



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

(Stock Code 股份代號: 8011)



2022

First Quarterly Report

Unit 06, 4/F., Lu Plaza, No.2 Wing Yip Street,
Kwun Tong, Kowloon, Hong Kong

www.ppig.com.hk

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Given that the companies listed on GEM are generally small and mid-sized companies, 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 GEM Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquires, 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 the Company announces the unaudited consolidated results of the Company and its subsidiaries (collectively the “Group”) for the three months ended 31 March 2022, together with the comparative unaudited figures for the corresponding period in 2021, as set out below:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the three months ended 31 March 2022

		Unaudited Three months ended 31 March	
	<i>Notes</i>	2022 HK\$'000	2021 HK\$'000
Turnover		—	—
Other Income		1	—
Administrative and other operating expenses		(1,440)	(2,255)
Finance costs	3	(1,910)	(1,405)
Share of results of joint venture		—	31
		<hr/>	<hr/>
Loss before income tax	4	(3,349)	(3,629)
Income tax credit	5	—	—
		<hr/>	<hr/>
Loss for the period		<u>(3,349)</u>	<u>(3,629)</u>
Attributable to:			
Owners of the Company		(3,245)	(3,609)
Non-controlling interests		(104)	(20)
		<hr/>	<hr/>
		<u>(3,349)</u>	<u>(3,629)</u>
Loss per share	6		
— Basic (<i>in HK cents</i>)		(0.085)	(0.096)
— Diluted (<i>in HK cents</i>)		(0.085)	(0.096)
		<hr/>	<hr/>
Dividends	7	—	—
		<hr/>	<hr/>

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the three months ended 31 March 2022

	Unaudited Three months ended 31 March	
	2022 HK\$'000	2021 HK\$'000
Loss for the period	(3,349)	(3,629)
Other comprehensive income		
Item that may be reclassified subsequently to profit or loss:		
Exchange differences arising on translation of foreign operations	<u>2,884</u>	<u>1,178</u>
Total comprehensive expense for the period	<u>(465)</u>	<u>(2,451)</u>
Attributable to:		
Owners of the Company	(493)	(2,652)
Non-controlling interests	<u>28</u>	<u>201</u>
Total comprehensive expense for the period	<u>(465)</u>	<u>(2,451)</u>

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the three months ended 31 March 2022

	Unaudited								
	Attributable to owners of the Company								
	Share capital <i>HK\$'000</i>	Share premium <i>HK\$'000</i>	Share reserve <i>HK\$'000</i>	Exchange reserve <i>HK\$'000</i>	Convertible bonds reserve <i>HK\$'000</i>	Accumulated losses <i>HK\$'000</i>	Subtotal <i>HK\$'000</i>	Non- controlling interests <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1 January 2021 (Unaudited)	117,502	998,012	985	(1,045)	3,285	(1,114,690)	4,049	17,959	22,008
Loss for the period	—	—	—	—	—	(3,609)	(3,609)	(20)	(3,629)
Other comprehensive income for the period	—	—	—	957	—	—	957	221	1,178
Total comprehensive income/(expense) for the period	—	—	—	957	—	(3,609)	(2,652)	201	(2,451)
At 31 March 2021	<u>136,813</u>	<u>1,065,601</u>	<u>985</u>	<u>(88)</u>	<u>3,285</u>	<u>(1,118,299)</u>	<u>88,297</u>	<u>18,160</u>	<u>106,457</u>
At 1 January 2022 (Unaudited)	153,479	1,123,935	985	(984)	2,810	(1,051,857)	228,368	98,870	327,238
Loss for the period	—	—	—	—	—	(3,245)	(3,245)	(104)	(3,349)
Other comprehensive expense for the period	—	—	—	2,751	—	—	2,751	132	2,883
Total comprehensive income/(expense) for the period	—	—	—	2,751	—	(3,425)	(494)	28	(466)
At 31 March 2022	<u>153,479</u>	<u>1,123,935</u>	<u>985</u>	<u>1,767</u>	<u>2,810</u>	<u>(1,055,102)</u>	<u>227,874</u>	<u>98,898</u>	<u>321,006</u>

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 2021.

