POLYARD PETROLEUM INTERNATIONAL GROUP LIMITED

PPIG 百田石油國際集團有限公司

(incorporated in the Cayman Islands with limited liability)

(Stock code: 8011)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2007

CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET ("GEM") OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE "STOCK EXCHANGE")

GEM has been established as a market designed to accommodate companies to which a high investment risk may be attached. In particular, companies may list on GEM with neither a track record of profitability nor any obligation to forecast future profitability. Furthermore, there may be risks arising out of the emerging nature of companies listed on GEM and the business sectors or countries in which the companies operate. 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.

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This announcement, for which the directors of Polyard Petroleum International Group Limited (formerly known as "Kanstar Environmental Paper Products Holdings 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 ("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: (i) the information contained in this announcement is accurate and complete in all material respects and not misleading; (ii) there are no other matters the omission of which would make any statement in this announcement misleading; and (iii) all opinions expressed in this announcement have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.

HIGHLIGHTS

- The Group's turnover increased by 16.4% to HK$50,378,000 as compared with HK$43,295,000 in 2006.
- The Group recorded an audited net profit of approximately HK$473,115,000 whereas, the Group has recorded an audited loss of approximately HK$18,428,000 last year.
- The Directors do not recommend the payment of a dividend for the year ended 31 December 2007.

ANNUAL RESULTS

The board of directors (the "Board") of Polyard Petroleum International Group Limited (formerly known as "Kanstar Environmental Paper Products Holdings Limited") (the "Company") is pleased to announce the audited consolidated results of the Company and its subsidiaries (collectively the "Group") for the year ended 31 December 2007, together with the comparative audited figures for the previous year, as set out below:

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2007

	Notes	**2007** ***HK$'000***	2006 *HK$'000*
Turnover		**50,378**	43,295
Cost of sales		**(45,791)**	(38,321)
Gross profit		**4,587**	4,974
Other income		**2,058**	818
Gain arising on business combination	*3*	**487,534**	—
Loss on disposal of subsidiary	*4*	**(3,283)**	—
Selling and distribution expenses		**(1,018)**	(1,807)
Administrative and other operating expenses		**(9,860)**	(20,097)
Profit/(loss) from operations		**480,018**	(16,112)
Finance costs	*5*	**(4,983)**	(1,032)
Share of results of associates		**(2,201)**	(1,284)
Profit/(loss) before tax	*6*	**472,834**	(18,428)
Income tax	*7*	**281**	—
Profit/(loss) for the year		**473,115**	(18,428)
Profit/(loss) for the year attributable to:			
Equity holders of the company		**473,961**	(18,428)
Minority interests		**(846)**	—
		473,115	(18,428)
Earnings/(loss) per share	*8*		
— Basic		**9.56 cents**	(0.43 cents)
— Diluted		**9.55 cents**	N/A
Dividend	*9*	**—**	—

CONSOLIDATED BALANCE SHEET

As at 31 December 2007

	Notes	2007 HK$'000	2006 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment		**202**	35,111
Prepaid lease payments		**—**	2,245
Interests in associates		**—**	224,316
Interests in jointly controlled entity		**3,143,824**	—
		3,144,026	261,672
CURRENT ASSETS			
Inventories		**—**	11,087
Trade and other receivables	*10*	**9,448**	11,520
Cash and bank deposits		**71,100**	3,809
		80,548	26,416
CURRENT LIABILITIES			
Bank and other borrowings		**(133)**	(18,901)
Trade and other payables	*11*	**(100,147)**	(12,672)
Amount due to directors		**—**	(3,284)
		(100,280)	(34,857)
NET CURRENT LIABILITIES		**(19,732)**	(8,441)
TOTAL ASSETS LESS CURRENT LIABILITIES		**3,124,294**	253,231
NON-CURRENT LIABILITIES			
Convertible bonds	*12*	**(253,211)**	—
Deferred tax liabilities		**(3,479)**	—
		(256,690)	—
NET ASSETS		**2,867,604**	253,231
CAPITAL AND RESERVES			
Share capital	*13*	**10,816**	9,600
Reserves		**840,116**	243,631
Equity attributable to shareholders of the Company		**850,932**	253,231
Minority interests		**2,016,672**	—
TOTAL EQUITY		**2,867,604**	253,231

Notes:

1. **Application of New and Revised Hong Kong Financial Reporting Standards ("HKFRSs")**

In the current year, the Group has applied a number of new standard, amendment and interpretations ("new HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), which are relevant to its operations and are effective for accounting periods beginning on or after 1 January 2007. The adoption of the new HKFRSs has no significant effect on the Group's accounting policies and amounts reported for the current and prior accounting periods in these financial statements.

