



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

(Stock code: 8011)



2020 First Quarterly Report

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## 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 2020, together with the comparative unaudited figures for the corresponding period in 2019, as follows:

## CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the three months ended 31 March 2020

	Notes	Unaudited Three months ended 31 March	
		2020	2019
		HK\$'000	HK\$'000
Turnover		—	—
Other income		3	117
Administrative and other operating expenses		(3,726)	(4,519)
Finance costs	3	(3,726)	(3,762)
Impairment losses recognised on deferred exploration expenditure		134	(66)
Share of results of an associate		16	—
Loss before income tax	4	(7,383)	(8,230)
Income tax credit	5	—	—
<b>Loss for the period</b>		<b>(7,383)</b>	<b>(8,230)</b>
<b>Attributable to:</b>			
Owners of the Company		(7,013)	(7,980)
Non-controlling interests		370	(250)
		<b>(7,383)</b>	<b>(8,230)</b>
<b>Loss per share</b>	6		
Basic (in HK cents)		0.239 cents	0.272 cents
Diluted (in HK cents)		0.239 cents	0.272 cents
<b>Dividends</b>	7	—	—

## CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the three months ended 31 March 2020

	Unaudited Three months ended 31 March	
	2020	2019
	HK\$'000	HK\$'000
Loss for the period	(7,383)	(8,230)
Other comprehensive income:		
Item that may be reclassified subsequently to profit or loss:		
Exchange differences on translation of foreign operations	1,426	502
<b>Total comprehensive expense for the period</b>	<b>(5,957)</b>	<b>(7,728)</b>
<b>Attributable to:</b>		
Owners of the Company	(5,153)	(7,650)
Non-controlling interests	(804)	(78)
<b>Total comprehensive expense for the period</b>	<b>(5,957)</b>	<b>(7,728)</b>

## 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 2019.

### 3. Finance costs

	Unaudited Three months ended 31 March	
	2020	2019
	HK\$'000	HK\$'000
Imputed interest on convertible bonds	3,730	3,699
Promissory note	60	40
Bank and other interest	20	22
Finance lease interest	—	1
	<b>3,810</b>	<b>3,762</b>

#### 4. Loss before income tax

Loss before income tax is arrived at after charging:

	Unaudited Three months ended 31 March	
	2020	2019
	HK\$'000	HK\$'000
Staff costs (including directors' remuneration)		
— Salaries, allowances and benefits in kind	2,423	3,332
— Retirement scheme defined contributions	14	19
Depreciation of property, plant and equipment	11	51

#### 5. Income tax credit

Income tax credit recognised in profit or loss:

	Unaudited Three months ended 31 March	
	2020	2019
	HK\$'000	HK\$'000
Current tax:		
— Hong Kong	—	—
— PRC enterprise income tax	—	—
— Other jurisdictions	—	—
Deferred tax	—	—
Income tax credit for the period	—	—

Hong Kong profits tax is calculated at the rate of 16.5% (2019: 16.5%) on the estimated assessable profit for the period. PRC subsidiaries are subject to PRC enterprise income tax at the rate of 25% (2019: 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 (2019: 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	
	2020	2019
	<i>HK\$'000</i>	<i>HK\$'000</i>
Loss for the period attributable to owners of the Company	7,013	7,980
Loss for the period for calculation of basic loss and diluted loss per share	7,013	7,980
	<i>'000</i>	<i>'000</i>
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 (2019: Nil).

## MANAGEMENT DISCUSSION AND ANALYSIS

### Business and Financial Review

The Group generated no turnover for the period ended 31 March 2020 (2019: Nil).

The Group recorded a net loss attributable to owners of the Company of approximately HK\$7,013,000 for the period as compared to a net loss attributable to owners of the Company of approximately HK\$7,980,000 for the corresponding period last year. Administrative and other operating expenses for the period amounted to approximately HK\$3,726,000 representing a decrease of approximately HK\$793,000 or 18%, 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\$3,810,000 (2019: approximately HK\$3,762,000).

### Prospects

#### Philippines Central Luzon Gas Project (“SC70”)

The project’s original 2012 work program was for re-entering Victoria-3 and drilling a new well. However, the work program was delayed due to rig availability. Instead, the project management conducted a further support study for new drilling plan. As a result of the above-described delay, the project was granted by the Department of Energy to extend the expiry of the current exploration sub-phase to 9 November 2019. However, the application for re-extend the expiry was rejected by the Department of Energy in December 2019. Polyard Petroleum International Company Limited submitted the reconsideration request, which is under the consideration.

#### Philippines San Miguel Coal Mine Project (“COC145”)

The project has progressed into the development phase. Phase-2 Road Construction was launched to have vehicles accessing to the initial mining area, but was pending for the governmental agencies overseeing environmental protection to issue a tree-cutting permit. The construction can be resumed any time after the issuance of tree-cutting permit. On 12 March 2020, Department of Energy approved COC145 contract term extension for ten years.



### **Philippines South Cebu Oil and Gas Project (“SC49”)**

Based on renewed production forecast from single-well flowing in 2019 and positive testing results conducted from May to July in the same year, CIMP preferred to deploy new wells adjacent to the existing production wells. CIMP completed planning of new wells by integrating reservoir study and geological analysis, and has reached agreement on land lease with the land owners.

In November 2019, CIMP submitted to the Department of Energy the 2020 annual work program and budget. CIMP plans to drill three production wells in 2020 and then will drill another additional well, which depends on the results of drilling. The procurement of drilling materials and production facilities is under way.

## **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 2020, 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 2020, 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
	L (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%
East Asia Oil Engineering Group Limited	187,500,000 (L) (Note 3)	Beneficial Owner	6.38%
Li Suiqing	187,500,000 (L) (Note 3)	Interest of a controlled corporation	6.38%
Li Suiqing	62,500,000 (L)	Beneficial Owner	2.13%
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 The entire issued share capital of East Asia Oil Engineering Group Limited is beneficially owned by Ms. Li Suiqing is deemed to be interested in 187,500,000 shares held by East Asia Oil Engineering Group Limited. 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 2020, 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 2020.

## **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 of  
Polyard Petroleum International Group Limited  
**Zhao Zhiyong**  
*Chairman*

Hong Kong, 15 May 2020

*At the date of this report, the Board comprises:*

***Executive Directors***

Mr. Zhao Zhiyong  
Mr. Lai Chun Liang  
Mr. Lin Zhang

***Independent Non-Executive Directors***

Mr. Pai Hsi-Ping  
Ms. Xie Qun  
Mr. Kwan King Chi George