 December 2015 and at 30 June 2016	2,818,920
Accumulated amortisation and impairment	
At 1 January 2015	511,256
Amortisation for the year	408
Impairment for the year	1,909,456
At 31 December 2015 and at 1 January 2016	2,421,120
Amortisation for the period	36
At 30 June 2016	2,421,156
Net carrying amounts	
At 30 June 2016	397,764
At 31 December 2015	397,800

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

10. SHARE CAPITAL

	Authorized ordinary shares of HK$0.10 each	
	No. of shares '000	*HK$'000*
At 31 December 2015, at 1 January 2016 and at 30 June 2016	200,000,000	20,000,000

	Issued and fully paid ordinary shares of HK$0.10 each	
	No. of shares '000	*HK$'000*
At 31 December 2015, at 1 January 2016 and at 30 June 2016	3,245,520	324,552

MANAGEMENT DISCUSSION & ANALYSIS

RESULT AND REVIEW OF OPERATIONS

For the six months ended 30 June 2016 (the "Period"), the Group recorded a consolidated turnover of HK$127,000 (2015: HK$519,000), and the loss attributable to the owners of the Company for the Period amounted to HK$7,736,000 (2015: HK$4,242,000). Basic loss per share for the Period was HK0.24 cents (2015: HK0.13 cents). Loss per share was based on the weighted average of 3,245 million of shares in issue in first half of 2016.

The consolidated turnover was mainly contributed from the sales of oil and gas. Gross loss for the Period amounted HK$400,000 (2015: HK$841,000), which was mainly due to the persistently low crude oil price and no revenue contribution from plastic recycling materials operations and the gross loss margin was 315% (2015: 162%).

Loss for the Period was HK$5,122,000 (2015: HK$3,693,000). The increase was mainly due to decrease in other income in the Period.

BUSINESS REVIEW

Plastic Recycling Business

The plastic recycling market remained depressed in the Period, mainly due to the slowing down of China's economic growth, the low level of crude oil price and tightened environmental protection policy adopted by Chinese government, resulting in the shrinking demand in recycled plastics and the lower price of recycled plastics. Given that there is little possibility to see any major improvement of the difficult situation of the recycled plastic market in the foreseeable future, the Company decided to cease the plastic recycling business after careful consideration, so as to focus the resources on oil and gas business and other possible new business opportunities of profitability.

Oil and Gas Business

There are six (6) shale gas producing wells in the Utah Gas and Oil Field with a sale of around 3,391 thousand cubic feet in the first half of 2016 which is being sold to Anadarko's midstream operations and other purchasers. On the other hand, there is one (1) oil producing well with a sale of around 412 barrels during the Period. Plains All American Pipeline, L.P., USA is the purchaser to collect the Group's crude oil produced in the Utah Gas and Oil Field.

EXPENDITURES INCURRED ON OIL & GAS PRODUCTION ACTIVITIES

During the Period, no exploration activity had taken place. The expenditures incurred on the development and mining production activities during the Period were approximately HK$669,000 in aggregate.

PROSPECTS

The oil and gas prices have rebounded from the bottom in the first quarter of 2016 after a significant decrease in the beginning of this year and last year. The prices have rebounded by approximately 100% from the lowest level to the highest level during the Period. Given the economy of the United States is recovering at a mediocre pace, the outlook of oil and gas market is expected to continue improving. The Company will continue to focus on controlling the operating cost and maintaining the normal production and operation. In addition, the Company will make prudent judgment on the situation, and will consider jointly further developing the gas and oil field by cooperation with investors of solid financial strength to expand production scale when the market environment improves in future. At the same time, the Company will explore and develop new business opportunities to bring new growth engine for the Group.

According to the announcements of the Company dated 28 June 2013, 15 October 2013, 21 December 2013 and 8 August 2014 in relation to a very substantial acquisition of the Company of part of an oil and gas exploration and production company with oil reserves mainly located in Russia, the Group entered into a share purchase agreement (the "S&P Agreement") with Levant Energy Limited (the "Seller"), an independent third party, on 7 June 2013.

As the conditions precedent under the S&P Agreement had not been satisfied, the S&P Agreement was terminated in October 2013. To date, the Company has received US$500,000 out of the initial consideration paid to the Seller under the S&P Agreement, in the amount of US$10,000,000 less an amount equal to the costs and expenses of the Seller referred in the S&P Agreement. Management has been discussing with the Seller regarding the repayment of the remaining sum being US$9,500,000 less the said costs and expenses (the "Net Initial Consideration"). In mid of August of this year, the Chairman of the Company reached preliminary understanding with the Seller after negotiation, and the Seller intended to settle repayment of the remaining sum within this year. According to the relevant Accounting Standard, the remaining sum which has been written off previously, once received, will bring additional income to the Company.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

The Group generally finances its operations with issue of news shares and internally generated resources. At the Period end date, the Group had HK$20 million other borrowings repayable within one year (2015: 20 million). The Group's cash and bank balances as at 30 June 2016 have decreased to approximately HK$3.2 million from HK$17.5 million as at 31 December 2015, mainly due to weak cash generation from operating activities. The current ratio (calculated on the basis of the Group's current assets over current liabilities) has decreased to 0.42 as at 30 June 2016 (31 December 2015: 0.78).

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

EMPLOYEES AND REMUNERATION POLICIES

As at 30 June 2016, the number of employees of the Group was approximately 20. The remuneration packages of employees are maintained at competitive levels and include monthly salaries, mandatory provident fund, medical insurance and share option schemes; other employee benefits include meal and travelling allowances and discretionary bonuses.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

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

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

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any listed securities of the Company during the Period.

COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES

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

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

Code provision A.2.1 stipulates that the roles of chairman and chief executive should be separated and should not be performed by the same individual. The division of responsibilities between the chairman and the chief executive should be clearly established and set out in writing.

The Chief Executive Officer, Mr. Law Wing Tak, Jack, resigned from the post with effect from 30 June 2015 and the position was left vacant since his resignation. All duties of chief executive are shared between Mr. Zhou Li Yang and Mr. Wong Hiu Tung, the Executive Directors. The Company is in the process of identifying a suitable candidate to assume the role as chief executive officer of the Company.

REVIEW BY THE AUDIT COMMITTEE

The Audit Committee consists of three independent non-executive Directors, namely Mr. Lam Kwan (Chairman of the Audit Committee), Mr. Chan Kwan Pak and Ms. Yuen Sau Ying, Christine. The Audit Committee has reviewed with management the accounting principles and practices adopted by the Group, and has reviewed the unaudited interim results for the six months ended 30 June 2016.

PUBLICATION OF INTERIM RESULTS AND INTERIM REPORT

The electronic version of this announcement is published on the website of the Stock Exchange (http://www.hkexnews.hk) and on the Company's website (http://www.pearloriental.com). The interim report for the period ended 30 June 2016, containing all the information required by the Listing Rules, will be despatched to the shareholders of the Company and published on the website of the Stock Exchange and on the Company's website in due course.

BOARD OF DIRECTORS

As at the date hereof, the Board comprises three executive Directors, namely Mr. Wong Yuk Kwan (alias: Wong Kwan), Mr. Wong Hiu Tung and Mr. Zhou Li Yang; and three independent non-executive Directors, namely Mr. Lam Kwan, Mr. Chan Kwan Pak and Ms. Yuen Sau Ying, Christine.

By Order of the Board
Pearl Oriental Oil Limited
Wong Hiu Tung
Executive Director

Hong Kong, 29 August 2016