3. FINANCE COSTS

	Unaudited Three months ended 31 March	
	2022 HK\$'000	2021 HK\$'000
Convertible bond interest expense and late charges	1,890	1,326
Promissory note payable	—	60
Bank and other interest	20	19
Finance lease charges	—	—
	1,910	1,405

4. LOSS BEFORE INCOME TAX

Loss before income tax is arrived at after charging the following items:

	Unaudited Three months ended 31 March	
	2022 HK\$'000	2021 HK\$'000
Staff costs (including directors' remuneration)		
— Salaries, allowances and benefits in kind	915	1,546
— Retirement scheme contributions	11	15
Depreciation of property, plant and equipment	<u>1</u>	<u>3</u>

5. INCOME TAX CREDIT

Income tax credit recognised in profit or loss

	Unaudited Three months ended 31 March	
	2022 HK\$'000	2021 HK\$'000
Current tax		
— Hong Kong	—	—
— PRC enterprise income tax	—	—
— Other jurisdictions	—	—
Deferred tax	<u>—</u>	<u>—</u>
Income tax credit for the year	<u>—</u>	<u>—</u>

Hong Kong profits tax is calculated at the rate of 16.5% (2021: 16.5%) on the estimated assessable profit for the period. PRC subsidiaries are subject to PRC enterprise income tax at the rate of 25% (2021: 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 (2021: 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 and diluted loss per share are based on the following data:

	Unaudited Three months ended 31 March	
	2022 HK\$'000	2021 HK\$'000
Loss for the period attributable to the owners of the Company	<u>(3,245)</u>	<u>(587)</u>
		'000
Issued ordinary shares at beginning of period	3,817,142	3,354,204
Effect of ordinary shares issued	<u>—</u>	<u>407,679</u>
Weighted average number of ordinary shares in issue for the period	<u>3,817,142</u>	<u>3,761,883</u>

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 antidilutive.

7. DIVIDENDS

The Board does not recommend the payment of a dividend for the period (2021: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

Business and Financial Review

The Group generated no turnover for the period ended 31 March 2022 (2021: Nil).

The Group recorded a net loss attributable to owners of the Company of approximately HK\$3,245,000 for the period as compared to a net loss attributable to owners of the Company of approximately HK\$3,609,000 for the corresponding period last year.

Administrative and other operating expenses for the period amounted to approximately HK\$1,440,000 representing a decrease of approximately HK\$815,000 or 36%, as compared with the corresponding period last year. The decrease was mainly attributable to decrease in various business expenses such as employee costs, rental, entertainment and overseas travelling expenses.

Finance costs for the period amounted to approximately HK\$1,910,000 (2021: approximately HK\$1,405,000).

PROSPECTS

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

SC49 is situated in the southern part of Cebu, central Philippines, where hydrocarbon had been discovered in previous drillings. China International Mining and Petroleum Company Limited (“CIMP”) acquired 80% participating interest of SC49 and became the operator of SC49 project in July 2009. The Group indirectly acquired 51% of CIMP’s issued share 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.

During the year of 2021, due to the COVID-19 pandemic, the Philippine government had continued to impose various preventive measures, amongst others, quarantine and isolation measures across cities and provinces as well as the travel restriction banning foreign nationals from entering the country. Manila and Cebu were under General Community Quarantine as at the date of this report. The travel restriction has still been in force in 2021 and no CIMP personnel arrived to the country in the year 2021. As a result of COVID-19 pandemic, the drilling progress of SC49 project postponed. The drilling work is expected to resume upon the Philippine government’s lifting of the foreigner-entry restrictions.

The demand of oil from the customers under SC49 project had decreased under the impact of COVID-19 pandemic. Nonetheless, CIMP has actively been identifying for prospective oil buyers. The oil buyer, Boom Oil Inc., continued to purchase oil from CIMP in 2021. Apart from Tom’s Power Petroleum Distributor Inc. which has been purchasing oil from CIMP on an irregular basis since 2016, CIMP started irregular business relationship with some local buyers, including RMS Petroleum Technology and Waste Management Corp, SVM SIBU Petroleum Products Hauling Services and RRDS Environmental Services Inc.

The plan of drilling three new development wells in 2021 to expand production capacity was postponed until 2022. In the meantime, CIMP is actively carrying out wax removal work for oil well facilities. The Department of Energy of the Philippines (“DOE”) had approved the workover proposals for three existing production wells and the drilling proposals for three new development wells, totaling six new development wells to be drilled in 2022. The preparation for the drilling proposal of a new exploratory well is underway. The Philippine government is expected to open its borders in April 2022 and the drilling contractor is arranging human resources and materials to start drilling in the second half of 2022.

