



東方明珠石油有限公司
Pearl Oriental Oil Limited

Stock code : 0632



INTERIM REPORT
2016

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Notes	Six months ended 30 June	
		2016 (Unaudited) HK\$'000	2015 (Unaudited) HK\$'000
Revenue			
Sales of oil and natural gas	3	127	519
Other income	4	7,625	10,156
		<u>7,752</u>	<u>10,675</u>
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
		<u>12,346</u>	<u>15,655</u>
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
		<u>(5,781)</u>	<u>(4,570)</u>
Loss before tax	5	(5,781)	(4,570)
Income tax credit	6	659	877
		<u>(5,122)</u>	<u>(3,693)</u>
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
		<u>(5,122)</u>	<u>(3,693)</u>
Loss per share attributable to owners of the Company			
– Basic (HK cents)	8	(0.24)	(0.13)
– Diluted (HK cents)		(0.24)	(0.13)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		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
		<u>486,330</u>	<u>486,226</u>
Current assets			
Prepayment, deposits and other receivables		6,175	7,339
Bank balances and cash		3,229	17,459
		<u>9,404</u>	<u>24,798</u>
Current liabilities			
Other payables and accruals		2,191	11,700
Other unsecured loan		20,000	20,000
		<u>22,191</u>	<u>31,700</u>
Net current liabilities		<u>(12,787)</u>	<u>(6,902)</u>
Total assets less current liabilities		<u>473,543</u>	<u>479,324</u>
Non-current liabilities			
Deferred tax liabilities		82,327	82,986
Asset retirement obligations		3,579	3,579
		<u>85,906</u>	<u>86,565</u>
Net assets		<u>387,637</u>	<u>392,759</u>
Equity			
Share capital	10	324,552	324,552
Reserves		82,819	90,555
Equity attributable to owners of the Company		<u>407,371</u>	<u>415,107</u>
Non-controlling interests		(19,734)	(22,348)
Total equity		<u>387,637</u>	<u>392,759</u>

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to owners of the Company						Total	Non- controlling interests	Total equity
	Share capital	Share premium	Treasury shares	Capital reserve	Share option reserve	Accumulated losses			
At 31 December 2015 (Audited)	324,552	2,222,586	(10,556)	403,851	42,042	(2,567,368)	415,107	(22,348)	392,759
Loss for the period and total comprehensive loss for the period	-	-	-	-	-	(7,736)	(7,736)	2,614	(5,122)
Shares options lapsed	-	-	-	-	(123)	123	-	-	-
At 30 June 2016 (Unaudited)	<u>324,552</u>	<u>2,222,586</u>	<u>(10,556)</u>	<u>403,851</u>	<u>41,919</u>	<u>(2,574,981)</u>	<u>407,371</u>	<u>(19,734)</u>	<u>387,637</u>
At 31 December 2014 (Audited)	324,152	2,219,923	(10,556)	403,851	55,875	(1,092,641)	1,900,604	(23,725)	1,876,879
Loss for the period and total comprehensive loss for the period	-	-	-	-	-	(4,242)	(4,242)	549	(3,693)
Exercise of staff options	400	1,680	-	-	-	-	2,080	-	2,080
Shares options lapsed	-	-	-	-	(3,080)	3,080	-	-	-
At 30 June 2015 (Unaudited)	<u>324,552</u>	<u>2,221,603</u>	<u>(10,556)</u>	<u>403,851</u>	<u>52,795</u>	<u>(1,093,803)</u>	<u>1,898,442</u>	<u>(23,176)</u>	<u>1,875,266</u>

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Six months ended 30 June	
	2016	2015
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Net cash used in operating activities	(12,732)	(16,482)
Net cash (used in)/generated from investing activities	(298)	27,400
Net cash (used in)/generated from financing activities	(1,200)	17,087
	<hr/>	<hr/>
Net (decrease)/increase in cash and cash equivalents	(14,230)	28,005
Cash and cash equivalents at beginning of period	17,459	2,489
	<hr/>	<hr/>
Cash and cash equivalents at end of period	3,229	30,494
	<hr/>	<hr/>

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 consolidated 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 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.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

3. SEGMENT INFORMATION

The Group has identified the following reportable segments:

