



東方明珠石油有限公司
Pearl Oriental Oil Limited

Stock code : 0632

INTERIM REPORT 2017



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CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

		Six months ended 30 June	
		2017	2016
	<i>Notes</i>	(Unaudited) HK\$'000	(Unaudited) HK\$'000 (Restated)
Continuing operations			
Revenue			
Sales of oil and natural gas	3	55	127
Other income		<u>1,488</u>	<u>7,625</u>
		<u>1,543</u>	<u>7,752</u>
Expenses			
Exploration, repair and maintenance expenses of oil and natural gas		315	385
Depreciation, depletion and amortisation of oil and natural gas		114	142
Administrative expenses		<u>12,741</u>	<u>11,810</u>
		<u>13,170</u>	<u>12,337</u>
Loss from operations		(11,627)	(4,585)
Finance costs		(2,039)	(1,200)
Impairment loss on intangible assets	8	(216,592)	–
Gain on disposal of property, plant and equipment		<u>150</u>	<u>13</u>
Loss before tax		(230,108)	(5,772)
Income tax credit	4	<u>73</u>	<u>659</u>
Loss for the period from continuing operations	5	(230,035)	(5,113)
Discontinued operation			
Loss for the period from discontinued operation		<u>–</u>	<u>(9)</u>
Loss and total comprehensive loss for the period		(230,035)	(5,122)
Attributable to:			
Owners of the Company			
– from continuing operations		(230,034)	(7,731)
– from discontinued operation		–	(5)
Non-controlling interests			
– from continuing operations		(1)	2,618
– from discontinued operation		–	(4)
		<u>(230,035)</u>	<u>(5,122)</u>

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

		Six months ended 30 June	
		2017	2016
	Notes	(Unaudited) HK\$'000	(Unaudited) HK\$'000 (Restated)
Loss per share attributable to owners of the Company			
Continuing and discontinued operations – Basic and diluted (<i>HK cents</i>)	7	<u>(7.09)</u>	<u>(0.24)</u>
Continuing operations – Basic and diluted (<i>HK cents</i>)		<u>(7.09)</u>	<u>(0.24)</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		At 30 June 2017 (Unaudited) HK\$'000	At 31 December 2016 (Audited) HK\$'000
Non-current assets			
Property, plant and equipment		88,191	88,367
Intangible assets	8	<u>384,000</u>	<u>600,600</u>
		<u>472,191</u>	<u>688,967</u>
Current assets			
Prepayment, deposits and other receivables		4,693	4,857
Bank balances and cash		<u>3,151</u>	<u>4,735</u>
		<u>7,844</u>	<u>9,592</u>
Current liabilities			
Other payables and accruals		3,053	3,469
Other unsecured loan		<u>45,000</u>	<u>33,000</u>
		<u>48,053</u>	<u>36,469</u>
Net current liabilities		<u>(40,209)</u>	<u>(26,877)</u>
Total assets less current liabilities		<u>431,982</u>	<u>662,090</u>
Non-current liabilities			
Deferred tax liabilities		131,363	131,436
Asset retirement obligations		<u>3,579</u>	<u>3,579</u>
		<u>134,942</u>	<u>135,015</u>
Net assets		<u>297,040</u>	<u>527,075</u>
Equity			
Share capital	9	324,552	324,552
Reserves		<u>(7,404)</u>	<u>222,630</u>
Equity attributable to owners of the Company		317,148	547,182
Non-controlling interests		<u>(20,108)</u>	<u>(20,107)</u>
Total equity		<u>297,040</u>	<u>527,075</u>

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to owners of the Company						Non- controlling interests	Total equity	
	Share capital	Share premium	Treasury shares	Capital reserve	Share option reserve	Accumulated losses			Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
At 31 December 2016 (Audited)	324,552	2,222,586	(10,556)	403,851	41,919	(2,435,170)	547,182	(20,107)	527,075
Loss for the period and total comprehensive loss for the period	-	-	-	-	-	(230,034)	(230,034)	(1)	(230,035)
Share options lapsed	-	-	-	-	(1,730)	1,730	-	-	-
At 30 June 2017 (Unaudited)	<u>324,552</u>	<u>2,222,586</u>	<u>(10,556)</u>	<u>403,851</u>	<u>40,189</u>	<u>(2,663,474)</u>	<u>317,148</u>	<u>(20,108)</u>	<u>297,040</u>
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>