The Group has not early applied the following new and revised standards or interpretations that have been issued but are not yet effective. The directors anticipate that the application of these new and revised standards or interpretations will have no material impact on the results and the financial position of the Group.

HKAS 1 (Revised)	Presentation of Financial Statements[4]
HKAS 23 (Revised)	Borrowing Costs[4]
HKFRS 8	Operating Segments[2]
HK(IFRIC)-Int 11	HKFRS 2 — Group and Treasury Share Transactions[1]
HK(IFRIC)-Int 12	Service Concession Arrangements[2]
HK(IFRIC)-Int 13	Customer Loyalty Programmes[3]
HK(IFRIC)-Int 14	HKAS 19 — The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction[2]

[1] Effective for annual periods beginning on or after 1 March 2007
[2] Effective for annual periods beginning on or after 1 January 2008
[3] Effective for annual periods beginning on or after 1 July 2008
[4] Effective for annual periods beginning on or after 1 January 2009

2. **Business and geographical segments**

(a) Business Segments

2007

The Group is currently organised into 2 major business divisions — (1) development, manufacture and sale of pulp and paper products, and (2) exploration of oil and natural gas. There are no sales or other transactions between the business segments. These business divisions are the basis on which the Group reports its primary segment information as presented below:

Income Statement

	Development, manufacture and sale of pulp and paper products *HK$'000*	**Exploration of oil and natural gas** *HK$'000*	**Total** *HK$'000*
Revenue	**50,378**	**—**	**50,378**
Segment results	**701**	**(1,173)**	**(472)**
Unallocated corporate income			**493,683**
Unallocated corporate expenses			**(13,193)**
Finance costs			**(4,983)**
Share of results of associates			**(2,201)**
Income Tax			**281**
Profit for the year			**473,115**

Balance Sheet

	Development, manufacture and sale of pulp and paper products *HK$'000*	**Exploration of oil and natural gas** *HK$'000*	**Total** *HK$'000*
Assets:			
Segment assets	**1,594**	**3,222,110**	**3,223,704**
Unallocated corporate assets			**870**
Total assets			**3,224,574**
Liabilities:			
Segment liabilities	**1,527**	**95,755**	**97,282**
Unallocated corporate liabilities			**259,688**
Total liabilities			**356,970**

Other Information

	Development, manufacture and sale of pulp and paper products *HK$'000*	Exploration of oil and natural gas *HK$'000*	Others *HK$'000*	Total *HK$'000*
Capital expenditure	**957**	**26**	**1**	**984**
Depreciation	**1,111**	**9**	**1**	**1,121**

2006

The Group was principally engaged in the development, manufacture and sale of pulp and paper products without division(s) organised for other business.

Income Statement

	Development, manufacture and sale of pulp and paper products *HK$'000*
Revenue	43,295
Segment results	(14,221)
Unallocated corporate income	576
Unallocated corporate expenses	(2,467)
Finance costs	(1,032)
Share of results of associates	(1,284)
Loss for the year	(18,428)

Balance Sheet

	Development, manufacture and sale of pulp and paper products *HK$'000*
Assets:	
Segment assets	60,925
Unallocated corporate assets	227,163
Total assets	288,088
Liabilities:	
Segment liabilities	16,057
Unallocated corporate liabilities	18,800
Total liabilities	34,857

Other Information

	Development, manufacture and sale of pulp and paper products *HK$'000*	Others *HK$'000*	Total *HK$'000*
Capital expenditure	1,413	6	1,419
Depreciation	1,684	92	1,776

(b) Geographical Segments

The Group's 2 major business divisions are operated in 2 principal geographical areas — (1) the People's Republic of China, including Hong Kong and Macau (the "PRC"), and (2) other Asia Pacific countries. These geographical areas are the basis on which the Group reports its secondary segment information as presented below:

2007

	Turnover ***HK$'000***	**Segment assets** ***HK$'000***	**Capital expenditure** ***HK$'000***
PRC	**50,378**	**80,750**	**984**
Other Asia Pacific countries	**—**	**3,143,824**	**—**
	50,378	**3,224,574**	**984**

