



POLYARD PETROLEUM INTERNATIONAL GROUP LIMITED  
百田石油國際集團有限公司

(Stock Code : 8011)



Interim Report

**2009**



## **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.**

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*This report, 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 GEM 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 enquiries, confirm that, to the best of their knowledge and belief: (1) the information contained in this report 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 report misleading; and (3) all opinions expressed in this report have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.*



## HIGHLIGHTS

- For the six months ended 30 June 2009 (the “Period”), the Group generated an unaudited turnover of approximately HK\$1,689,000, remained the same as the first quarter of the current year, which was substantially decreased by approximately 85.8% as compared to that of the last corresponding period.

The unaudited net loss attributable to owners of the Company was approximately HK\$18,965,000. In last corresponding period, the Group has an unaudited net loss attributable to owners of the Company of approximately HK\$15,138,000.

- The Directors do not recommend the payment of an interim dividend for the Period.



## INTERIM RESULTS

The board of directors (the “Board”) of Polyard Petroleum International Group Limited (the “Company”) would like to announce the unaudited consolidated results of the Company and its subsidiaries (collectively the “Group”) for the six months ended 30 June 2009 (the “Period”), together with the comparative unaudited figures for the corresponding period in 2008, as follows:

## CONDENSED CONSOLIDATED INCOME STATEMENT

	Notes	Unaudited Three months ended 30 June		Unaudited Six months ended 30 June	
		2009 HK\$'000	2008 HK\$'000	2009 HK\$'000	2008 HK\$'000
<b>CONTINUING OPERATIONS</b>					
Turnover	3	—	11,892	1,689	11,892
Cost of sales		—	(11,771)	(1,648)	(11,771)
Gross profit		—	121	41	121
Other revenue and net income		537	13	737	19
Administrative and other operating expenses		(3,585)	(5,196)	(7,409)	(9,890)
Share of results of associates		(1,355)	—	(1,355)	—
Operating loss	5	(4,403)	(5,062)	(7,986)	(9,750)
Finance costs	6	(6,262)	(3,983)	(12,368)	(7,898)
Loss before tax		(10,665)	(9,045)	(20,354)	(17,648)
Income tax	7	690	326	1,360	649
Loss for the period from continuing operations		(9,975)	(8,719)	(18,994)	(16,999)
<b>DISCONTINUED OPERATIONS</b>					
Loss for the period from discontinued operations		—	(57)	—	(75)
<b>LOSS FOR THE PERIOD</b>		<b>(9,975)</b>	<b>(8,776)</b>	<b>(18,994)</b>	<b>(17,074)</b>



	Notes	Unaudited Three months ended 30 June		Unaudited Six months ended 30 June	
		2009	2008	2009	2008
		HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>Attributable to:</b>					
Owners of the Company		(9,950)	(8,743)	(18,965)	(15,138)
Non-controlling interests		(25)	(33)	(29)	(1,936)
		(9,975)	(8,776)	(18,994)	(17,074)
<b>Loss per share</b>					
Basic (in HK cents)	8				
— from continuing and discontinued operations		(0.184)	(0.162)	(0.351)	(0.280)
— from continuing operations		(0.184)	(0.161)	(0.351)	(0.279)
<b>Diluted (in HK cents)</b>					
— from continuing and discontinued operations		N/A	N/A	N/A	N/A
— from continuing operations		N/A	N/A	N/A	N/A
Dividend	9	—	—	—	—



## CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Unaudited Three months ended 30 June		Unaudited Six months ended 30 June	
	2009	2008	2009	2008
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Loss for the period	(9,975)	(8,776)	(18,994)	(17,074)
Other comprehensive income:				
Exchange difference arising on translation of foreign operations	—	89	—	89
<b>TOTAL COMPREHENSIVE INCOME FOR THE PERIOD</b>	<b>(9,975)</b>	<b>(8,687)</b>	<b>(18,994)</b>	<b>(16,985)</b>
<b>Attributable to:</b>				
Owners of the Company	(9,950)	(8,668)	(18,965)	(15,063)
Non-controlling interests	(25)	(19)	(29)	(1,922)
	(9,975)	(8,687)	(18,994)	(16,985)

