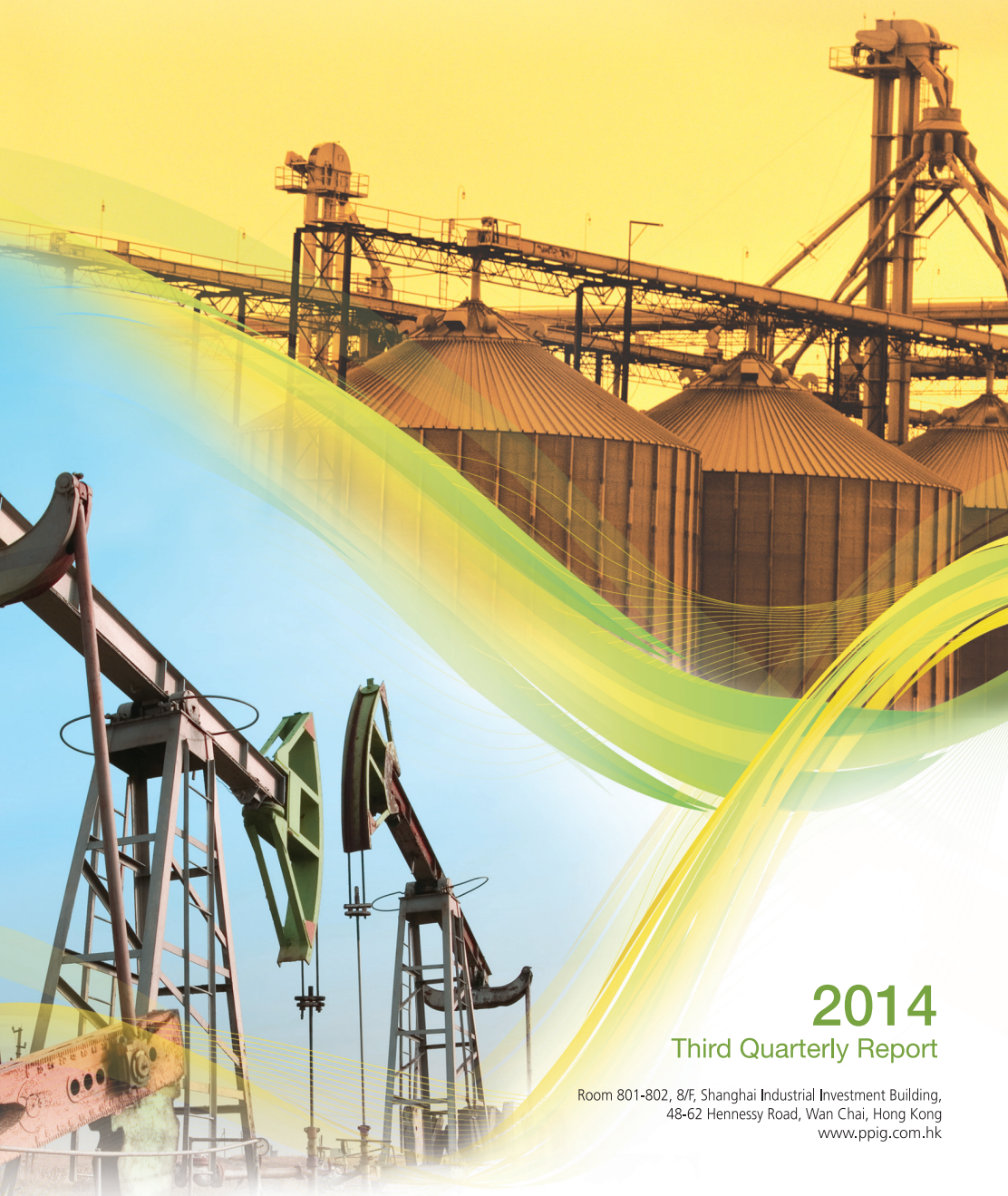




POLYARD PETROLEUM INTERNATIONAL GROUP LIMITED

百田石油國際集團有限公司

(Stock Code : 8011)



