



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

(Stock Code: 8011)



2019 First Quarterly Report

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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 2019, together with the comparative unaudited figures for the corresponding period in 2018, as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the three months ended 31 March 2019

	Notes	Unaudited Three months ended 31 March	
		2019 HK\$'000	2018 HK\$'000
Turnover		—	—
Other income		117	340
Administrative and other operating expenses		(4,519)	(6,154)
Finance costs	3	(3,762)	(3,946)
Impairment losses recognised on deferred exploration expenditure		(66)	(201)
Loss before income tax	4	(8,230)	(9,961)
Income tax credit	5	—	36
Loss for the period		(8,230)	(9,925)
Attributable to:			
Owners of the Company		(7,980)	(9,828)
Non-controlling interests		(250)	(97)
		(8,230)	(9,925)
Loss per share	6		
Basic (in HK cents)		0.272	0.335
Diluted (in HK cents)		0.272	0.335
Dividends	7	—	—

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the three months ended 31 March 2019

	Unaudited Three months ended 31 March	
	2019	2018
	HK\$'000	HK\$'000
Loss for the period	(8,230)	(9,925)
Other comprehensive income:		
Item that may be reclassified subsequently to profit or loss:		
Exchange differences on translation of foreign operations	502	540
Total comprehensive expense for the period	(7,728)	(9,385)
Attributable to:		
Owners of the Company	(7,650)	(9,382)
Non-controlling interests	(78)	(3)
Total comprehensive expense for the period	(7,728)	(9,385)

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the three months ended 31 March 2019

	Unaudited								
	Attributable to owners of the Company								
	Share capital	Share premium	Special reserve	Exchange reserve	Convertible bonds reserve	Accumulated losses	Subtotal	Non-controlling interests	Total
At 1 January 2018 (Audited)	117,502	998,012	985	15	3,285	(985,385)	134,414	50,655	185,069
Loss for the period	—	—	—	—	—	(9,828)	(9,828)	(97)	(9,925)
Other comprehensive income for the period	—	—	—	445	—	—	445	95	540
Total comprehensive income/ (expense) for the period	—	—	—	445	—	(9,828)	(9,383)	(2)	(9,385)
At 31 March 2018	117,502	998,012	985	460	3,285	(995,213)	125,031	50,653	175,684
At 1 January 2019 (Audited)	117,502	998,012	985	(822)	3,285	(1,026,079)	92,883	50,497	143,380
Loss for the period	—	—	—	—	—	(7,980)	(7,980)	(250)	(8,230)
Other comprehensive income for the period	—	—	—	329	—	—	329	172	501
Total comprehensive income/ (expense) for the period	—	—	—	329	—	(7,980)	(7,651)	(78)	(7,729)
At 31 March 2019	117,502	998,012	985	(493)	3,285	(1,034,059)	85,232	50,419	135,651

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 and natural gas, trading of petroleum-related products and provision of technical services.

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 on the historical cost basis. Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

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 2018.

3. Finance costs

	Unaudited Three months ended 31 March	
	2019	2018
	HK\$'000	HK\$'000
Imputed interest on convertible bonds	3,699	3,917
Promissory note	40	–
Bank and other interest	22	26
Finance lease interest	1	3
	3,762	3,946

4. Loss before income tax

Loss before income tax is arrived at after charging:

	Unaudited Three months ended 31 March	
	2019	2018
	HK\$'000	HK\$'000
Staff costs (including directors' remuneration)		
— Salaries, allowances and benefits in kind	3,332	3,539
— Retirement scheme defined contributions	19	32
Depreciation of property, plant and equipment	51	51

5. Income tax credit

Income tax credit recognised in profit or loss:

	Unaudited Three months ended 31 March	
	2019	2018
	HK\$'000	HK\$'000
Current tax:		
— Hong Kong	—	—
— PRC enterprise income tax	—	—
— Other jurisdictions	—	—
Deferred tax	—	36
Income tax credit for the period	—	36

Hong Kong profits tax is calculated at the rate of 16.5% (2018: 16.5%) on the estimated assessable profit for the period. PRC subsidiaries are subject to PRC enterprise income tax at the rate of 25% (2018: 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 represented income tax recognised on reversal of temporary differences arising from convertible bonds.

No deferred tax has been recognised on loss for the period (2018: Nil) due to unpredictability of future taxable profits that will be available against which the tax losses can be utilised.

6. Loss per share

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

	Unaudited Three months ended 31 March	
	2019	2018
	HK\$'000	HK\$'000
Loss for the period attributable to owners of the Company	7,980	9,828
Loss for the period for calculation of basic loss and diluted loss per share	7,980	9,828
	'000	'000
Weighted average number of ordinary shares in issue for the period	2,937,538	2,937,538

The computation of diluted loss per share does not assume the conversion of the outstanding convertible bonds since it would result in a decrease in loss per share, and is regarded as anti-dilutive.