**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

		<b>Unaudited 30 June 2009</b>	Audited 31 December 2008
	<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment		919	1,003
Interests in associates		80,560	81,915
Interests in jointly controlled entities		859,917	856,118
		<b>941,396</b>	<b>939,036</b>
<b>CURRENT ASSETS</b>			
Amounts due from associates and jointly controlled entities		8,510	6,072
Trade and other receivables	10	3,005	1,075
Cash and bank deposits		6,384	6,600
		<b>17,899</b>	<b>13,747</b>
<b>CURRENT LIABILITIES</b>			
Trade and other payables	11	(53,756)	(47,183)
Amounts due to directors		—	(2)
		<b>(53,756)</b>	<b>(47,185)</b>
<b>NET CURRENT LIABILITIES</b>		<b>(35,857)</b>	<b>(33,438)</b>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<b>905,539</b>	<b>905,598</b>



		<b>Unaudited 30 June 2009</b>	Audited 31 December 2008
	<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>NON-CURRENT LIABILITIES</b>			
Convertible bonds		(330,745)	(315,378)
Deferred tax liabilities		(10,451)	(11,007)
		<b>(341,196)</b>	<b>(326,385)</b>
<b>NET ASSETS</b>			
		<b>564,343</b>	<b>579,213</b>
<b>CAPITAL AND RESERVES</b>			
Issued capital	12	10,816	10,816
Reserves		431,851	427,767
Retained earnings		121,074	140,039
Equity attributable to owners of the Company		<b>563,741</b>	<b>578,622</b>
Non-controlling interests		602	591
<b>TOTAL EQUITY</b>			
		<b>564,343</b>	<b>579,213</b>





## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Unaudited									
	Issued capital	Share premium	Special reserve	Warrant reserve	Convertible bonds reserve	Exchange reserve	Retained profits	Att-ributable to owners of the Company	Non-controlling interests	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 January 2008 (Audited)	10,816	359,974	985	4,423	17,730	209	456,795	850,932	2,016,672	2,867,604
Total comprehensive income for the period	—	—	—	—	—	75	(15,138)	(15,063)	(1,922)	(16,985)
Non-controlling interests arising on acquisition of interests in subsidiary	—	—	—	—	—	—	—	—	545	545
Non-controlling interests eliminated on acquisition of additional interests in non-wholly owned subsidiaries under corporate restructuring	—	—	—	—	—	—	—	—	(2,014,704)	(2,014,704)
At 30 June 2008	10,816	359,974	985	4,423	17,730	284	441,657	835,869	591	836,460
At 1 January 2009 (Audited)	10,816	359,974	985	4,423	62,370	15	140,039	578,622	591	579,213
Total comprehensive income for the period	—	—	—	—	—	—	(18,965)	(18,965)	(29)	(18,994)
Issue of convertible bonds for settlement of balance of consideration payable on acquisition of interests in subsidiary	—	—	—	—	4,890	—	—	4,890	—	4,890
Deferred tax liability on issue of convertible bonds	—	—	—	—	(806)	—	—	(806)	—	(806)
Non-controlling interests arising on issue of shares by subsidiary	—	—	—	—	—	—	—	—	40	40
At 30 June 2009	10,816	359,974	985	4,423	66,454	15	121,074	563,741	602	564,343



## CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	<b>Unaudited</b>	
	<b>Six months ended</b>	
	<b>30 June</b>	
	<b>2009</b>	2008
	<i>HK\$'000</i>	<i>HK\$'000</i>
Net cash generated from/(used in) operating activities	7,709	(10,627)
Net cash used in investing activities	(3,852)	(4,986)
Net cash used in financing activities	(4,073)	—
<b>Net decrease in cash and cash equivalents</b>	<b>(216)</b>	<b>(15,613)</b>
Cash and cash equivalents at 1 January	6,600	70,967
Effects of foreign exchange rate changes	—	89
<b>Cash and cash equivalents at 30 June</b>	<b>6,384</b>	<b>55,443</b>
<b>Analysis of cash and cash equivalents</b>		
Cash and bank deposits	6,384	55,443



## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

### 1. General information

The Company was incorporated in the Cayman Islands on 6 March 2002 as an exempted company under the Companies Law of the Cayman Islands and its shares have been listed on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited since 12 July 2002. These unaudited condensed consolidated financial statements are presented in Hong Kong dollars (“HK\$”), unless otherwise stated.

### 2. Basis of preparation and principal accounting policies

These unaudited condensed consolidated financial statements have been prepared in accordance with Hong Kong Accounting Standard 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”), accounting principles generally accepted in Hong Kong and the applicable disclosure requirements of Chapter 18 of the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited.

These unaudited condensed consolidated financial statements have been prepared using the historical cost basis except for interests in associates and jointly controlled entities and certain financial instruments which are measured at fair values.

In the current interim period, the Group has adopted all the new and revised Hong Kong Financial Reporting Standards (“new HKFRSs”) issued by the HKICPA that are relevant to its operations and effective for financial year beginning on 1 January 2009. The adoption of the new HKFRSs did not result in substantial changes to the Group’s accounting policies and amounts reported for the current and prior period.

The Group has not applied the new HKFRSs that have been issued but are not yet effective. The Group has already commenced an assessment of the impact of these new HKFRSs but is not yet in a position to state whether these new HKFRSs would have a material impact on its results of operations and financial position.



The accounting policies adopted for preparing these unaudited condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2008.

These condensed consolidated financial statements are unaudited but have been reviewed by the Company's audit committee.

### 3. Turnover

An analysis of the Group's turnover for the period is as follows:

	Unaudited Three months ended 30 June		Unaudited Six months ended 30 June	
	2009	2008	2009	2008
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Continuing operations				
Sales of petroleum-related products	—	11,892	1,689	11,892
Discontinued operations				
Sales of pulps and paper products	—	—	—	—

#### 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 six months ended 30 June 2009, the Group has 2 reportable segments — (1) exploration of coal, oil and natural gas and (2) trading of petroleum-related products. These segments are managed separately as they belong to different industries and require different operating systems and strategies. There are no sales or other transactions between these reportable segments. An analysis of the Group's segment information for the six months ended 30 June 2009 is presented below:

##### ***Income Statement (unaudited)***

*For the six months ended 30 June 2009*

	Continuing operations		
	Coal, oil and natural gas	Petroleum- related products	Total
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Turnover			
Revenues from external customers	—	1,689	1,689
Interest income	—	2	2
Other revenues	221	—	221
<b>Total income</b>	<b>221</b>	<b>1,691</b>	<b>1,912</b>
Reportable segment profit/(loss) before tax	(2,917)	59	(2,858)
Unallocated corporate income			514
Unallocated corporate expenses			(4,287)
Unallocated interest expense			(12,368)
Share of results of associates			(1,355)
<b>Loss before tax</b>			<b>(20,354)</b>
Income tax			1,360
<b>Loss for the period</b>			<b>(18,994)</b>



**Balance Sheet (unaudited)**

As at 30 June 2009

	Continuing operations		
	Coal, oil and natural gas	Petroleum- related products	Total
	HK\$'000	HK\$'000	HK\$'000
Assets:			
Segment assets	11,108	3,020	14,128
Interests in associates	80,560		80,560
Interests in jointly controlled entities	859,917		859,917
Unallocated corporate assets			4,690
<b>Total assets</b>			<b>959,295</b>
Liabilities:			
Segment liabilities	19,374	1,874	21,248
Unallocated corporate liabilities			373,704
<b>Total liabilities</b>			<b>394,952</b>



