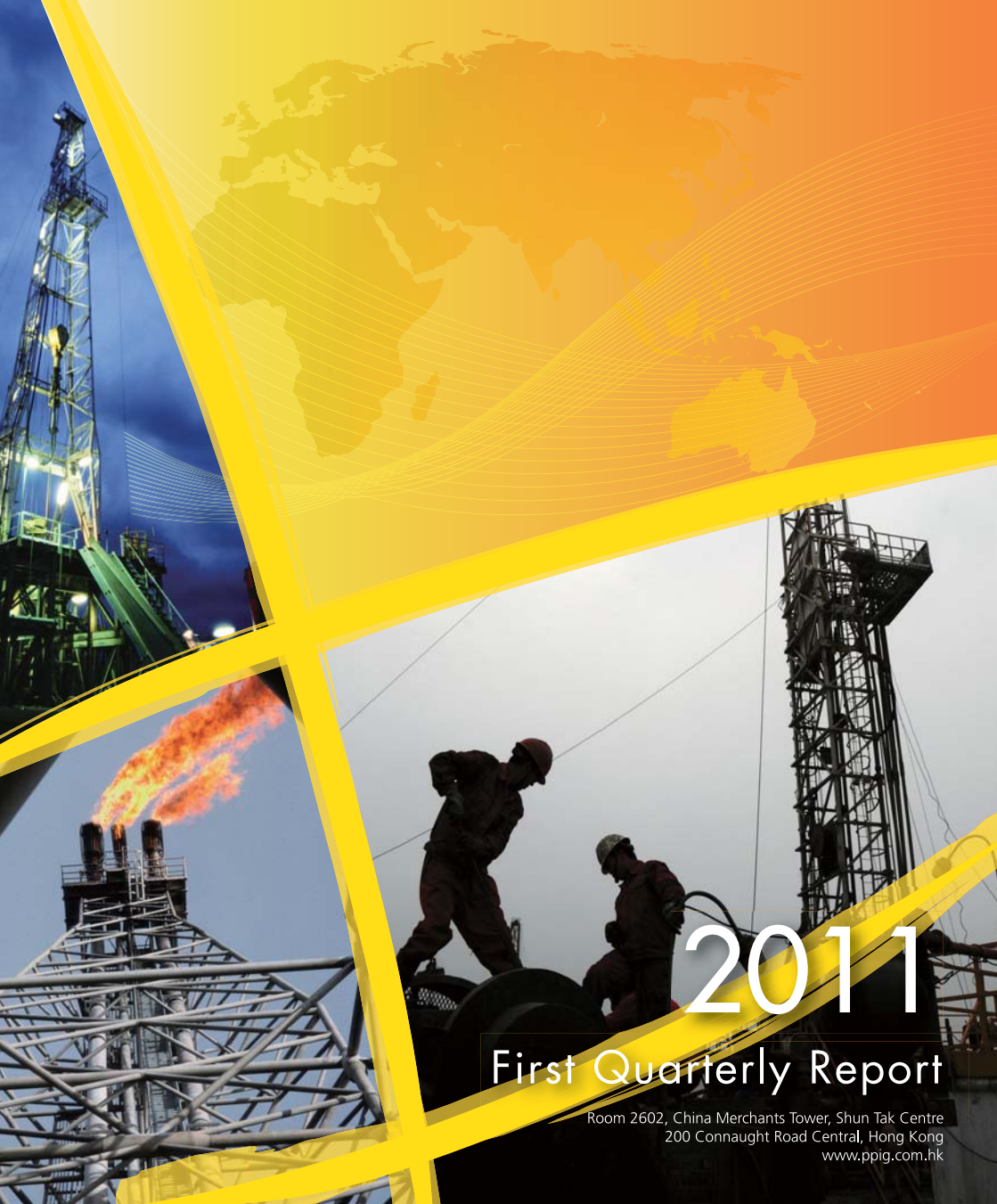




POLYARD PETROLEUM INTERNATIONAL GROUP LIMITED
百田石油國際集團有限公司

(Stock Code : 8011)



2011

First Quarterly Report

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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.*

FIRST QUARTERLY 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 three months ended 31 March 2011, together with the comparative unaudited figures for the corresponding period in 2010, as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT

For the three months ended 31 March 2011

	Notes	Unaudited Three months ended 31 March	
		2011 HK\$'000	2010 HK\$'000
Turnover	3	—	—
Cost of sales		—	—
Gross profit		—	—
Other revenues		1	31
Administrative expenses		(6,617)	(4,858)
Share of results of associates		—	(5)
Operating loss		(6,616)	(4,832)
Finance costs	4	(8,814)	(6,625)
Loss before tax	5	(15,430)	(11,457)
Income tax	6	1,117	752
LOSS FOR THE PERIOD		(14,313)	(10,705)

Unaudited
Three months ended
31 March

	<i>Notes</i>	2011 <i>HK\$'000</i>	2010 <i>HK\$'000</i>
Attributable to:			
Owners of the Company		(14,164)	(10,509)
Non-controlling interests		(149)	(196)
		(14,313)	(10,705)
Dividend	7	—	—
Loss per share			
Basic (<i>in HK cents</i>)	8	(0.582)	(0.972)
Diluted (<i>in HK cents</i>)		N/A	N/A

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the three months ended 31 March 2011

	Unaudited Three months ended 31 March	
	2011 <i>HK\$'000</i>	2010 <i>HK\$'000</i>
Loss for the period	(14,313)	(10,705)
Other comprehensive income:		
Exchange difference arising on translation of foreign operations	52	(48)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	(14,261)	(10,753)
Attributable to:		
Owners of the Company	(14,101)	(10,557)
Non-controlling interests	(160)	(196)
	(14,261)	(10,753)

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the three months ended 31 March 2011

	Unaudited									
	Attributable to owners of the Company									Total
	Issued capital	Share premium	Special reserve	Exchange reserve	Capital reserve	Convertible bonds reserve	Retained profits	Total	Non-controlling interests	
HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
At 1 January 2010 (Audited)	10,816	359,974	985	15	—	66,454	49,305	487,549	564	488,113
Loss for the period	—	—	—	—	—	—	(10,509)	(10,509)	(196)	(10,705)
Other comprehensive income for the period	—	—	—	(48)	—	—	—	(48)	—	(48)
Total comprehensive income for the period	—	—	—	(48)	—	—	(10,509)	(10,557)	(196)	(10,753)
At 31 March 2010	10,816	359,974	985	(33)	—	66,454	38,796	476,992	368	477,360
At 1 January 2011 (Audited)	24,336	531,831	985	57	15,392	48,689	960	622,250	87	622,337
Loss for the period	—	—	—	—	—	—	(14,164)	(14,164)	(149)	(14,313)
Other comprehensive income for the period	—	—	—	63	—	—	—	63	(11)	52
Total comprehensive income for the period	—	—	—	63	—	—	(14,164)	(14,101)	(160)	(14,261)
At 31 March 2011	24,336	531,831	985	120	15,392	48,689	(13,204)	608,149	(73)	608,076

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. The shares of the Company were listed on GEM on 12 July 2002.

The Group is principally engaged in the exploration, exploitation and production of oil, natural gas and coal, and trading of petroleum-related products.

2. Basis of preparation

The unaudited condensed consolidated results have been prepared in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants, accounting principles generally accepted in Hong Kong and the applicable disclosure requirements of the GEM Listing Rules.

The unaudited condensed consolidated results have been prepared under the historical cost convention, except for interests in associates and jointly controlled entities and certain financial instruments which are measured at fair value.

The accounting policies adopted for preparing the unaudited condensed consolidated results are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2010.

3. Turnover

The Group did not record any sales during the period ended 31 March 2011 (2010: Nil).

4. Finance costs

	Unaudited Three months ended 31 March	
	2011	2010
	<i>HK\$'000</i>	<i>HK\$'000</i>
Effective interest on convertible bonds	8,814	6,619
Bank interest	—	6
	8,814	6,625

5. Loss before tax

Loss before tax is arrived at after charging:

	Unaudited Three months ended 31 March	
	2011 HK\$'000	2010 HK\$'000
Staff costs (including directors' remuneration)		
— Salaries and other benefits	2,603	2,345
— Retirement scheme contributions	39	29
Depreciation of property, plant and equipment	94	71

6. Income tax

	Unaudited Three months ended 31 March	
	2011 HK\$'000	2010 HK\$'000
Current tax		
— Hong Kong	—	—
— Other jurisdictions	—	—
Deferred tax	1,117	752
Income tax credit for the period	1,117	752

No provision for Hong Kong profits tax has been provided as there was no assessable income in Hong Kong during the period (2010: Nil). Taxes on profits assessable in other jurisdictions are calculated at the rates of tax prevailing in the countries in which the Group operates, based on existing legislation, interpretation and practices in respect thereof.