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Six months ended 30 June	
	2017	2016
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Net cash used in operating activities	(15,773)	(12,732)
Net cash generated from/(used in) investing activities	150	(298)
Net cash generated from/(used in) financing activities	14,039	(1,200)
	<hr/>	<hr/>
Net decrease in cash and cash equivalents	(1,584)	(14,230)
Cash and cash equivalents at beginning of period	4,735	17,459
	<hr/>	<hr/>
Cash and cash equivalents at end of period	3,151	3,229
	<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 2016.

The unaudited condensed consolidated interim financial statements have been prepared on a going concern basis even though the Group incurred a net loss of approximately HK\$230,035,000 for the period ended 30 June 2017 and, as of that date, the Group's current liabilities exceeded its current assets by approximately HK\$40,209,000.

The directors are taking steps to improve the Group's liquidity and financial performance, the shareholders have agreed to provide continuing financial supports, if necessary, to the Group to meet its obligations as and when they fall due. Accordingly, it is not necessary to include any adjustments that would be required should the Group fail to continue as a going concern.

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.

Excepts as described below, the accounting policies used in preparing the condensed consolidated interim financial statements for the six months ended 30 June 2017 are the same as those used in the annual consolidated financial statements for the year ended 31 December 2016.

In the current interim period, the Group has also applied, for the first time, the following amendments to Hong Kong Financial Reporting Standards ("HKFRSs") issued by the HKICPA, which are effective for the Group's financial year beginning on 1 January 2017:

Amendments to HKFRSs
Amendments to HKAS 7
Amendments to HKAS 12

Annual Improvements to HKFRSs 2014-2016 Cycle
Disclosure Initiative
Recognition of Deferred Tax Assets for Unrealised Losses

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

2. PRINCIPAL ACCOUNTING POLICIES (continued)

The application of the above amendments to 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.

The Group has not early applied the new and revised standards, amendments and interpretation that have been issued but not yet effective.

The Directors are currently assessing the impact of those new and revised standards, amendments and interpretation but are yet in a position to state whether they would have material financial impact on the Group's result of operation.

3. REVENUE AND SEGMENT INFORMATION

Revenue

Revenue represents the amounts received and receivable for goods sold in the normal course of business, net of discounts and sales related taxes.

Segment information

During the year ended 31 December 2016, the Group ceased the operation of its plastic recycling materials business. Accordingly, the Group is currently principally engaged in exploring, exploiting and sales of oil and natural gas (the "Oil and Gas Business). The Oil and Gas Business as a whole constitutes one operating segment for the purpose of segment information presentation under HKFRS 8 Operating Segments.

Information are reported to the executive directors of the Company, being the chief operating decision maker (the "CODM"), for the purpose of performance assessment and resource allocation. The CODM regularly reviews the Group's revenue and profit for the period as a whole, which are measured in accordance with the Group's accounting policies. Accordingly, no segment information is presented.

4. INCOME TAX CREDIT

	Six months ended 30 June	
	2017	2016
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
		(Restated)
Continuing operations		
Deferred tax	73	659

No provision for Hong Kong Profits Tax has been made as the Group has no assessable profits for the period (2016: 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.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

5. LOSS FOR THE PERIOD FROM CONTINUING OPERATIONS

	Six months ended 30 June	
	2017	2016
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
		(Restated)
The Group's loss for the period is arrived at after charging:		
Depreciation, depletion and amortization	184	207
Operating lease charges in respect of land and buildings	1,222	2,056
Employee benefit expense, including director emoluments:		
– Salaries and allowances	8,275	5,626
– Retirement scheme contributions	121	102
	<u>121</u>	<u>102</u>

6. DIVIDENDS

The directors do not recommend the payment of an interim dividend for the period (2016: Nil).