For the six months ended 30 June 2008, the Group had 3 reportable segments — (1) exploration of oil and natural gas, (2) trading of petroleum-related products and (3) trading of pulps and paper products. These segments were managed separately as they belonged to different industries and required different operating systems and strategies. In July 2008, the Group disposed of the trading of pulps and paper products business. There were no sales or other transactions between these reportable segments. An analysis of the Group's segment information for the six months ended 30 June 2008 is presented below:

**Income Statement (unaudited)**

*For the six months ended 30 June 2008*

	Continuing operations		Discontinued operations	Total HK\$'000
	Oil and natural gas HK\$'000	Petroleum- related products HK\$'000	Pulps and paper products HK\$'000	
Turnover				
Revenues from external customers	—	11,892	—	11,892
Interest income	18	—	—	18
Total income	18	11,892	—	11,910
Reportable segment profit/(loss) before tax	(6,170)	65	(75)	(6,180)
Unallocated corporate income				1
Unallocated corporate expenses				(3,646)
Unallocated interest expense				(7,898)
Loss before tax				(17,723)
Income tax				649
Loss for the period				(17,074)



**Balance Sheet (audited)**

As at 31 December 2008

	Continuing operations		Discontinued operations	Total HK\$'000
	Coal, oil and natural gas HK\$'000	Petroleum- related products HK\$'000	Pulps and paper products HK\$'000	
Assets:				
Segment assets	7,489	1,217	—	8,706
Interests in associates	81,915			81,915
Interests in jointly controlled entities	856,118			856,118
Unallocated corporate assets				6,044
<b>Total assets</b>				<b>952,783</b>
Liabilities:				
Segment liabilities	40,431	13	—	40,444
Unallocated corporate liabilities				333,126
<b>Total liabilities</b>				<b>373,570</b>





## 5. Operating loss

Operating loss is arrived at after charging:

	Unaudited Three months ended 30 June		Unaudited Six months ended 30 June	
	2009 HK\$'000	2008 HK\$'000	2009 HK\$'000	2008 HK\$'000
<b>Continuing operations</b>				
Staff costs (including directors' remuneration)				
— Salaries and other benefits	1,561	1,325	3,097	2,572
— Retirement scheme contributions	16	6	29	13
Depreciation of property, plant and equipment	70	31	139	72
<b>Discontinued operations</b>				
Staff costs (including directors' remuneration)				
— Salaries and other benefits	—	—	—	—
— Retirement scheme contributions	—	—	—	—
Depreciation of property, plant and equipment	—	—	—	—

## 6. Finance costs

	Unaudited Three months ended 30 June		Unaudited Six months ended 30 June	
	2009 HK\$'000	2008 HK\$'000	2009 HK\$'000	2008 HK\$'000
<b>Continuing operations</b>				
Effective interest on convertible bonds	6,262	3,983	12,368	7,898
<b>Discontinued operations</b>				
Effective interest on convertible bonds	—	—	—	—



## 7. Income tax

	Unaudited Three months ended 30 June		Unaudited Six months ended 30 June	
	2009	2008	2009	2008
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>Continuing operations</b>				
Current tax				
— Hong Kong	—	—	—	—
— Other jurisdictions	(2)	—	(2)	—
Deferred tax	692	326	1,362	649
<b>Income tax credit for the period</b>	<b>690</b>	<b>326</b>	<b>1,360</b>	<b>649</b>
<b>Discontinued operations</b>				
Current tax				
— Hong Kong	—	—	—	—
— Other jurisdictions	—	—	—	—
Deferred tax	—	—	—	—
<b>Income tax for the period</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>

No provision for Hong Kong profits tax and income tax of other jurisdictions has been made as the Group had no assessable profit for the three months and six months ended 30 June 2009 (three months and six months ended 30 June 2008: Nil).

Deferred tax for the three months and six months ended 30 June 2009 and 30 June 2008 represents tax income recognised on reversal of temporary differences arising from convertible bonds.

