



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

(Stock Code : 8011)

2013

First Quarterly Report



## **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.*

## 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 2013, together with the comparative unaudited figures for the corresponding period in 2012, as follows:

### CONDENSED CONSOLIDATED INCOME STATEMENT

*For the three months ended 31 March 2013*

|                                | Notes | Unaudited<br>Three months ended<br>31 March |                  |
|--------------------------------|-------|---|------------------|
|                                |       | 2013<br>HK\$'000                            | 2012<br>HK\$'000 |
| Turnover                       | 3     | —   | 349              |
| Other revenues                 |       | —   | 3                |
| Administrative expenses        |       | (3,573)                                     | (6,375)          |
| Operating loss                 |       | (3,573)                                     | (6,023)          |
| Share of results of associates |       | (4)   | (2)              |
| Finance costs                  | 4     | (4,319)                                     | (3,550)          |
| Loss before tax                | 5     | (7,896)                                     | (9,575)          |
| Income tax                     | 6     | 620   | 538              |
| <b>LOSS FOR THE PERIOD</b>     |       | <b>(7,276)</b>                              | <b>(9,037)</b>   |

**Unaudited**  
**Three months ended**  
**31 March**

|                                | <i>Notes</i> | <b>2013</b><br><i>HK\$'000</i> | 2012<br><i>HK\$'000</i> |
|--------------------------------|--------------|--------------------------------|-------------------------|
| <b>Attributable to:</b>        |              |                                |                         |
| Owners of the Company          |              | (7,228)                        | (9,030)                 |
| Non-controlling interests      |              | (48)                           | (7)                     |
|                                |              | <b>(7,276)</b>                 | <b>(9,037)</b>          |
| <b>Loss per share</b>          |              |                                |                         |
| Basic ( <i>in HK cents</i> )   | 7            | (0.396)                        | (0.495)                 |
| Diluted ( <i>in HK cents</i> ) |              | N/A                            | N/A                     |
| Dividend                       | 8            | —                              | —                       |

## CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the three months ended 31 March 2013

|  | Unaudited<br>Three months ended<br>31 March |                  |
|--|---|------------------|
|  | 2013<br>HK\$'000                            | 2012<br>HK\$'000 |
| Loss for the period  | (7,276)                                     | (9,037)          |
| Other comprehensive income:                                      |   |                  |
| Exchange difference arising on translation of foreign operations | 113   | (79)             |
| <b>TOTAL COMPREHENSIVE INCOME FOR THE PERIOD</b>                 | <b>(7,163)</b>                              | <b>(9,116)</b>   |
| <b>Attributable to:</b>  |   |                  |
| Owners of the Company  | (7,114)                                     | (9,101)          |
| Non-controlling interests  | (49)  | (15)             |
|  | <b>(7,163)</b>                              | <b>(9,116)</b>   |



## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the three months ended 31 March 2013

|   | Unaudited                             |               |                 |                  |                 |               |          |                  |          |                           |       |
|---|---------------------------------------|---------------|-----------------|------------------|-----------------|---------------|----------|------------------|----------|---------------------------|-------|
|   | Attributable to owners of the Company |               |                 |                  |                 |               |          |                  |          |                           |       |
|   | Share capital                         | Share premium | Special reserve | Exchange reserve | Convertible     |               |          | Retained profits | Subtotal | Non-controlling interests | Total |
|   |                                       |               |                 |                  | Capital reserve | bonds reserve |          |                  |          |                           |       |
| HK\$'000                                  | HK\$'000                              | HK\$'000      | HK\$'000        | HK\$'000         | HK\$'000        | HK\$'000      | HK\$'000 | HK\$'000         | HK\$'000 |                           |       |
| At 1 January 2012 (Audited)               | 72,900                                | 777,644       | 985             | (49)             | 15,392          | 48,689        | 303,242  | 1,218,803        | 153,679  | 1,372,482                 |       |
| Total comprehensive income for the period | —                                     | —             | —               | (71)             | —               | —             | (9,030)  | (9,101)          | (15)     | (9,116)                   |       |
| At 31 March 2012                          | 72,900                                | 777,644       | 985             | (120)            | 15,392          | 48,689        | 294,212  | 1,209,702        | 153,664  | 1,363,366                 |       |
| At 1 January 2013 (Audited)               | 73,070                                | 778,736       | 985             | (201)            | 15,392          | 49,062        | 241,800  | 1,158,844        | 131,999  | 1,290,843                 |       |
| Total comprehensive income for the period | —                                     | —             | —               | 114              | —               | —             | (7,228)  | (7,114)          | (49)     | (7,163)                   |       |
| At 31 March 2013                          | 73,070                                | 778,736       | 985             | (87)             | 15,392          | 49,062        | 234,572  | 1,151,730        | 131,950  | 1,283,680                 |       |