7. LOSS PER SHARE

The calculation of basic and diluted loss per share attributable to owners of the Company is based on the followings:

Continuing and discontinued operations

	Six months ended 30 June	
	2017	2016
	(Unaudited)	(Unaudited)
		(Restated)
Loss for the period attributable to owners of the Company (HK\$'000)	(230,034)	(7,736)
Weighted average number of ordinary shares in issue ('000)	<u>3,245,520</u>	<u>3,245,520</u>
Basic loss per share (HK cents)	<u>(7.09)</u>	<u>(0.24)</u>

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

7. LOSS PER SHARE (continued)

Continuing operations

	Six months ended 30 June	
	2017	2016
	(Unaudited)	(Unaudited)
		(Restated)
Loss for the period attributable to owners of the Company (<i>HK\$'000</i>)	(230,034)	(7,736)
Less: Loss for the period attributable to owners of the Company from discontinued operation (<i>HK\$'000</i>)	<u> -</u>	<u> (5)</u>
Loss for the period attributable to owners of the Company from continuing operations (<i>HK\$'000</i>)	(230,034)	(7,731)
Weighted average number of ordinary shares in issue (<i>'000</i>)	<u>3,245,520</u>	<u>3,245,520</u>
Basic loss per share (<i>HK cents</i>)	<u>(7.09)</u>	<u>(0.24)</u>

Discontinued operation

	Six months ended 30 June	
	2017	2016
	(Unaudited)	(Unaudited)
		(Restated)
Loss for the period attributable to owners of the Company from discontinued operation (<i>HK\$'000</i>)	-	(5)
Weighted average number of ordinary shares in issue (<i>'000</i>)	<u>3,245,520</u>	<u>3,245,520</u>
Basic loss per share (<i>HK cents</i>)	<u> -</u>	<u>(0.0002)</u>

During the period ended 30 June 2017 and 2016, 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

8. INTANGIBLE ASSETS

	Oil and gas processing rights <i>HK\$'000</i>
Cost	
At 1 January 2016, 31 December 2016 and 30 June 2017	2,818,920
Accumulated amortisation and impairment	
At 1 January 2016	2,421,120
Amortisation for the year	105
Reversal of impairment for the year	(202,905)
At 31 December 2016 and 1 January 2017	2,218,320
Amortisation for the period	8
Impairment for the period	216,592
At 30 June 2017	2,434,920
Net carrying amounts	
At 30 June 2017	384,000
At 31 December 2016	600,600

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.

The carrying amount of intangible assets, net of any impairment loss, is allocated to the cash generating unit of oil and gas sales business.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

8. INTANGIBLE ASSETS (continued)

The recoverable amount for the oil and gas processing rights was determined based on value-in-use calculation with reference to a valuation performed by an independent valuer, BMI Appraisals Limited. The value-in use calculations use cash flow projections of 32.5 years (31 December 2016: 33 years), which is the expected period of time estimated by the management to fully utilize the reserve as per the latest competent person report, and a discount rate of 13.28% (31 December 2016: 10%). The management determined the key assumptions based on past performance and expectation on market development by reference to market information such as forecast to future oil and gas prices, historical growth rate of oil and gas prices and expectation on oil and gas consumption.

After assessing the information, the recoverable amount is lower than its carrying amount as at 30 June 2017 mainly due to the increase in discount rate used as compared with forecast in previous years, accordingly an impairment loss of approximately HK\$216,592,000 (31 December 2016: reversal of impairment loss of HK\$202,905,000) was recognized.

9. SHARE CAPITAL

	Authorized ordinary shares of HK\$0.10 each	
	<i>No. of shares</i>	
	<i>'000</i>	<i>HK\$'000</i>
At 31 December 2016, at 1 January 2017 and at 30 June 2017	200,000,000	20,000,000
	<hr/>	<hr/>
	Issued and fully paid ordinary shares of HK\$0.10 each	
	<i>No. of shares</i>	
	<i>'000</i>	<i>HK\$'000</i>
At 31 December 2016, at 1 January 2017 and at 30 June 2017	3,245,520	324,552
	<hr/>	<hr/>

10. COMPARATIVE FIGURES

Certain comparative figures have been restated to conform to the presentation of discontinued operation.