2014

Third 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.*

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 nine months ended 30 September 2014, together with the comparative unaudited figures for the corresponding periods in 2013, as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the three months and nine months ended 30 September 2014

	Notes	Unaudited Three months ended 30 September		Unaudited Nine months ended 30 September	
		2014	2013	2014	2013
		HK\$'000	HK\$'000	HK\$'000	HK\$'000
Turnover		—	—	—	—
Other revenues		—	—	—	4
Administrative expenses		(4,412)	(3,941)	(12,522)	(11,749)
Operating loss		(4,412)	(3,941)	(12,522)	(11,745)
Loss on disposal of a subsidiary	8	—	—	(963,735)	—
Share of results of associates		(2)	29	(7)	(139)
Finance costs	3	(279)	(4,296)	(7,205)	(12,913)
Loss before tax	4	(4,693)	(8,208)	(983,469)	(24,797)
Income tax	5	—	619	1,064	1,858
LOSS FOR THE PERIOD		(4,693)	(7,589)	(982,405)	(22,939)

	Notes	Unaudited Three months ended 30 September		Unaudited Nine months ended 30 September	
		2014	2013	2014	2013
		HK\$'000	HK\$'000	HK\$'000	HK\$'000
Attributable to:					
Owners of the Company		(4,738)	(7,516)	(982,351)	(22,694)
Non-controlling interests		45	(73)	(54)	(245)
		(4,693)	(7,589)	(982,405)	(22,939)
Loss per share					
Basic (in HK cents)	6	(0.24)	(0.41)	(51.78)	(1.24)
Diluted (in HK cents)		N/A	N/A	N/A	N/A
Dividend	7	—	—	—	—

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the three months and nine months ended 30 September 2014

	Unaudited Three months ended 30 September		Unaudited Nine months ended 30 September	
	2014	2013	2014	2013
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Loss for the period	(4,693)	(7,589)	(982,405)	(22,939)
Other comprehensive income:				
Item that may be reclassified subsequently to profit or loss:				
Exchange differences on translation of foreign operations	91	(29)	128	(4)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	(4,602)	(7,618)	(982,277)	(22,943)
Attributable to:				
Owners of the Company	(4,665)	(7,543)	(982,239)	(22,694)
Non-controlling interests	63	(75)	(38)	(249)
	(4,602)	(7,618)	(982,277)	(22,943)

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the nine months ended 30 September 2014

	Unaudited									
	Attributable to owners of the Company									
	Share capital	Share premium	Special reserve	Exchange reserve	Capital reserve	Convertible bonds reserve	Retained profits/ losses	Subtotal	Non-controlling interests	Total
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 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	—	—	—	—	—	—	(22,694)	(22,694)	(249)	(22,943)
Issue of employee shares	90	538	—	—	—	—	—	628	—	628
At 30 September 2013	73,160	779,274	985	(201)	15,392	49,062	219,106	1,136,778	131,750	1,268,528
At 1 January 2014 (Audited)	73,320	779,742	985	(217)	49,319	13,013	201,696	1,117,858	126,200	1,244,058
Total comprehensive income for the period	—	—	—	112	—	—	(982,351)	(982,239)	(38)	(982,277)
Acquisition of additional interests in a subsidiary	—	—	—	—	—	—	22,944	22,944	(31,208)	(8,264)
Cancellation of convertible bonds	—	—	—	—	—	(7,896)	—	(7,896)	—	(7,896)
Conversion of convertible bonds	4,000	16,993	—	—	—	(5,117)	—	15,876	—	15,876
Issue of employee shares	182	446	—	—	—	—	—	628	—	628
At 30 September 2014	77,502	797,181	985	(105)	49,319	—	(757,711)	167,171	94,954	262,125

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 joint ventures 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 2013.

