



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

(Stock Code : 8011)



First Quarterly 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

- Unaudited turnover was approximately HK\$1,689,000 for the three months ended 31 March 2009.
- Unaudited net loss attributable to equity shareholders of the Company for the three months ended 31 March 2009 amounted to approximately HK\$9,015,000 whereas an unaudited net loss attributable to equity shareholders of the Company of approximately HK\$6,395,000 was recorded for the corresponding period in last year.
- The Directors do not recommend the payment of an interim dividend for the three months ended 31 March 2009.



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 2009, together with the comparative unaudited figures for the corresponding period in 2008, as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT

	Notes	Unaudited Three months ended 31 March	
		2009 HK\$'000	2008 HK\$'000
CONTINUING OPERATIONS			
Turnover	3	1,689	—
Cost of sales		(1,648)	—
Gross profit		41	—
Other revenue and net income		200	6
Administrative and other operating expenses		(3,824)	(4,694)
Operating loss	5	(3,583)	(4,688)
Finance costs	6	(6,106)	(3,915)
Loss before tax		(9,689)	(8,603)
Income tax	7	670	323
Loss for the period from continuing operations		(9,019)	(8,280)
DISCONTINUED OPERATIONS			
Loss for the period from discontinued operations		—	(18)
LOSS FOR THE PERIOD		(9,019)	(8,298)



		Unaudited Three months ended 31 March	
		2009	2008
	Notes	HK\$'000	HK\$'000
Attributable to:			
Equity holders of the Company		(9,015)	(6,395)
Minority interests		(4)	(1,903)
		(9,019)	(8,298)
Loss per share			
Basic (in HK cents)	8		
— from continuing and discontinued operations		(0.167)	(0.118)
— from continuing operations		(0.167)	(0.118)
Diluted (in HK cents)			
— from continuing and discontinued operations		N/A	N/A
— from continuing operations		N/A	N/A
Dividend	9	—	—



CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Unaudited	
	Three months ended	
	31 March	
	2009	2008
	<i>HK\$'000</i>	<i>HK\$'000</i>
Loss for the period	(9,019)	(8,298)
Other comprehensive income:		
Exchange difference arising on translation of foreign operations	—	—
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	(9,019)	(8,298)
Attributable to:		
Equity holders of the Company	(9,015)	(6,395)
Minority interests	(4)	(1,903)
	(9,019)	(8,298)



CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Unaudited										
	Attributable to equity holders of the Company										
	Share capital	Share premium	Special reserve	Warrant reserve	Convertible bonds reserve	Other comprehensive income		Retained profits	Total	Minority interests	Total equity
						Exchange reserve					
HK\$'000	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	—	—	—	—	—	—	(6,395)	(6,395)	(1,903)	(8,298)	
At 31 March 2008	10,816	359,974	985	4,423	17,730	209	450,400	844,537	2,014,769	2,859,306	
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	—	—	—	—	—	—	(9,015)	(9,015)	(4)	(9,019)	
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)	
At 31 March 2009	10,816	359,974	985	4,423	66,454	15	131,024	573,691	587	574,278	



NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

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, 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 jointly controlled entity and certain financial instruments, which are measured at fair values.

The accounting policies adopted in 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:

	Three months ended 31 March	
	2009	2008
	<i>HK\$’000</i>	<i>HK\$’000</i>
Continuing operations		
Sales of petroleum-related products	1,689	—
Discontinued operations		
Sales of pulps and paper products	—	—



4. Operating segments

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 three months ended 31 March 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 three months ended 31 March 2009 is presented below:

	Continuing operations		Total HK\$'000
	Exploration of coal, oil and natural gas HK\$'000	Trading of petroleum- related products HK\$'000	
Turnover:			
Revenues from external customers	—	1,689	1,689
Interest income	—	1	1
Other revenues	48	—	48
Total income	48	1,690	1,738
Administrative and other operating expenses	(1,686)	(50)	(1,736)
Reportable segment loss before tax	(1,638)	(8)	(1,646)
Unallocated corporate income			151
Unallocated corporate expenses			(2,088)
Unallocated interest expense			(6,106)
Loss before tax			(9,689)



For the three months ended 31 March 2008, the Group had 2 reportable segments — (1) exploration of oil and natural gas and (2) trading of pulps and paper products. These segments are managed separately as they belong to different industries and require different operating systems and strategies. In July 2008, the Group disposed of the trading of pulps and paper products business. There are no sales or other transactions between these reportable segments. An analysis of the Group's segment information for the three months ended 31 March 2008 is presented below:

	<u>Continuing operations</u>	<u>Discontinued operations</u>	
	<u>Exploration of oil and natural gas</u>	<u>Trading of pulps and paper products</u>	<u>Total</u>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Turnover:			
Revenues from external customers	—	—	—
Interest income	6	—	6
Total income	6	—	6
Administrative and other operating expenses	(3,349)	(18)	(3,367)
Reportable segment loss before tax	(3,343)	(18)	(3,361)
Unallocated corporate expenses			(1,345)
Unallocated interest expense			(3,915)
Loss before tax			(8,621)



5. Operating loss

Operating loss is arrived at after charging:

	Continuing operations Three months ended 31 March		Discontinued operations Three months ended 31 March	
	2009	2008	2009	2008
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Staff costs (including directors' remuneration)				
— Salaries and other benefits	1,536	1,247	—	—
— Retirement scheme contributions	13	7	—	—
Depreciation of property, plant and equipment	69	41	—	—

6. Finance costs

	Continuing operations Three months ended 31 March		Discontinued operations Three months ended 31 March	
	2009	2008	2009	2008
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Effective interest on convertible bonds	6,106	3,915	—	—



7. Income tax

	Continuing operations Three months ended 31 March		Discontinued operations Three months ended 31 March	
	2009	2008	2009	2008
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Current tax:				
— Hong Kong	—	—	—	—
— Other jurisdictions	—	—	—	—
Deferred tax	670	323	—	—
Income tax credit for the year	670	323	—	—

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 ended 31 March 2009 (three months ended 31 March 2008: Nil).