## 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 2012.

### 3. Turnover

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

|                                 | <b>Unaudited<br/>Three months ended<br/>31 March</b> |                 |
|---------------------------------|--|-----------------|
|                                 | <b>2013</b>  | 2012            |
|                                 | <i>HK\$'000</i>                                      | <i>HK\$'000</i> |
| Provision of technical services | —  | 349             |



#### 4. Finance costs

|   | Unaudited<br>Three months ended<br>31 March |                  |
|---|---|------------------|
|   | 2013<br>HK\$'000                            | 2012<br>HK\$'000 |
| Effective interest on convertible bonds | 3,964                                       | 3,272            |
| Effective interest on promissory note   | 228   | 214              |
| Bank interest                           | 127   | 64               |
|   | <b>4,319</b>                                | <b>3,550</b>     |

#### 5. Loss before tax

Loss before tax is arrived at after charging:

|   | Unaudited<br>Three months ended<br>31 March |                  |
|---|---|------------------|
|   | 2013<br>HK\$'000                            | 2012<br>HK\$'000 |
| Staff costs (including directors' remuneration) |   |                  |
| — Salaries and other benefits                   | 1,701                                       | 2,920            |
| — Retirement scheme contributions               | 59  | 71               |
| Depreciation of property, plant and equipment   | 68  | 93               |



## 6. Income tax

|                                  | <b>Unaudited</b>          |                 |
|----------------------------------|---------------------------|-----------------|
|                                  | <b>Three months ended</b> |                 |
|                                  | <b>31 March</b>           |                 |
|                                  | <b>2013</b>               | 2012            |
|                                  | <i>HK\$'000</i>           | <i>HK\$'000</i> |
| Current tax                      |                           |                 |
| — Hong Kong                      | —                         | —               |
| — PRC enterprise income tax      | —                         | —               |
| — Other jurisdictions            | —                         | —               |
| Deferred tax                     | 620                       | 538             |
| Income tax credit for the period | 620                       | 538             |

Hong Kong profits tax is calculated at the rate of 16.5% (2012: 16.5%) on the estimated assessable profit for the period. PRC subsidiaries are subject to PRC enterprise income tax at the rate of 25% (2012: 25%). 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 (2012: Nil) due to unpredictability of future taxable profits that will be available against which the tax losses can be utilised.



## 7. Loss per share

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

|  | <b>Unaudited<br/>Three months ended<br/>31 March</b> |                 |
|--|--|-----------------|
|  | <b>2013</b>  | 2012            |
|  | <i>HK\$'000</i>                                      | <i>HK\$'000</i> |
| Loss for the period attributable to owners of the Company          | (7,228)  | (9,030)         |
| Loss for the period for calculation of basic loss per share        | (7,228)  | (9,030)         |
|  | <i>'000</i>  | <i>'000</i>     |
| Weighted average number of ordinary shares in issue for the period | 1,826,741  | 1,822,506       |

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

## 8. Dividend

The Board does not recommend the payment of a dividend for the period (2012: Nil).

## MANAGEMENT DISCUSSION AND ANALYSIS

### Business and Financial Review

The Group did not generate any turnover for the period ended 31 March 2013. For the three months ended 31 March 2012, the Group provided technical services for oil and gas projects in geophysics and geology and generated revenues of approximately HK\$349,000.

The Group recorded a net loss attributable to owners of the Company of approximately HK\$7,228,000 for the period as compared to a net loss attributable to owners of the Company of approximately HK\$9,030,000 for the corresponding period last year.

Administrative expenses for the period amounted to approximately HK\$3,573,000 representing a decrease of approximately HK\$2,802,000 or 44%, as compared with the corresponding period last year. The decrease was mainly attributable to reduction in business development activities, employee costs and overseas travelling expenses.

Finance costs for the period amounted to approximately HK\$4,319,000 (2012: approximately HK\$3,550,000). The increase in interest costs was mainly resulted from the increase in effective interest of the convertible bonds in the amount of HK\$120,000,000 and issuance of a HK\$16,000,000 convertible bonds on 19 November 2012 to provide for general working capital to the Group.

The Group engages in the business of exploration and exploitation of energy and resources. As most of the projects are still in the exploratory phase, the Group continues to incur capitalizable and operating expenses, and sustain losses.



## Prospects

### ***Brunei Block M Oil and Gas Project***

Notwithstanding a full 2012 work program framed around the remaining work commitments under the exploration phase to drill 3 additional wells was planned, exploration phase of the project expired on 27 August 2012. The Consortium submitted requests to Brunei National Petroleum Company Sendirian Berhad (“Petroleum Brunei”) before expiration for extension of time to complete the remaining work commitments but was informed by Petroleum Brunei on 24 August 2012 that the exploration period would not be extended. On 28 August 2012, Petroleum Brunei demanded a compensation of US\$16.35 million from the Consortium, based on unfulfilled drilling commitments arising from dispute about extension. On the same day, the Consortium submitted an appeal to the Ministry of Energy of Brunei on the rejection of request for extension of term of the project.