3. Finance costs

	Unaudited Three months ended 30 September		Unaudited Nine months ended 30 September	
	2014 HK\$'000	2013 HK\$'000	2014 HK\$'000	2013 HK\$'000
Effective interest on convertible bonds	—	3,971	6,577	11,902
Effective interest on promissory note	253	243	463	707
Bank interest	26	82	165	304
	279	4,296	7,205	12,913

4. Loss before tax

Loss before tax is arrived at after charging:

	Unaudited Three months ended 30 September		Unaudited Nine months ended 30 September	
	2014	2013	2014	2013
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Staff costs (including directors' remuneration)				
— Salaries and other benefits	3,016	2,316	6,844	6,614
— Retirement scheme contributions	70	69	202	192
Depreciation of property, plant and equipment	58	51	150	171

5. Income tax

	Unaudited Three months ended 30 September		Unaudited Nine months ended 30 September	
	2014	2013	2014	2013
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Current tax				
— Hong Kong	—	—	—	—
— PRC enterprise income tax	—	—	—	—
— Other jurisdictions	—	—	—	—
Deferred tax	—	619	1,064	1,858
Income tax credit for the period	—	619	1,064	1,858

Hong Kong profits tax is calculated at the rate of 16.5% (2013: 16.5%) on the estimated assessable profit for the period. PRC subsidiaries are subject to PRC enterprise income tax at the rate of 25% (2013: 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 (2013: 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 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	
	2014 HK\$'000	2013 HK\$'000	2014 HK\$'000	2013 HK\$'000
Loss for the period attributable to owners of the Company	4,738	7,516	982,351	22,694
Loss for the period for calculation of basic loss per share	4,738	7,516	982,351	22,694
	'000	'000	'000	'000
Weighted average number of ordinary shares in issue for the period	1,937,538	1,829,000	1,897,078	1,827,734

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

7. Dividend

The Board does not recommend the payment of a dividend for the period (2013: Nil).

8. Loss on disposal of a subsidiary

On 30 June 2014, the Group disposed of China Sino Oil Company Limited, a wholly-owned subsidiary, which owns 21% participating interest in the consortium for the Brunei Block M Oil and Gas Project.

Unaudited
Nine months ended
30 September 2014
HK\$'000

Consideration received

Cancellation of convertible bonds	113,760
Reversal of convertible bonds reserve	7,896
Reversal of deferred taxation upon cancellation of convertible bonds	1,030
Direct expenses	(995)

Total consideration received	121,691
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Analysis of assets and liabilities over which control was lost

Current assets	
Cash and bank balances	37
Non-current assets	
Interest in a joint venture	1,085,477
Current liabilities	
Other payables	(88)
Amount due to the Company	(95,943)

Net assets disposed of	989,483
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Loss on disposal of a subsidiary

Consideration received	121,691
Waiver of amount due from the subsidiary disposed of	(95,943)
Net assets disposed of	(989,483)

Loss on disposal	(963,735)
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MANAGEMENT DISCUSSION AND ANALYSIS

Business and Financial Review

The Group did not generate any turnover for the period ended 30 September 2014 (2013: Nil).

The Group recorded a net loss attributable to owners of the Company of approximately HK\$982,351,000 for the period as compared to a net loss attributable to owners of the Company of approximately HK\$22,694,000 for the corresponding period last year. Loss for the period included a loss on disposal of a subsidiary of approximately HK\$963,735,000.

Administrative expenses for the period amounted to approximately HK\$12,522,000 representing an increase of approximately HK\$773,000 or 7%, as compared with the corresponding period last year. The increase was mainly attributable to increase in corporate finance activities and related professional expenses, and employee costs.

Finance costs for the period amounted to approximately HK\$7,205,000 (2013: approximately HK\$12,913,000). The decrease in interest costs was mainly resulted from the decrease in effective interest of the convertible bonds in the amounts of HK\$120,000,000 and HK\$16,000,000 upon their extensions in 2013, and the cancellation of former and conversion of the latter in 2014.