No deferred tax has been recognised on loss for the three months and six months ended 30 June 2009 (three months and six months ended 30 June 2008: Nil) due to unpredictability stream of future taxable profits that will be available against which the tax losses can be utilised.



## 8. Loss per share

The calculations of the basic and diluted loss per share are based on the following data:

### (a) Basic loss per share

	Unaudited Three months ended 30 June		Unaudited Six months ended 30 June	
	2009 HK\$'000	2008 HK\$'000	2009 HK\$'000	2008 HK\$'000
Loss for the period from continuing and discontinued operations attributable to owners of the Company	(9,950)	(8,743)	(18,965)	(15,138)
Less: Loss for the period from discontinued operations	—	57	—	75
Loss for the period for calculation of basic loss per share from continuing operations	(9,950)	(8,686)	(18,965)	(15,063)
	'000	'000	'000	'000
Weighted average number of ordinary shares in issue for the period	5,408,000	5,408,000	5,408,000	5,408,000

**(b) Diluted loss per share**

	Unaudited Three months ended 30 June		Unaudited Six months ended 30 June	
	2009	2008	2009	2008
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Loss for the period from continuing and discontinued operations attributable to owners of the Company	(9,950)	(8,743)	(18,965)	(15,138)
Less: Interest expense on dilutive convertible bonds	2,212	—	4,341	—
Deferred tax relating to interest expense on dilutive convertible bonds	(365)	—	(716)	—
Adjusted loss for the period from continuing and discontinued operations for the calculation of diluted loss per share	(8,103)	(8,743)	(15,340)	(15,138)
Less: Loss for the period from discontinued operations	—	57	—	75
Adjusted loss for the period from continuing operations for calculation of diluted loss per share	(8,103)	(8,686)	(15,340)	(15,063)
	'000	'000	'000	'000
Weighted average number of ordinary shares in issue for the period	5,408,000	5,408,000	5,408,000	5,408,000
Effect of dilutive potential ordinary shares on share options	—	—	—	492
Effect of dilutive potential ordinary shares on convertible bonds	47,483	—	2,453,039	—
Weighted average number of ordinary shares for calculation of diluted loss per share	5,455,483	5,408,000	7,861,039	5,408,492

Effect of dilutive potential ordinary shares on the convertible bonds issued on 10 October 2007 and the warrants is considered to be nil as the average market prices of ordinary shares during the relevant periods are below the conversion price of the convertible bonds and the exercise price of the warrants.



No diluted loss per share for the three months and six months ended 30 June 2009 and 2008 is disclosed as the effect of potential shares would decrease the loss per share of the Group for the periods and is regarded as anti-dilutive.

## 9. Dividend

The Board does not recommend the payment of a dividend for the six months ended 30 June 2009 (six months ended 30 June 2008: Nil).

## 10. Trade and other receivables

The Group has a policy of allowing average credit period ranging from 2 weeks to 1 month to its trade customers. In addition, for certain customers with long-established relationship and good past repayment histories, a longer credit period may be granted.

	<b>Unaudited 30 June 2009</b>	Audited 31 December 2008
	<i>HK\$'000</i>	<i>HK\$'000</i>
Trade receivables	1,908	—
Other debtors, deposits and prepayments	1,087	1,075
Amounts due from related parties	10	—
	<b>3,005</b>	<b>1,075</b>
An aged analysis of trade receivables is as follows:		
Over 3 months but within 6 months	1,908	—

The amounts due from related parties are unsecured, interest-free and have no fixed terms of repayment.



## 11. Trade and other payables

	<b>Unaudited 30 June 2009</b>	Audited 31 December 2008
	<i>HK\$'000</i>	<i>HK\$'000</i>
Trade payables	1,879	—
Other creditors and accrued charges	1,691	14,902
Amounts due to related parties	36,343	22,575
Amounts due to shareholders	13,669	9,532
Amounts due to associates	174	174
	<b>53,756</b>	<b>47,183</b>
An aged analysis of trade payables is as follows:		
Over 3 months but within 6 months	1,879	—

The amounts due to related parties, shareholders and associates are unsecured, interest-free and have no fixed terms of repayment.