7. Dividends

The Board does not recommend the payment of a dividend for the period (2018: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

Business and Financial Review

The Group did not generate any turnover for the period ended 31 March 2019 (2018: Nil).

The Group recorded a net loss attributable to owners of the Company of approximately HK\$7,980,000 for the period as compared to a net loss attributable to owners of the Company of approximately HK\$9,828,000 for the corresponding period last year.

Administrative and other operating expenses for the period amounted to approximately HK\$4,519,000 representing a decrease of approximately HK\$1,635,000 or 27%, as compared with the corresponding period last year. The decrease was mainly attributable to decrease in various business expenses such as employee costs, entertainment and overseas travelling expenses.

Finance costs for the period amounted to approximately HK\$3,762,000 (2018: approximately HK\$3,946,000). The decrease in interest costs was mainly resulted from the expiry of the convertible bonds and thus decrease in the imputed interest.

Prospects

Philippines Central Luzon Gas Project

As described in previous reports, consolidation of the gas project's work programs under exploration Sub-phases 1 and 2 was granted by the Philippines Department of Energy to extend the expiry to 28 February 2017, on condition that (i) two exploration wells would be drilled or (ii) one exploration well would be drilled and 200 line-kilometer of 2D seismic data would be acquired, processed and interpreted by end of the new Sub-phase. In October 2016, the project informed Department of Energy that the prescribed work program under Sub-phase 1 would not be timely completed upon expiration by reasons of force majeure, and further extension was requested. In the meantime, the project's management team conducted a more in-depth study for new well drilling program. On 9 May 2017, Department of Energy granted an approval to extend the expiry of the consolidated sub-phase 1 to 9 November 2019 with the condition to drill two exploration wells by end of the Sub-phase.

Although further extension was granted by Department of Energy, due to the delay of the development of the project, the recoverability of the gas project was still in doubt. Management determined that it was appropriate to adopt a prudence approach to fully write down the carrying amount of the deferred exploration expenditure associated with the gas project. As a result, an impairment loss equal to the carrying value was made in respect of the gas project.

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 be resumed any time upon the grant of tree cutting permit. A moratorium on the work commitments for the project has been granted by the Department of Energy to 17 December 2018. The Group is in the process of applying the renewal of a moratorium on the work commitments for the project.

Philippines South Cebu Oil and Gas Project

The project ("SC49") is situated at the southern part of Cebu, central Philippines. China International Mining Petroleum Company Limited ("CIMP") acquired 80% participating interests of SC49 and became the operator of SC49 in July 2009. The Group indirectly acquired 51% of CIMP's issued capital in October 2012, and an additional 12% in April 2014, bringing the effective interest in the project to 50.4% after the latest acquisition.

CIMP continued to make preparation to speed up the entering into of production and development phases of SC49 project. Subsequent to the Group placing orders for jacket furnaces, triphase separators, middle- and large-sized oil tanks and other production equipment in 2018, four bulk tanks capable to carry 43m³ have been installed on the well site and put into operation. Considering its development potentials, CIMP will further promote the development and trading of crude oil under the SC49 project.

On January 11, 2019, CIMP signed a crude oil sales contract with Greater Alegria Oil, a Philippine buyer, marking a significant progress in commercialising the SC49 project.

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 2019, 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 2019, 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:

Name of person	Number of shares held	Capacity	Approximate percentage of interest
	(Note 1)		
Silver Star Enterprises Holdings Inc.	1,877,115,931 (L) (Note 2)	Beneficial owner	63.90%
Lam Nam	1,877,115,931 (L) (Note 2)	Interest of a controlled corporation	63.90%
	48,480,000 (L)	Beneficial owner	1.65%
Haitong International Securities Company Limited	250,000,000 (L) (Note 3)	Beneficial owner	8.51%
Shu Xin	152,580,000	Beneficial owner	5.19%

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. Mr. Lam Nam is deemed to be interested in 1,877,115,931 shares held by Silver Star Enterprises Holdings Inc.
- 3 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 2019, 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.

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 code of conduct and the required standard of dealings regarding securities transactions throughout the period ended 31 March 2019.

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

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

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 the Company's financial controls, risk management and internal control systems. 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. Pai Hsi-Ping, Ms. Xie Qun and Mr. Kwan King Chi George. Mr. Kwan King Chi George 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

Lai Chun Liang

*Executive Director and Chief
Executive Officer*

Hong Kong, 6 January 2020

At the date of this report, the Board comprises:

Executive Directors

Mr. Zhao Zhiyong

Mr. Kuai Wei

Mr. Lai Chun Liang (resigned on 1 July 2019)

Mr. Lin Zhang

Independent Non-Executive Directors

Mr. Pai Hsi-Ping

Ms. Xie Qun

Mr. Kwan King Chi George