MANAGEMENT DISCUSSION & ANALYSIS

RESULT AND REVIEW OF OPERATIONS

For the six months ended 30 June 2017 (the “Period”), the Group focused on its principal business of exploring, exploiting and sales of oil and natural gas (the “Oil and Gas Business”).

In the corresponding period of 2016, the Group was principally engaged in the Oil and Gas Business and procuring, processing and sales of recycling materials (the “Plastic Recycling Material Business”). After the cessation of the Plastic Recycling Material Business during the year ended 31 December 2016, the Plastic Recycling Material Business was discontinued and was considered as “discontinued operation” of the Group in the corresponding period of 2016. The Group continued to engage in the Oil and Gas Business which is considered as “continuing operations”.

The figures for the Period stated herein refer to the results of continuing operations. To facilitate meaningful comparison, unless specified, the comparative figures in this interim report refer to the results of continuing operations for the six months ended 30 June 2016.

For the Period, the Group recorded a consolidated turnover of HK\$55,000 (2016: HK\$127,000), and the loss attributable to the owners of the Company for the Period amounted to HK\$230,034,000 (2016: HK\$7,736,000). Basic loss per share for the Period was HK7.09 cents (2016: HK0.24 cents). Loss per share was based on the weighted average of 3,246 million of shares in issue in first half of 2017.

The consolidated turnover was mainly contributed from the sales of oil and gas. Gross loss for the Period amounted HK\$374,000 (2016: HK\$400,000), which was mainly due to the persistently low crude oil price.

Loss for the Period was HK\$230,035,000 (2016: HK\$5,122,000). The increase was mainly due to impairment loss on intangible assets in the Period.

BUSINESS REVIEW

Oil and Gas Business

There are six (6) shale gas producing wells in the Utah Gas and Oil Field with a sale of around 1,762 thousand cubic feet in the first half of 2017 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 201 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.

MANAGEMENT DISCUSSION & ANALYSIS

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\$505,000 in aggregate.

PROSPECTS

Looking ahead in 2017, the economy of the United States is gradually recovering, and the new U.S. government is inclined to adopt policies such as expansion of infrastructure, encouraging the local manufacturing industry and providing tax cuts to further stimulate its domestic economy, all of which will be beneficial to the increase in energy demand and further recovery of oil and gas prices. As the U.S. government encourages the development of the domestic oil and gas industry, the oil and gas market environment is expected to improve continuously. At the end of 2016, the supply cuts agreed by the Organization of the Petroleum Exporting Countries also played a role in driving up the oil price. Overall, the global supply and demand of oil and gas will continue to remain positive in 2017 and the oil and gas prices are expected to realize steady growth. Under these circumstances, reducing costs is still a key for the oil and gas operations, and this will also bring many opportunities for alliances, acquisition and mergers in the oil and gas industry.

The Company has focused its business on oil and gas exploration, production and field operations in the Utah Gas and Oil Field, which is mostly a gas field. The Utah Gas and Oil Field is located in Uintah Basin of Utah, Midwestern of the United States which has very long history and good location for oil and gas business with mature infrastructure and oilfield service facility including water, electricity, roads, pipeline network and other logistic facilities around.

In response to this overall situation, the Company will continue to focus on the strict control of operating costs and maintain normal production and operation. The Company will take advantage of the favorable condition of the significant decrease in the drilling costs and consider cooperating with deep-pocketed investors to expand the development of the Utah Gas and Oil Field, paving the way for expanding current businesses scale once the market environment improves. At the same time, the Company will explore new business opportunities, bringing new growth and momentum to the Group.

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\$45 million other borrowings repayable within one year (year ended 31 December 2016: 33 million). The Group's cash and bank balances as at 30 June 2017 have decreased to approximately HK\$3 million from HK\$5 million as at 31 December 2016, 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 0.16 as at 30 June 2017 (31 December 2016: 0.26).

