



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

(Stock Code : 8011)



Third 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 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.*

THIRD 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 and nine months ended 30 September 2009 together with the comparative unaudited figures for the corresponding periods in 2008, as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT

For the three months and nine months ended 30 September 2009

	Notes	Unaudited Three months ended 30 September		Unaudited Nine months ended 30 September	
		2009	2008	2009	2008
		HK\$'000	HK\$'000	HK\$'000	HK\$'000
CONTINUING OPERATIONS					
Turnover	3	1,456	8,483	3,145	20,375
Cost of sales		(1,445)	(8,345)	(3,093)	(20,116)
Gross profit		11	138	52	259
Other revenues	3	459	791	1,196	810
Administrative expenses		(4,063)	(3,540)	(11,472)	(13,430)
Share of results of associates		—	—	(1,355)	—
Operating loss		(3,593)	(2,611)	(11,579)	(12,361)
Finance costs	4	(6,341)	(3,912)	(18,709)	(11,810)
Loss before tax		(9,934)	(6,523)	(30,288)	(24,171)
Income tax	5	698	306	2,058	955
Loss for the period from continuing operations		(9,236)	(6,217)	(28,230)	(23,216)



	Notes	Unaudited Three months ended 30 September		Unaudited Nine months ended 30 September	
		2009	2008	2009	2008
		HK\$'000	HK\$'000	HK\$'000	HK\$'000
DISCONTINUED OPERATIONS					
Profit for the period from discontinued operations		—	476	—	401
LOSS FOR THE PERIOD		(9,236)	(5,741)	(28,230)	(22,815)
Attributable to:					
Owners of the Company		(9,217)	(5,758)	(28,182)	(20,896)
Non-controlling interests		(19)	17	(48)	(1,919)
		(9,236)	(5,741)	(28,230)	(22,815)
Dividend	6	—	—	—	—
Loss per share	7				
Basic (in HK cents)					
— from continuing and discontinued operations		(0.170)	(0.106)	(0.521)	(0.386)
— from continuing operations		(0.170)	(0.115)	(0.521)	(0.394)
Diluted (in HK cents)					
— from continuing and discontinued operations		N/A	N/A	N/A	N/A
— from continuing operations		N/A	N/A	N/A	N/A



CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the three months and nine months ended 30 September 2009

	Unaudited Three months ended 30 September		Unaudited Nine months ended 30 September	
	2009 HK\$'000	2008 HK\$'000	2009 HK\$'000	2008 HK\$'000
Loss for the period	(9,236)	(5,741)	(28,230)	(22,815)
Other comprehensive income:				
Exchange difference arising on translation of foreign operations	—	—	—	89
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	(9,236)	(5,741)	(28,230)	(22,726)
Attributable to:				
Owners of the Company	(9,217)	(5,758)	(28,182)	(20,821)
Non-controlling interests	(19)	17	(48)	(1,905)
	(9,236)	(5,741)	(28,230)	(22,726)



CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the nine months ended 30 September 2009

	Unaudited									
	Issued capital	Share premium	Special reserve	Warrant reserve	Convertible bonds reserve	Exchange reserve	Retained profits	Attributable 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	(20,896)	(20,821)	(1,905)	(22,726)
Non-controlling interests arising on acquisition of 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)
Release of exchange reserve on disposal of subsidiaries	—	—	—	—	—	(269)	—	(269)	—	(269)
At 30 September 2008	10,816	359,974	985	4,423	17,730	15	435,899	829,842	608	830,450
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	—	—	—	—	—	—	(28,182)	(28,182)	(48)	(28,230)
Issue of convertible bonds for settlement of balance of consideration payable on acquisition of 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 September 2009	10,816	359,974	985	4,423	66,454	15	111,857	554,524	583	555,107



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 of coal, oil and natural gas 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 annual financial statements for the year ended 31 December 2008.



3. Turnover and other revenues

Turnover represents the net invoice value of products sold after allowances for returns and trade discounts. An analysis of the Group's turnover and other revenues for the period is as follows:

	Unaudited Three months ended 30 September		Unaudited Nine months ended 30 September	
	2009	2008	2009	2008
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Turnover from continuing operations				
Sales of petroleum-related products	1,456	8,483	3,145	20,375
Other revenues from continuing operations				
Interest income	—	791	2	810
Consultancy fee income	226	—	680	—
Licence fee income	30	—	90	—
Other income	203	—	424	—
	459	791	1,196	810

4. Finance costs

	Unaudited Three months ended 30 September		Unaudited Nine months ended 30 September	
	2009	2008	2009	2008
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Continuing operations				
Effective interest on convertible bonds	6,341	3,912	18,709	11,810

**5. Income tax**

	Unaudited		Unaudited	
	Three months ended		Nine months ended	
	30 September		30 September	
	2009	2008	2009	2008
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Continuing operations				
Current tax				
— Hong Kong	—	—	—	—
— Other jurisdictions	(4)	—	(6)	—
Deferred tax	702	306	2,064	955
Income tax credit for the period	698	306	2,058	955

No provision for Hong Kong profits tax has been provided as there was no assessable income in Hong Kong during the period (2008: Nil). Taxes on profits assessable in other jurisdictions have been 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 (2008: Nil) due to unpredictability of future taxable profits that will be available against which the tax losses can be utilised.