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

	Segment revenue		Segment loss from operations	
	Six months ended 30 June		Six months ended 30 June	
	2016 (Unaudited) HK\$'000	2015 (Unaudited) HK\$'000	2016 (Unaudited) HK\$'000	2015 (Unaudited) HK\$'000
Sales of plastic recycling materials	-	-	(9)	(42)
Sales of oil and natural gas	127	519	(905)	(1,622)
	<u>127</u>	<u>519</u>		
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			<u>(5,122)</u>	<u>(3,693)</u>

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

3. SEGMENT INFORMATION (continued)

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

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		Specified non-current assets	
	Six months ended 30 June 2016 (Unaudited) HK\$'000	2015 (Unaudited) HK\$'000	At 30 June 2016 (Unaudited) HK\$'000	At 31 December 2015 (Audited) HK\$'000
Hong Kong (place of domicile)	-	-	347	101
United States of America	<u>127</u>	<u>519</u>	<u>485,983</u>	<u>486,125</u>
	<u>127</u>	<u>519</u>	<u>486,330</u>	<u>486,226</u>

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

4. OTHER INCOME

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

5. LOSS BEFORE TAX

	Six months ended 30 June	
	2016	2015
	(Unaudited)	(Unaudited)
	<i>HK\$'000</i>	<i>HK\$'000</i>
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
	<u>5,626</u>	<u>7,230</u>
	<u>102</u>	<u>118</u>

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

6. INCOME TAX CREDIT

	Six months ended 30 June	
	2016 (Unaudited) HK\$'000	2015 (Unaudited) HK\$'000
Deferred Tax	<u>659</u>	<u>877</u>

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.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

9. INTANGIBLE ASSETS

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

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

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

10. SHARE CAPITAL

	Authorized ordinary shares of HK\$0.10 each	
	<i>No. of shares '000</i>	<i>HK\$'000</i>
At 31 December 2015, at 1 January 2016 and at 30 June 2016	<u>200,000,000</u>	<u>20,000,000</u>
	Issued and fully paid ordinary shares of HK\$0.10 each	
	<i>No. of shares '000</i>	<i>HK\$'000</i>
At 31 December 2015, at 1 January 2016 and at 30 June 2016	<u>3,245,520</u>	<u>324,552</u>

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.

MANAGEMENT DISCUSSION & ANALYSIS

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.

MANAGEMENT DISCUSSION & ANALYSIS

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

The Group generally finances its operations with issue of new shares and internally generated resources. At the Period end date, the Group had HK\$20 million other borrowings repayable within one year (2015: HK\$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.

MANAGEMENT DISCUSSION & ANALYSIS

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

Directors’ Interests in Shares and Underlying Shares

At 30 June 2016, the interests of the Directors and their associates in the shares, underlying shares and convertible bonds of the Company and its associated corporations, as recorded in the register maintained by the Company pursuant to Section 352 of the Securities and Futures Ordinance, or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited pursuant to the Model Code for Securities Transactions by directors of Listed Companies, were as follows:

Long Positions

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

Name of Directors	Number of Shares held in the Capacity of		Total number of Shares held	Approximate percentage to the issued share capital of the Company
	Beneficial owner	Held by controlled corporation		
Wong Kwan (<i>Note</i>)	—	749,530,000	749,530,000	23.09%
Lam Kwan	1,045,000	—	1,045,000	0.03%
Chan Kwan Pak	1,000,000	—	1,000,000	0.03%

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

MANAGEMENT DISCUSSION & ANALYSIS

(B) Share Options

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

Save as disclosed above, none of the directors nor their associates had any interests or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporations as at 30 June 2016.

MANAGEMENT DISCUSSION & ANALYSIS

Substantial Shareholders

The register of substantial shareholders maintained by the Company pursuant to Section 336 of the Securities and Futures Ordinance shows that, as at 30 June 2016, other than the interests disclosed above in respect of certain Directors, the following shareholders had notified the Company of relevant interests in the issued share capital of the Company:

Long Positions

Name of substantial shareholders	Capacity	Number of shares/ underlying shares held	Approximate percentage to the issued share capital of the Company
Charcon Assets Limited (<i>Note</i>)	Beneficial owner	739,530,000	22.79%
Ma Yueng Lin	Beneficial owner	672,000,000	20.71%

Note: Charcon Assets Limited is wholly-owned by Mr. Wong Kwan.