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.

LITIGATION

- (a) On 28 June 2017, the Company received a statement of claim dated 23 June 2017 from Razor-Sharp Investments Limited, a company incorporated in the British Virgin Islands, demanding the Company to repay a total sum of approximately HK\$25.2 million (the "Claim").

The Company have appointed lawyer and is now setting the defence to the Claim.

- (b) On 13 July 2017, the Company received a statutory demand dated 12 July 2017 from Frontier International Investment Limited, demanding the Company to repay a total sum of approximately HK\$20 million (the "Demand"). And on 29 August 2017, the Company received a winding up petition from the High Court of the Hong Kong Special Administrative Region that the Company may be wound up on the ground that the Company is insolvent and unable to pay its debts.

The Company have clarified that the Company is solvent and have sufficient fund to repay its debts in full, and seeking legal advice on this matter.

EMPLOYEES AND REMUNERATION POLICIES

As at 30 June 2017, 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 2017, 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			Approximate percentage to the issued share capital of the Company
	Beneficial owner	Held by controlled corporation	Total number of Shares held	
Lam Kwan	1,045,000	—	1,045,000	0.03%
Chan Kwan Pak	1,000,000	—	1,000,000	0.03%

(B) Share Options

Name of Directors	Capacity	Number of options held	Exercise period	Exercise price (HK\$)
Wong Hiu Tung	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

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 2017.

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 2017, 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	Beneficial owner	739,530,000	22.79%
So Kuen Kwok	Beneficial owner	320,000,000	9.86%
Chung Keng	Beneficial owner	162,552,400	5.01%
LPJ Standard oil Engineering Limited	Beneficial owner	320,000,000	9.86%

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 2017.

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. 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 2017:

Grantee	Date of grant	Period during which options are exercisable	Outstanding as at 1 January 2017	Granted during the period	Transferred during the period	Exercise during the period	Lapsed during the period	Outstanding as at 30 June 2017	Exercised price per share option HK\$
Directors									
Wong Kwan (Resigned on 20 October 2016)	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 (Resigned on 16 May 2017)	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 (Resigned on 16 May 2017)	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>(19,100,000)</u>	<u>—</u>	<u>—</u>	<u>39,000,000</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	—	—	—	(3,000,000)	3,000,000	0.52
Employees	5 August 2009	5 Aug 2009-14 July 2019	—	—	3,600,000	—	—	3,600,000	0.4666
	9 June 2010	9 June 2010-14 July 2019	24,810,000	—	6,000,000	—	—	30,810,000	0.9416
	27 June 2011	27 June 2011-14 July 2019	6,000,000	—	—	—	(3,000,000)	3,000,000	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	30,400,000	—	9,500,000	—	—	39,900,000	0.52
			<u>91,610,000</u>	<u>—</u>	<u>19,100,000</u>	<u>—</u>	<u>(6,000,000)</u>	<u>104,710,000</u>	
			<u>149,710,000</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>(6,000,000)</u>	<u>143,710,000</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 Issuers (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 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.

MANAGEMENT DISCUSSION & ANALYSIS

REVIEW BY THE AUDIT COMMITTEE

The Audit Committee consists of five independent non-executive Directors, namely Mr. Chau Wing Man (Chairman of the Audit Committee), Mr. Wang Jing Ting, Mr. Koo Luen Bong, Mr. Lam Kwan and Mr. Chan Kwan Pak. 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 2017.

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 2017, 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 four executive Directors, namely Ms. Fan Amy Lizhen, Mr. Cheung Kam Shing, Terry, Mr. Tang Yau Sing and Mr. Cheung Ka Chun David; and five independent non-executive Directors, namely Mr. Wang Jing Ting, Mr. Koo Luen Bong, Mr. Chau Wing Man, Mr. Lam Kwan and Mr. Chan Kwan Pak.

By Order of the Board
Pearl Oriental Oil Limited
Tang Yau Sing
Executive Director

Hong Kong, 31 August 2017