Besides, in 2021, CIMP proposed to construct crude oil dehydration facilities and storage tanks to settle the water cut complaints by the oil buyers and decrease logistics cost; upon the grant by DOE, started the relevant construction, which is expected to come into service in 2022. The drilling contractor plans to invest in the first phase oil refinery near the well sites of SC49 project; according to its source, it has rent the land required and entered into the whole-plant equipment manufacturing contract. It is expected that the first phase oil refinery will be completed and put into operation next year and will purchase about 200,000 barrels of crude oil from CIMP at annual basis. In March 2022, the Company entered into a cooperation agreement with China Huadian Engineering Co. Ltd (“CHEC”), pursuant to which the Company and CHEC will form cooperation to develop and operate a 48MW gas-generated power plant in phase one of the SC49 project in the Philippines, initiating the downstream industrialization for natural gas.

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 2022, 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 2022, 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 L (Note 1)	Capacity	Approximate percentage of interest
Silver Star Enterprises Holdings Inc.	1,872,055,931 (L) (Note 2)	Beneficial owner	48.79%
Lam Nam	1,872,055,931 (L) (Note 2)	Interest of a controlled corporation	48.79%
	270,702,223 (L)	Beneficial owner	7.06%
Guoxiang Holdings (Hong Kong) Limited	444,000,000 (L) (Note 3)	Beneficial owner	11.57%
He Rongguo	444,000,000 (L) (Note 3)	Interest of a controlled corporation	11.57%
	26,200,000 (L)	Beneficial owner	0.68%
East Asia Oil Engineering Group Limited	260,555,556 (L) (Note 4)	Beneficial owner	6.79%
Inwood Support Limited	260,555,556 (L) (Note 4)	Interest of a controlled corporation	6.79%
Li Suiqing and He Rongguo	260,555,556 (L) (Note 4)	Interest of a controlled corporation	6.79%
CCB International Overseas Limited	277,777,777 (L) (Note 5)	Beneficial owner	7.24%
China Construction Bank Corporation	277,777,777 (L) (Note 5)	Interest of a controlled corporation	7.24%
Central Huijin Investment Ltd.	277,777,777 (L) (Note 5)	Interest of a controlled corporation	7.24%

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 1,872,055,931 shares held by Silver Star Enterprises Holdings Inc.
- 3 The entire issued share capital of Guoxiang Holdings (Hong Kong) Limited is beneficially owned by Mr. He Rongguo. Mr. He Rongguo is deemed to be interested in 444,000,000 shares held by Guoxiang Holdings (Hong Kong) Limited.
- 4 The entire issued share capital of East Asia Oil Engineering Group Limited is owned by Inwood Support Limited and Inwood Support Limited is owned as to 68% by Ms. Li Suiqing and 32% by Guoxiang Holdings (Hong Kong) Limited. The entire issued share capital of Guoxiang Holdings (Hong Kong) Limited is beneficially owned by Mr. He Rongguo. Accordingly, Ms. Li Suiqing and Mr. He Rongguo are deemed to be interested in 260,555,556 shares.
- 5 These shares may be allotted and issued upon exercise of the conversion rights attaching to the convertible bonds issued by the Company to CCBI International Overseas Limited, which has matured on 31 March 2019. The entire issued share capital of CCBI International Overseas Limited is owned by China Construction Bank Corporation and China Construction Bank Corporation is owned as to 57.11% by Central Huijin Investment Ltd. The Company and CCBI International Overseas Limited are in the process of negotiation regarding the settlement arrangement.

Save as disclosed above, as at 31 March 2022, 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 2022.

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 report and accounts.

The Audit Committee comprises the two independent non-executive Directors, namely Mr. Kwan King Chi George, Mr. Cheng Chak Ho and a non-executive Director, namely Ms. Xie Qun. 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
Polyard Petroleum International Group Limited
Zhao Zhiyong
Chairman

Hong Kong, 13 May 2022

As at the date of this report, the Board comprises:

Executive Directors

Mr. Zhao Zhiyong

Mr. Lai Chun Liang

Mr. Lin Zhang

Non-Executive Director

Mr. Yang Changchun

Ms. Xie Qun

Independent Non-Executive Directors

Mr. Wang Xiaoyu

Mr. Kwan King Chi George

Mr. Cheng Chak Ho