Deferred tax for the period represents income tax recognised on reversal of temporary differences arising from convertible bonds.

No deferred tax has been recognised on loss for the period (2010: Nil) due to unpredictability of future taxable profits that will be available against which the tax losses can be utilised.

7. Dividend

The Board does not recommend the payment of a dividend for the period (2010: Nil).

8. Loss per share

The calculation of the basic loss per share is based on the following data:

	Unaudited Three months ended 31 March	
	2011	2010
	<i>HK\$'000</i>	<i>HK\$'000</i>
Loss for the period attributable to owners of the Company	(14,164)	(10,509)
Loss for the period for calculation of basic loss per share	(14,164)	(10,509)
	<i>'000</i>	<i>'000</i>
Weighted average number of ordinary shares in issue for the period	2,433,600	1,081,600

No diluted loss per share is presented as the conversion of the outstanding convertible bonds of the Company is anti-dilutive.

MANAGEMENT DISCUSSION AND ANALYSIS

Business and Financial Review

For the three months ended 31 March 2011 and 2010, the Group had generated no turnover.

The Group recorded a net loss attributable to owners of the Company of approximately HK\$14,164,000 for the period as compared to a net loss attributable to owners of the Company of approximately HK\$10,509,000 for the corresponding period last year.

Administrative expenses for the period amounted to approximately HK\$6,617,000, representing an increase of approximately HK\$1,759,000, or 36%, as compared with the corresponding period last year. It was mainly attributable to the increase in overseas travelling expenses and staff costs necessitated by heightened project activities.

Finance costs for the period amounted to approximately HK\$8,814,000 (2010: approximately HK\$6,625,000). The increase in interest costs was mainly due to increase in effective interest rate in amortizing a convertible bond which matured in October 2010 and was extended for one year.

The Group engages in the business of exploration and exploitation of energy and resources. Among the three ongoing projects, the oil and gas project in Brunei has completed drilling two exploratory wells while the coal mine project in the Philippines has entered into the development phase. As most of the projects are still in the exploratory phase, the Group continues to incur capitalizable and operating expenses, and sustain losses. Revenues will be recorded when the projects progress to the exploitative phase with output of commercial quantity.

Proposed Share Consolidation and Rights Issue

On 12 April 2011, the Board announced that the Company proposes to implement a share consolidation on the basis that every two issued and unissued shares will be consolidated into one consolidated share, and raise up to approximately HK\$115 million before expenses, by way of rights issue of 1,216,800,000 rights shares at the subscription price of HK\$0.12 per rights share on the basis of one rights share for every one consolidated share held on the record date and payable in full on application.

Proposed Increase in Authorised Share Capital

On 12 April 2011, the Board announced that the Company proposes to increase the Company's authorised share capital (on the basis of the share consolidation having become effective) from HK\$40,000,000 divided into 2,000,000,000 consolidated shares to HK\$100,000,000 divided into 5,000,000,000 consolidated shares by the creation of an additional 3,000,000,000 new consolidated shares. Such new consolidated shares, upon issued and fully paid, shall rank *pari passu* in all respects with the consolidated shares in issue.

Prospects

Brunei Block M Oil and Gas Project

During the third quarter of 2010, two exploration wells, the Mawar-1 and the Markisa-1, were drilled. Both wells encountered hydrocarbons and have been cased and suspended pending results of ongoing studies on data acquired from the wells. Testing of the wells that was supposed to take place in first half of 2011 to confirm the potential of the discovery has been rescheduled to a later date to combine the works of the third well for cost efficiency. Results of these studies will determine the commercial significance of the zone and the most appropriate future course of action.

The operator of Block M will continue to pursue parallel strategies on appraising the existing Belait field and assessing the wider potential of this 3,011 km² onshore block.

Philippines Central Luzon Gas Project

Well Victoria-3's workover drilling construction is undergoing a bidding process. The Manila Office is currently in the process of securing a workover rig to conduct the work and it is anticipated that the Victoria-3 will be re-entered sometime during 2011. An exploration manager and a country manager who are rich in experience in oil and gas exploration and exploitation have joined the team at the end of the first quarter and early second quarter respectively. The project is expected to move at full speed in coming phases.