## 12. Issued capital

	<b>Number of shares '000</b>	Amount <i>HK\$'000</i>
<i>Authorised:</i>		
Ordinary shares of HK\$0.002 each		
— At 1 January 2009 and 30 June 2009	10,000,000	20,000
<i>Issued and fully paid:</i>		
Ordinary shares of HK\$0.002 each		
— At 1 January 2009 and 30 June 2009	5,408,000	10,816



### 13. Commitments

#### (a) Capital commitments

The capital commitments outstanding contracted for but not provided for are as follows:

	<b>Unaudited 30 June 2009</b>	Audited 31 December 2008
	<i>HK\$'000</i>	<i>HK\$'000</i>
Contributions to jointly controlled entities	81,106	58,285

#### (b) Operating lease commitments

The total future minimum lease payments under non-cancelable operating leases are as follows:

	<b>Unaudited 30 June 2009</b>	Audited 31 December 2008
	<i>HK\$'000</i>	<i>HK\$'000</i>
Properties		
— within 1 year	1,604	1,710
— after 1 year but within 5 years	487	1,259
	2,091	2,969



#### 14. Related parties transactions

In addition to the transactions and balances disclosed elsewhere in these unaudited condensed consolidated financial statements, the Group had the following material transactions with related parties:—

	Notes	Unaudited Three months ended 30 June		Unaudited Six months ended 30 June	
		2009	2008	2009	2008
		HK\$'000	HK\$'000	HK\$'000	HK\$'000
Consultancy fee income	I	227	—	454	—
Licence fee income	II	60	—	60	—
Reimbursement of office overhead expenses	III	79	—	79	—
Reimbursement of printing expenses	IV	142	—	142	—
Convertible bonds interest	V	6,262	3,983	12,368	7,898

*Notes:*

- I The consultancy fee income was charged by the Company, for services rendered to a jointly controlled entity operated by Polyard Petroleum International Company Limited ("PPIC"), a wholly-owned subsidiary of the Company, in the Philippines.
- II The licence fee income was charged by the Company for usage of office with a related company in which Mr. Lam Nam ("Mr. Lam"), a major shareholder of the Company, held material interests.
- III The office overhead expenses were charged by PPIC for sharing of expenses with a jointly controlled entity operated by PPIC in the Philippines.
- IV The printing expenses were charged by PPIC for reimbursement of expenses incurred for a jointly controlled entity operated by PPIC in the Philippines.
- V The convertible bonds interest represented the effective interest charged on convertible bonds issued by the Company to Mr. Lam and a company beneficially owned by Mr. Lam.





## MANAGEMENT DISCUSSION AND ANALYSIS

### Business and Financial Review

For the six months ended 30 June 2009 (the “Period”), the Group generated an unaudited turnover of approximately HK\$1,689,000, remained the same as the first quarter of the current year, which was substantially decreased by approximately 85.8% as compared to that of the last corresponding period. The unaudited net loss attributable to owners of the Company was approximately HK\$18,965,000. In last corresponding period, the Group has an unaudited net loss attributable to owners of the Company of approximately HK\$15,138,000.

As the Group’s main business is the exploration and exploitation of energy mining, of which all the three projects, i.e., the Brunei Block M Oil Project, the Philippines’ Central Luzon Oil and Gas Project and the Philippines’ San Miguel Coal Mining Project are still in the explorative phase, the Group would have to suffer loss and that profitability could be resumed when the projects are progressed to the exploitative phase with output of commercial quantity. The share of loss of associates for the Period was approximately HK\$1,355,000 (last corresponding period: Nil).

Even though significant efforts have been made internationally, yet the effect of recovery from financial crisis is still uncertain. At least, the demand for oil and petroleum-related products is weak and the international quotations of crude oil are continuing fluctuated to such an extent during the Period that made the trade of such products difficult and unprofitable.