6. Dividend

The Board does not recommend the payment of a dividend for the period (2008: Nil).



7. Loss per share

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

	Unaudited Three months ended 30 September		Unaudited Nine months ended 30 September	
	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	(9,217)	(5,758)	(28,182)	(20,896)
Less: Profit for the period from discontinued operations	—	(476)	—	(401)
Loss for the period for calculation of basic loss per share from continuing operations	(9,217)	(6,234)	(28,182)	(21,297)
	'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

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

8. Comparative figures

Certain comparative figures have been reclassified to conform with current period's presentation.



MANAGEMENT DISCUSSION AND ANALYSIS

Business and Financial Review

For the nine months ended 30 September 2009, the Group recorded a turnover of approximately HK\$3,145,000, representing a decrease of approximately 84.6% as compared with that of the nine months ended 30 September 2008 as a result of reduced sales of petroleum-related products.

The Group recorded a net loss attributable to owners of the Company of approximately HK\$28,182,000 for the period as compared to a net loss attributable to owners of the Company of approximately HK\$20,896,000 for the corresponding period last year.

Administrative expenses for the period amounted to approximately HK\$11,472,000, representing a decrease of approximately 14.6% as compared with the corresponding period last year. It was mainly attributable to the decrease of legal and professional costs incurred during the period.

Finance costs for the period amounted to approximately HK\$18,709,000 (2008: HK\$11,810,000). The increase was due to the increase in interest costs payable on the additional HK\$120 million convertible bonds issued in relation to the acquisition of coal mine in the Philippines.

The Group is engaged in the business of exploration and exploitation of energy and resources. As all projects are still in the explorative phase, the Group would have to incur loss and profitability could be resumed when the projects are progressed to the exploitative phase with output of commercial quantity.



Prospects

Brunei Block M Oil Project

The acquisition of 2D and 3D seismic surveys for 2009 has been completed on time and within budget. The data is under processing and expected to be finished by end of 2009. A comprehensive basin analysis study will also commence in the last quarter of 2009. This will be followed by an interpretation phase with appraisal drilling anticipated in the second quarter of 2010.

Tap Energy (Borneo) Pty. Ltd., the operator, has submitted the work program and budget for 2010 to Brunei National Petroleum Company Sdn. Bhd. for approval.

Philippines Central Luzon Oil and Gas Project

The exploration programs planned for 2009 are proceeding smoothly. The comprehensive geological study has been finished by July 2009. The seismic data reprocessing is underway, which is expected to be finished in December 2009.

The work program and budget for 2010 have been submitted to The Department of Energy of the Philippines for approval. The main exploration activities in 2010 are seismic data reinterpretation and prospects evaluation. The preparation work for drilling is planned to be commenced later in 2010.



Philippines San Miguel Coal Mine Project

The project has proceeded into the development phase. The phase one road construction has been completed. The contract for the phase two road construction has been entered into with the contractor in October 2009. It will extend the vehicle-assessable-road into the initial mining area and is expected to be completed by end of 2009 or in early 2010, then start to extract coal from the open pit.

Large scale topographic survey has been completed. After getting the result of the topographic mapping work, our experts will be able to prepare detailed operation design for the commercial production.

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 September 2009, none of the Directors and chief executives of the Company had any 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

As at 30 September 2009, the interests and short positions of persons, other than Directors or chief executives of the Company, in the shares and 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 (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)	530,700,000 (Note 6)	(L) Beneficial owner	9.81%
Li Sui-qing (Note 5)	530,700,000	(L) Interest of a controlled corporation	9.81%



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.
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. Such warrants will be expired on 21 December 2009.

Save as disclosed above, as at 30 September 2009, 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 30 September 2009.

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. 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 September 2009, the Audit Committee comprised three Independent Non-executive Directors, namely Mr. Wang Yanhui, Mr. Chan Kin Cheong and Mr. Pai Hsi-ping.



The unaudited condensed consolidated results of the Group for the period have been reviewed by the Audit Committee, which is of the opinion that such unaudited condensed consolidated results 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, 9 November 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.