Philippines San Miguel Coal Mine Project

The project has progressed into the development phase. Construction of the phase-2 road, which will extend the vehicle-assessable road into the initial mining area, was delayed by the torrential rain and flood which hard hit Mindanao during the last quarter of 2010. Road construction is expected to begin in the second quarter of and complete in the third quarter of 2011. Project management has been surveying water-front properties which would allow construction of pier facilities for loading coal shipments.

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

As at 31 March 2011, so far as was known to the Directors, the following Directors and chief executive of the Company had, or were deemed or take to have, interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which were required to be notified to the Company and the Stock Exchange pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules relating to the securities transactions by Directors.

Long positions in shares of an associated corporation

Name of Director	Associated corporation	Capacity	Number of shares	Approximate shareholding percentage
Zhang Xiaobao	Sinotech Polyard Petroleum Exploration & Development Research Institute Limited	Beneficial owner	9,900	9.9%

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

As at 31 March 2011, the interests and short positions of persons, other than Directors or chief executives of the Company, in the shares and/or underlying shares of the Company which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or, who is, directly or indirectly, interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other members of the Group, or substantial shareholders as recorded in the register of substantial shareholders required to be kept by the Company under Section 336 of the SFO were as follows:

Name of person	Number of shares held <i>(Note 1)</i>	Capacity	Approximate percentage of interest
Lam Nam	711,845,196 (L) <i>(Note 2)</i>	Interest of a controlled corporation	29.25%
	170,167,630 (L) <i>(Note 4)</i>	Beneficial owner	6.99%
	600,000,000 (L) <i>(Note 3 and 4)</i>	Interest of a controlled corporation	24.65%
Silver Star Enterprises Holdings Inc. <i>(Note 2)</i>	711,845,196 (L)	Beneficial owner	29.25%
China International Mining Holding Company Limited <i>(Note 3)</i>	600,000,000 (L) <i>(Note 4)</i>	Beneficial owner	24.65%

Notes:

- 1 The letter "L" denotes long positions 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.

Save as disclosed above, as at 31 March 2011, the Directors were not aware of any other person (other than the Directors or chief executives of the Company) who had an interest or short position in the shares or underlying shares of the Company which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or, who is directly or indirectly, interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other members of the Group, or any other substantial shareholders whose interests or short positions were recorded in the register required to be kept by the Company under Section 336 of the SFO.

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’ RIGHTS TO ACQUIRE SHARES

At no time during the period were rights to acquire benefits by means of acquisition of shares in or debentures of the Company or of any other body corporate granted to any Directors, their respective spouses or children under 18 years of age, or were any such rights exercised by them; or was the Company or any of its subsidiaries a party to any arrangements to enable the Directors, their respective spouses or children under 18 years of age to acquire such rights in the Company or any other body corporate.

CODE OF CONDUCT REGARDING SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted a code of conduct regarding securities transactions by Directors on terms no less exacting than the required standard of dealings set out in Rules 5.48 to 5.67 of the GEM Listing Rules. The Company was not aware of any non-compliance with the required standard of dealings and the code of conduct regarding securities transactions throughout the period ended 31 March 2011.

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

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities during the period.

PRE-EMPTIVE RIGHTS

There are no provision for pre-emptive rights under the Company's Articles of Association, or the laws of the Cayman Islands, which would oblige the Company to offer new shares on a pro rata basis to existing shareholders.

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.

The Audit Committee comprises three independent non-executive Directors, namely Mr. Wang Yanhui, Mr. Pai Hsi-Ping and Mr. Wong Kon Man Jason.

The unaudited condensed consolidated financial statements of the Group for the period have been reviewed by the Audit Committee, which is of the opinion that such unaudited condensed consolidated financial statements complied with the applicable accounting standards, the Stock Exchange and legal requirements, and that adequate disclosures have been made.

For and on behalf of the Board

Kuai Wei

Chairman

Hong Kong, 6 May 2011

At the date of this report, the board of Directors of the Company comprises:

Executive Directors

Mr. Kuai Wei

Mr. Cao Xuejun

Mr. Zhang Xiaobao

Mr. Lin Zhang

Independent Non-Executive Directors

Mr. Wang Yanhui

Mr. Pai Hsi-Ping

Mr. Wong Kon Man Jason