On 22 June 2009, Polyard Petroleum International Company Limited (“PPIC”), an indirect wholly-owned subsidiary of the Company, signed a conditional sale and purchase agreement with Cenozoil Energy Corporation, a company incorporated in the Philippines (“Cenozoil”). Pursuant to the agreement, PPIC agreed to purchase the 9% undivided participating interest in the Service Contract No.70 in the Philippines (i.e. the Philippines’ Central Luzon Oil and Gas Project) from Cenozoil. The transaction was approved by Department of Energy on 10 July 2009.



The consideration for the acquisition is PHP5,000,000 only and PPIC shall pay 100% of all expenses and costs attributable to Cenozoil's remaining 1% interests in the Contract which is incurred within the exploration period stipulated in and under the Contract.

The Directors do not recommend the payment of an interim dividend for the Period (last corresponding period: Nil).

## **Prospects**

### ***Brunei Block M***

The operator, Tap Energy (Borneo) Pty. Ltd., of Brunei Block M Project has revised the work program and the tender for the drilling is in progress and is making plans to spud the first two wells, at its earliest possible time, after March 2010.

### ***Central Luzon, the Philippines***

The project is proceeding smoothly. The comprehensive geological study is the main activity performed during the Period and the final report of this study submitted by our expertise team in terms of gas exploration, is promising.

As more time is needed for seismic data processing and further geological study to reduce the risk in exploration, extension of explorative phase 1 has been granted by the Department of Energy, the Philippines, whereas the seismic data processing and further geological study is now underway.

### ***Coal Mine Project***

The project has now proceeded into the phase of development, that is, planning and preparation for the extraction. A site office has now been set-up. Traffic road to and from the coal mine in San Miguel, the Philippines are now under construction and permit for transacting coal trading has been applied for. As soon as the relevant permit and the road for transportation is ready, the extraction work will be commenced.



## **PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES**

During the Period, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

## **DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND/OR SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR ANY ASSOCIATED CORPORATIONS**

As at 30 June 2009, none of the Directors and chief executives of the Company has interests and/or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) which were required to notify to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO), or which were recorded in the register required to be kept by the Company under Section 352 of the SFO, or which were required, pursuant to Rule 5.46 of the GEM Listing Rules, relating to the required standard of dealings by directors of listed issuers, to be notified to the Company and the Stock Exchange.



## SUBSTANTIAL SHAREHOLDERS' INTERESTS AND/OR SHORT POSITIONS IN THE SHARES AND/OR UNDERLYING SHARES OF THE COMPANY

The register of substantial shareholders required to be kept under section 336 of Part XV of the SFO shows that as at 30 June 2009, the Company had been notified of the following substantial shareholders' interests and short positions, being 5% or more of the Company's issued share capital. These interests are in addition to those disclosed above in respect of the directors and chief executives.

Name of person	Number of shares held (Note 1)	Capacity	Approximate percentage of interest
Lam Nam	1,333,000,000 (Note 2)	(L) Interest of a controlled corporation	24.65%
	642,679,607 (Note 4)	(L) Beneficial owner	11.88%
	2,500,000,000 (Notes 3 and 4)	(L) Interest of a controlled corporation	46.23%
Silver Star Enterprises Holdings Inc. (Note 2)	1,333,000,000	(L) Beneficial owner	24.65%
China International Mining Holding Company Limited (Note 3)	2,500,000,000 (Note 4)	(L) Beneficial owner	46.23%
Inwood Support Limited (Note 5)	500,700,000 (Note 6)	(L) Beneficial owner	9.26%
Li Sui Qing (Note 5)	500,700,000	(L) Interest of a controlled corporation	9.26%



*Notes:*

1. The letter “L” represents the person’s interests in shares or underlying shares.
2. The entire issued share capital of Silver Star Enterprises Holdings Inc. is beneficially owned by Mr. Lam Nam.
3. The entire issued share capital of China International Mining Holding Company Limited is beneficially owned by Mr. Lam Nam.
4. These shares may be allotted and issued upon exercise of the conversion rights attaching to the convertible bonds issued by the Company.
5. Inwood Support Limited is wholly owned by Li Sui Qing.
6. These shares represent the shares to be allotted and issued upon exercise in full of the subscription rights attaching to the warrants held by Inwood Support Limited.