2006

	Turnover *HK$'000*	Segment assets *HK$'000*	Capital expenditure *HK$'000*
PRC	43,295	288,088	1,419
Other Asia Pacific countries	—	—	—
	43,295	288,088	1,419

3. Gain arising on business combination

On 10 October 2007, Modern Lucky International Limited ("Modern Lucky"), a wholly-owned subsidiary of the Company, acquired a further 30% of the equity interest in Polyard Petroleum International Company Limited ("PPIC") at a total consideration of HK$468,232,231, satisfied by ordinary shares at a total amount of HK$191,880,000 and convertible bonds at a total amount of HK$276,352,231 issued by the Company.

Together with the 20% of the equity interest in PPIC previously acquired by Modern Lucky in September 2006, Modern Lucky was beneficially interested in 50% of PPIC and PPIC become a subsidiary of the Company on 10 October 2007. The acquisition was accounted for as a business combination at 10 October 2007 and measured as follows:

	Acquiree's carrying amount before combination *HK$'000*	**Fair value adjustment** *HK$'000*	**Fair value** *HK$'000*
Net assets acquired:			
Property, plant and equipment	141	—	141
Interest in jointly controlled entity	32,132	3,111,692	3,143,824
Trade and other receivables	7,678	—	7,678
Amount due from related parties	300	—	300
Amount due from Shareholders	3,398	—	3,398
Cash and bank deposits	73,070	—	73,070
Trade and other payables	(17,722)	—	(17,722)
Amount due to related parties	(81,675)	—	(81,675)
Amount due to shareholders	(27,486)	—	(27,486)
	(10,164)	3,111,692	3,101,528
Fair value of acquiree's net assets attributable to minority interests			(2,017,518)
Fair value of net assets attributable to interests acquired by the Company			1,084,010
Total cost on business combination *(note (a))*			(596,476)
Gain arising on business combination			487,534

Note:

(a) Total cost on business combination was determined as follows:

	HK$'000
20% of the equity interest in PPIC previously acquired	
— share of net liabilities	(1,819)
— goodwill	223,934
30% of the equity interest in PPIC further acquired	
— fair value of ordinary shares issued	101,270
— fair value of convertible bonds issued	273,091
	596,476

4. Loss on disposal of subsidiary

The Group disposed of a wholly-owned subsidiary, Yunnan Changning Kanstar Paper Company Limited, during the year. An analysis of the financial effects arising on the disposal is as follows:

	2007
	HK$'000
Net assets disposed of:	
Property, plant and equipment	**36,194**
Prepaid lease payments	**2,290**
Inventories	**7,957**
Trade and other receivables	**17,410**
Cash and bank deposits	**3,455**
Other short term loans	**(7,258)**
Trade and other payables	**(13,708)**
Amount due to directors	**(1,313)**
	45,027
Release of exchange reserve	**(144)**
	44,883
Total consideration, satisfied by:	
Cash	**26,000**
Settlement of bank loans	**15,600**
	41,600
Loss on disposal	**3,283**

5. Finance costs

	2007 *HK$'000*	2006 *HK$'000*
Interest and charges on bank loans and advances	**1,487**	1,023
Effective interest on convertible bonds	**3,496**	—
Interest on other loans and advances	**—**	9
	4,983	1,032

6. Profit/(loss) before tax

Profit/(loss) before tax has been arrived at after charging:

	2007 *HK$'000*	2006 *HK$'000*
Staff costs (including directors' remuneration)		
— Salaries and other benefits	**3,957**	3,859
— Retirement scheme contributions	**7**	178
	3,964	4,037
Auditors' remuneration	**300**	200
Amortisation of lease payments for land	**37**	47
Depreciation	**1,121**	1,776
Revaluation decrease of plant and equipment	**—**	10,771
Impairment loss on trade and other receivables	**—**	4,556
Impairment loss on inventories	**—**	239
Carrying amount of inventories sold	**45,791**	38,321

7. Income tax

	2007 *HK$'000*	2006 *HK$'000*
Current tax:		
Hong Kong	**—**	—
Other jurisdictions	**—**	—
Deferred tax	**281**	—
Income tax credit for the year	**281**	—

Hong Kong profits tax is calculated at 17.5% (2006: 17.5%) on the estimated assessable profit for the year. Taxation for other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.