Deferred tax for the three months ended 31 March 2009 and three months ended 31 March 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 ended 31 March 2009 (three months ended 31 March 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

	Three months ended 31 March	
	2009 HK\$'000	2008 HK\$'000
Loss for the period from continuing and discontinued operations attributable to equity holders of the Company	(9,015)	(6,395)
Less: Loss for the period from discontinued operations	—	18
Loss for the period for calculation of basic loss per share from continuing operations	(9,015)	(6,377)
	'000	'000
Weighted average number of ordinary shares in issue for the period	5,408,000	5,408,000

**(b) Diluted loss per share**

	Three months ended 31 March	
	2009	2008
	<i>HK\$'000</i>	<i>HK\$'000</i>
Loss for the period from continuing and discontinued operations attributable to equity holders of the Company	(9,015)	(6,395)
Less: Interest expense on dilutive convertible bonds	2,129	—
Deferred tax relating to interest expense on dilutive convertible bonds	(351)	—
Adjusted loss for the period from continuing and discontinued operations for calculation of diluted loss per share	(7,237)	(6,395)
Less: Loss for the period from discontinued operations	—	18
Adjusted loss for the period from continuing operations for calculation of diluted loss per share	(7,237)	(6,377)
	<i>'000</i>	<i>'000</i>
Weighted average number of ordinary shares in issue for the period	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	2,405,556	—
Weighted average number of ordinary shares for calculation of diluted loss per share	7,813,556	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 is below the conversion price of the convertible bonds and the exercise price of the warrants.

No diluted loss per share for the three months ended 31 March 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 three months ended 31 March 2009 (three months ended 31 March 2008: Nil).



MANAGEMENT DISCUSSION AND ANALYSIS

Business and Financial Review

For the three months ended 31 March 2009 (the "Period"), the Group recorded an unaudited turnover of approximately HK\$1,689,000. No turnover was generated from operations for the three months ended 31 March 2008 (the "Previous Period"). The unaudited net loss for the Period attributable to the equity holders of the Company was approximately HK\$9,015,000 while the Group had recorded an unaudited net loss attributable to the equity holders of the Company of approximately HK\$6,395,000 in the Previous Period.

Administrative and other operating expenses for the Period amounted to HK\$3,824,000, representing a decrease of approximately HK\$870,000, equivalent to an decrease of 19% as comparing with Previous Period. In Previous Period, legal and professional fee of approximately HK\$1 million was incurred for the Brunei project.

Finance costs for the Period amounted to approximately HK\$6,106,000 (Previous Period: HK\$3,915,000). The increase was caused by the issuance of additional bonds of HK\$108 million and HK\$12 million on 29 December 2008 and 4 February 2009 respectively in relation to the acquisition of coal mine in the Philippines.

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



The Company's 51% owned subsidiary, Xian Polyard Petroleum & Chemicals Ltd. (西安百田石油化工有限公司) ("Xian Polyard"), which commenced business on 1 May 2008, generated revenue from sales of petroleum-related products of approximately HK\$1,689,000 and a gross profit of HK\$41,000 for the Period. Due to the recent world-wide financial crisis as well as the significant fluctuation in the crude oil price, Xian Polyard's business, as stated in our Profit Warning Announcement on 15 January 2009, was undoubtedly affected seriously; Xian Polyard not only failed to achieve our target in business volume but was also unable to obtain order with reasonable return during the first quarter of 2009.

Prospects

Exploration and research process is still undergoing in the Brunei project. The drilling operation for this project is rescheduled to start in November 2009 and hopefully in early 2010, we may have breakthrough in Block M as there are two wells being located and drilled in previously proven favorable structures. Probably, as early as in 2010, we may see steady production and even commencement of marketing.

Regarding the coal mine in the Philippines, we are now planning and preparing to start the extraction of coal therefrom so as to generate revenue for the Company as soon as possible.

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' INTEREST AND/OR SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR ANY ASSOCIATED CORPORATIONS

As at 31 March 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 31 March 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 <i>(Note 1)</i>	Capacity	Approximate percentage of interest
Lam Nam	1,333,000,000 <i>(Note 2)</i>	(L) Interest of a controlled corporation	24.65%
	642,679,607 <i>(Note 4)</i>	(L) Beneficial owner	11.88%
	2,500,000,000 <i>(Note 3 and 4)</i>	(L) Interest of a controlled corporation	46.23%
Silver Star Enterprises Holdings Inc. <i>(Note 2)</i>	1,333,000,000	(L) Beneficial owner	24.65%



Name of person	Number of shares held <i>(Note 1)</i>	Capacity	Approximate percentage of interest
China International Mining Holding Company Limited <i>(Note 3)</i>	2,500,000,000 <i>(Note 4)</i>	(L) Beneficial owner	46.23%
Inwood Support Limited <i>(Note 5)</i>	500,700,000 <i>(Note 6)</i>	(L) Beneficial owner	9.26%
Li Sui Qing <i>(Note 5)</i>	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 31 March 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. As at 31 March 2009, the Audit Committee comprises three independent non-executive Directors, namely Mr. Wang Yanhui, Mr. Chan Kin Cheong and Mr. Zhang Xiaobao.

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 31 March 2009, the Company did not have any substantial contingent liabilities.

For and on behalf of the Board

Kuai Wei

Chairman

Hong Kong, 13 May 2009

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