In these respects, the Consortium has sought legal opinion on the appropriate action to be taken, including taking legal action and seeking compensation from relevant parties. The Board has considered the impact of disapproval of extension and compensation on the Group. The Board is of opinion that the Consortium has reasonable grounds to raise fair claims against the refusal to grant extension of exploration period and the compensation clause is unenforceable with reference to legal opinion sought by the Consortium. As the result of appeal has not yet been determined up to the date of this report, the Board has not taken into account any financial impacts that might have been arisen.

### ***Philippines Central Luzon Gas Project***

The project’s original 2012 work program was for re-entry work at the Victoria-3 well and drilling a new well. However, the re-entry activity and the drilling a new well were delayed due to rig availability. In 2012, project management gave up the re-entry work and, instead, conducted a further support study for a new drilling plan. The support study, and new well design will continue into 2013. As a result of

the above-described delay, application for a twelve-month extension of the current exploration sub-phase to 28 February 2014 was submitted and has been granted by Philippines Department of Energy. The new well was named A1 and spud is expected to take place in the third quarter of 2013.

### ***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, began in the second quarter 2011 but was suspended pending receipt of clearance from governmental agencies overseeing environmental protection. Construction can only be resumed upon granting of a tree cutting permit.

### ***Philippines South Cebu Oil and Gas Project***

This project is situated in the Cebu Island, central Philippines. During 2012, a field office has been established in Alegria, Cebu, to carry out the work program of drilling two new wells, followed by long term testing plan and post-drilling study. However, the drilling program was delayed due to rig availability and funding requirement. Project management decided to finish the preparation work for drilling program in early 2013, and to defer the two-well drilling operation to the third quarter. As a result of the above-described delay, application for a twelve-month extension of the current exploration sub-phase to 30 June 2014 has been submitted and is pending approval by Philippines Department of Energy.

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

As at 31 March 2013, none of the Directors and chief executive of the Company had any interests or short positions in the shares, underlying shares or 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 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.

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

As at 31 March 2013, the interests and short positions of persons, other than Directors or chief executive 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:

| <b>Name of person</b> | <b>Number of shares held</b><br><i>(Note 1)</i> | <b>Capacity</b>                      | <b>Approximate percentage of interest</b> |
|-----------------------|---|--------------------------------------|---|
| Lam Nam               | 1,274,255,931 (L)<br><i>(Note 2)</i>            | Interest of a controlled corporation | 69.76%                                    |
|                       | 161,725,067 (L)<br><i>(Note 3 and 4)</i>        | Interest of a controlled corporation | 8.85%                                     |

| Name of person   | Number of<br>shares held<br><i>(Note 1)</i> | Capacity         | Approximate<br>percentage<br>of interest |
|--|---|------------------|--|
| Silver Star Enterprises Holdings Inc.<br><i>(Note 2)</i>           | 1,274,255,931 (L)                           | Beneficial owner | 69.76%                                   |
| China International Mining Holding Company Limited <i>(Note 3)</i> | 161,725,067 (L)<br><i>(Note 4)</i>          | Beneficial owner | 8.85%                                    |
| Sun Wai Pan  | 93,000,000 (L)                              | Beneficial owner | 5.09%                                    |
| Chan Meng Kam  | 100,000,000 (L)<br><i>(Note 4)</i>          | Beneficial owner | 5.47%                                    |

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 2013, the Directors were not aware of any other person (other than the Directors or chief executive of the Company) who had an interest or short position 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 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 was granted, exercised or lapsed during the period.

Details of the Pre-IPO Share Option Scheme and the Share Option Scheme were 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. Upon the Company's specific enquiry, all Directors confirmed that they have fully complied with the code of conduct and the required standard of dealings regarding securities transactions throughout the period ended 31 March 2013.

## **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 is 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 the 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 the Audit Committee with written terms of reference in compliance with Rules 5.28 and 5.33 of the GEM Listing Rules. The primary duties of the Audit Committee include reviewing the Company's annual report, half-year report and quarterly financial reports and providing advice and comments thereon to the Board. The Audit Committee is also responsible for reviewing and supervising the Company's financial reporting process and internal control procedures. It is also responsible for making recommendations to the Board on the appointment, re-appointment and removal of external auditor, approving the remuneration and terms of engagement of the external auditor, reviewing and monitoring the external auditor's independence and objectivity, and meeting the external auditor at least twice a year regarding the review of the financial reports and accounts.

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

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, 10 May 2013

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

***Executive Directors***

Mr. Kuai Wei

Mr. Lai Chun Liang

Mr. Lin Zhang

***Independent Non-Executive Directors***

Mr. Wang Yanhui

Mr. Pai Hsi-Ping

Mr. Wong Kon Man Jason