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

As stated in the announcement of the Company dated 27 August 2012, the consortium owning the project was informed by Brunei National Petroleum Company Sendirian Berhad (“Petroleum Brunei”) on 24 August 2012 that it would not extend the exploration period of the project which was to expire on 27 August 2012. On 28 August 2012, the consortium submitted an appeal to the Ministry of Energy of Brunei in relation to the rejection of request for extension of exploration period of the project by Petroleum Brunei. On the same day, Petroleum Brunei demanded a compensation of US\$16.35 million from the consortium for the incomplete obligations in drilling program. Since then, the Group and certain members of the consortium have engaged in negotiations with Petroleum Brunei regarding the extension of the exploration period. However, up to end of the first quarter in 2014, the matter was yet to be resolved. The Group has obtained advices from its legal adviser on the project who opined that (a) if no further action was to be taken, the Group would avoid incurring further legal costs, however, the Group's rights in respect of the project would be lost entirely and as such the Group would not be able to recover its rights or to seek compensation, and there could also be a possible claim against the Group and other members of the consortium; and (b) if proceed with investment treaty arbitration, the Group could potentially recover its rights or obtain compensation in respect of its investment in the project through arbitration, however, the uncertainty of the outcome and the substantial legal costs which would be incurred should also be considered. Based on the above advices, the Board has decided that it would be best for the Company to dispose of China Sino Oil Company Limited (“China Sino Oil”), the wholly-owned subsidiary which owns 21% participating interest in the consortium, since the time and costs, including legal costs, involved would be substantial and there is still a high uncertainty as to the grant of the extension. On 17 April 2014, the Group entered into the sale and purchase agreement to dispose of China Sino Oil to the substantial shareholder of the Company and the disposal was completed on 30 June 2014.

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 had continued into 2013. As a result of the above-described delay, applications for extensions of the current exploration sub-phase to 28 February 2015 have been granted by the Department of Energy. It is intended that the rig sourced for the Cebu project be mobilized to Central Luzon to drill one exploration well in late 2014.

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 the grant of tree cutting permit. A moratorium on the work commitments for the project has been granted by the Department of Energy to 31 December 2015.

Philippines South Cebu Oil and Gas Project

The project ("SC49") is situated at the southern part of Cebu, central Philippines. Oil and gas had been discovered in previous drillings. 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.

In 2013, the drilling program was delayed due to rig availability and funding requirement. Application for an extension of the current exploration sub-phase to 1 March 2015 has been granted by the Department of Energy. CIMP finalized its well drilling and oil service tender for SC49, and signed a drilling service agreement with a contractor in March 2014. In the third quarter, site construction for the first well was completed and the contractor mobilized the rig components and materials to the well site in Cebu. A spud-in ceremony was held at SC49 well site on 30 August 2014 and the first appraisal well was successfully spudded on 22 October 2014, under the approval of the Department of Energy. According to the drilling design, the first well has a total depth of 1,240 meters, which was expected to be reached within three weeks. Up to today, drilling has reached 749 meters and gas show has been encountered in the interbeds of mudstone and sandstone. After the first two vertical wells are completed, the Company will further evaluate and study the parameters obtained for developing the following directional or horizontal wells' drilling.

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 30 September 2014, 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 corporation (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which were required to be notified to the Company and the Stock Exchange pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules relating to the securities transactions by Directors.

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

As at 30 September 2014, 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 (Note 1)	Capacity	Approximate percentage of interest
Silver Star Enterprises Holdings Inc. (Note 2)	1,244,255,931 (L)	Beneficial owner	64.22%
Lam Nam	1,244,255,931 (L) (Note 2)	Interest of a controlled corporation	64.22%
	2,780,000	Beneficial owner	0.14%

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 1,244,255,931 shares held by Silver Star Enterprises Holdings Inc..

Save as disclosed above, as at 30 September 2014, 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 30 September 2014.

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 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 auditors 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

Kuai Wei

Chairman

Hong Kong, 10 November 2014