Save as disclosed above, as at 30 June 2009, the Directors are not aware of any other person or corporation having an interest or short position in the shares and/or underlying shares of the Company representing 5% or more of the Company’s issued share capital.

## **SHARE OPTION SCHEMES**

Pursuant to the pre-IPO share option scheme (the “Pre-IPO Share Option Scheme”) adopted by the Company on 26 June 2002, certain Directors and participants have been granted options to subscribe for shares at an exercise price of HK\$0.002 per share. All of these share options granted were exercised or lapsed in or before 2008.

No share options under the share option scheme (the “Share Option Scheme”) adopted by the Company on 26 June 2002 were granted, exercised or lapsed during the Period.

Details of the Pre-IPO Share Option Scheme and the Share Option Scheme are set out in the Prospectus issued by the Company on 5 July 2002.



## **DIRECTORS' AND CHIEF EXECUTIVE'S RIGHTS TO ACQUIRE SHARES**

Save as disclosed above, at no time during the Period was the Company or its subsidiaries a party to any arrangements to enable the Directors or chief executives (including their spouses or children under 18 years of age) of the Company to acquire benefits by means of acquisition of shares in the Company or any other body corporate.

## **REQUIRED STANDARD OF SECURITIES DEALINGS BY DIRECTORS**

During the Period, the Company had complied with the required standard of dealings set out in Rules 5.48 to 5.67 of the GEM Listing Rules. Having made specific enquiry with all the Directors, the Directors of the Company had complied with the required standard of dealings and the code of conduct for the Directors' securities transactions during the Period.

## **BOARD PRACTICES AND PROCEDURES**

The Company has complied with Rules 5.34 to 5.45 of the GEM Listing Rules concerning board practices and procedures throughout the Period.

## **COMPETING INTERESTS**

During the Period, none of the Directors or the management shareholders of the Company (as defined in the GEM Listing Rules) had an interest in a business which competes or may compete with the business of the Group.

## **CODE ON CORPORATE GOVERNANCE PRACTICES**

Throughout the Period, 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.



## AUDIT COMMITTEE

The Company has established an audit committee (the “Audit Committee”) with written terms of reference pursuant to the GEM Listing Rules. The duties of the Audit Committee include reviewing and monitoring the financial reporting procedures and internal control system of the Group. Following the change in status of Mr. Zhang Xiaobao from Independent Non-executive Director to Executive Director on 15 May 2009, the number of the Company’s Independent Non-executive Directors and that of the Members of the Audit Committee have decreased below the minimum number as required respectively by the Rules 5.05(1) and 5.28 of the GEM Listing Rules. Mr. Pai Hsi-ping was appointed on 30 July 2009 as Independent Non-executive Director.

As at 30 June 2009, the Audit Committee comprised two Independent Non-executive Directors, namely Mr. Wang Yanhui and Mr. Chan Kin Cheong.

The unaudited condensed consolidated financial statements of the Group for the Period have been reviewed by the Audit Committee. In the opinion of the Audit Committee, such unaudited condensed consolidated financial statements complied with the applicable accounting standards and requirements and contained adequate disclosures.

## CONTINGENT LIABILITIES

As at 30 June 2009, the Company did not have any substantial contingent liabilities.

For and on behalf of the Board

**Kuai Wei**

*Chairman*

Hong Kong, 10 August 2009

*At the date of this report, the Board comprises four executive directors, namely Mr. Kuai Wei, Mr. Cao Xuejun, Mr. Lin Zhang and Mr. Zhang Xiaobao and three independent non-executive directors, namely Mr. Wang Yanhui, Mr. Chan Kin Cheong and Mr. Pai Hsi-ping.*