Save as disclosed above, the Company has not been notified of any other relevant interests or short positions in the issued share capital of the Company as at 30 June 2016.

SHARE OPTION SCHEME

On 15 July 2009, the Company adopted a share option scheme (the "Share Option Scheme") whereby the directors of the Company may grant options to eligible employees, including directors of any companies in the Group to subscribe for shares in Company upon and subject to a maximum number of shares available for issue thereunder, which shall not exceed 10% of the Shares in issue as at the refreshment date (i.e. 324,151,975 shares). Also, the number of shares in respect of which options may be granted to an individual in any one year is not permitted to exceed 1% of the Company's issued shares or otherwise it must be approved by the shareholders of the Company.

The Share Option Scheme was set up for the primary purpose of providing incentives to directors, eligible employees and consultants and will expire on 14 July 2019.

The options vest from the date of grant and are exercisable at any time from the date of acceptance of the offer and the earlier of up to 10 years from the date of grant and 14 July 2019. The exercise price determined by the directors of the Company will be at least the higher of (i) the closing price of the Company's shares on the date of grant; (ii) the average closing price of the Company's shares for the five business days immediately preceding the date of grant and (iii) the nominal value of the Company's shares. Each option gives the holder the right to subscribe for one ordinary share of the Company.

MANAGEMENT DISCUSSION & ANALYSIS

The following discloses the movements of the Company's share options during the six months ended 30 June 2016:

Grantee	Date of grant	Period during which options are exercisable	Outstanding as at 1 January 2016	Granted during the period	Exercise during the period	Lapsed during the period	Outstanding as at 30 June 2016	Exercised price per share option HK\$
Directors								
Wong Kwan	5 August 2009	5 August 2009-14 July 2019	3,600,000	—	—	—	3,600,000	0.4666
	9 June 2010	9 June 2010-14 July 2019	6,000,000	—	—	—	6,000,000	0.9416
	10 April 2013	1 September 2013-14 July 2019	9,500,000	—	—	—	9,500,000	0.52
Zhou Li Yang	9 June 2010	9 June 2010-14 July 2019	6,000,000	—	—	—	6,000,000	0.9416
	10 April 2013	1 September 2013-14 July 2019	10,000,000	—	—	—	10,000,000	0.52
Wong Hiu Tung	10 April 2013	1 September 2013-14 July 2019	10,000,000	—	—	—	10,000,000	0.52
Lam Kwan	10 April 2013	1 September 2013-14 July 2019	5,000,000	—	—	—	5,000,000	0.52
Chan Kwan Pak	10 April 2013	1 September 2013-14 July 2019	3,000,000	—	—	—	3,000,000	0.52
Yuen Sau Ying Christine	10 April 2013	1 September 2013-14 July 2019	5,000,000	—	—	—	5,000,000	0.52
			<u>58,100,000</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>58,100,000</u>	
Consultants								
	9 June 2010	9 June 2010-14 July 2019	22,200,000	—	—	—	22,200,000	0.9416
	10 April 2013	1 September 2013-14 July 2019	6,000,000	—	—	—	6,000,000	0.52
Employees								
	9 June 2010	9 June 2010-14 July 2019	24,810,000	—	—	—	24,810,000	0.9416
	27 June 2011	27 June 2011-14 July 2019	6,000,000	—	—	—	6,000,000	0.9
	1 September 2011	1 September 2011-14 July 2019	2,200,000	—	—	—	2,200,000	1.03
	10 April 2013	1 September 2013-14 July 2019	30,900,000	—	—	(500,000)	30,400,000	0.52
			<u>92,110,000</u>	<u>—</u>	<u>—</u>	<u>(500,000)</u>	<u>91,610,000</u>	
			<u>150,210,000</u>	<u>—</u>	<u>—</u>	<u>(500,000)</u>	<u>149,710,000</u>	

MANAGEMENT DISCUSSION & ANALYSIS

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

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

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

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.

MANAGEMENT DISCUSSION & ANALYSIS

PUBLICATION OF INTERIM RESULTS AND INTERIM REPORT

The electronic version of this report 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