The total charge for the year can be reconciled to the accounting profit/(loss) as follows:

	2007	2006
	HK$'000	*HK$'000*
Profit/(loss) before tax	**473,115**	(18,428)
Notional tax on profit/(loss) before tax, calculated at the tax rates applicable to profit in the jurisdictions concerned	**83,030**	(5,483)
Tax effect on share of results of associates	**385**	225
Tax effect of non-deductible expenses	**915**	5,231
Tax effect of non-taxable income	**(85,554)**	(13)
Tax effect of losses not deductible	**1,115**	510
Tax effect of utilisation of tax losses not previously recognised	**(172)**	(470)
Income tax credit for the year	**(281)**	—

8. Earnings/(loss) per share

The calculations of the basic and diluted earnings/(loss) per share are based on the following data:

	2007	2006
	HK$'000	*HK$'000*
Earnings/(loss) for purpose of basic earnings/(loss) per share (profit/(loss) for the year attributable to equity holders of the Company)	**473,961**	(18,428)
Effect of dilutive potential ordinary shares		
— interest on convertible bonds *(note (a))*	**—**	—
Earnings/(loss) for the purpose of diluted earnings/(loss) per share	**473,961**	(18,428)
	'000	*'000*
Number of ordinary shares:		
Issued ordinary shares at 1 January	**4,800,000**	4,000,000
Effect of ordinary shares issued	**160,222**	243,288
Weighted average number of ordinary shares at 31 December used in the calculation of basic earnings/(loss) per share	**4,960,222**	4,243,288
Effect of dilutive potential ordinary shares		
— share options	**497**	153,023
— convertible bonds *(note (a))*	**—**	—
— warrants *(note (b))*	**—**	—
Weighted average number of ordinary shares at 31 December used in the calculation of diluted earnings/(loss) per share	**4,960,719**	4,396,311

Notes:

(a) Effect of dilutive potential ordinary shares on convertible bonds is considered to be nil as the average market price of ordinary shares during the period is below the conversion price of the convertible bonds.

(b) Effect of dilutive potential ordinary shares on warrants is considered to be nil as the average market price of ordinary shares during the period is below the exercise price of the warrants.

(c) The diluted loss per share for the year ended 31 December 2006 has not been disclosed as the potential shares arising from the exercise and conversion of the Company's share options would decrease the loss per share of the Group for the year 2006, and is regarded as anti-dilutive.

9. Dividend

No dividend has been paid or proposed for the year (2006: Nil).

10. Trade and other receivables

The Group has a policy of allowing average credit period ranging from 2 weeks to 1 month to its trade customers. In additions, for certain customers with long-established relationship and good past repayment histories, a longer credit period may be granted.

	2007	2006
	HK$'000	*HK$'000*
An aged analysis of trade receivables is as follows:		
0 — 30 days	**5,749**	3,141
31 — 60 days	**—**	—
61 — 90 days	**—**	58
91 — 120 days	**—**	—
Over 120 days	**—**	4
	5,749	3,203
Other debtors, deposits and prepayments	**786**	8,317
Amount due from subsidiary's shareholders	**2,913**	—
	9,448	11,520

The amounts due from subsidiary's shareholders are unsecured, interest-free and have no fixed terms of payment.

11. Trade and other payables

	2007	2006
	HK$'000	*HK$'000*
An aged analysis of trade payables is as follows:		
0 — 30 days	**450**	1,221
31 — 60 days	**—**	2,406
61 — 90 days	**—**	352
91 — 120 days	**—**	—
Over 120 days	**—**	3,263
	450	7,242
Other creditors and accrued charges	**19,288**	5,430
Amount due to related parties	**51,311**	—
Amount due to subsidiary's shareholders	**27,487**	—
Amount due to a shareholder	**1,611**	—
	100,147	12,672

The amounts due to related parties, subsidiary's shareholders and a shareholder are unsecured, interest-free and have no fixed terms of repayment.

12. Convertible bonds

The convertible bonds at an interest rate of 3% per annum accrued on a day to day basis (the "Convertible Bonds") were issued on 10 October 2007 to Mr. Lam Nam (the "Bondholder") at a nominal value of HK$276,352,231 for a term of 36 months.

The Bondholder may at any business day after the date of issue of the Convertible Bonds convert the whole or any part at an amount in an integral multiple of HK$100,000 of the principal amount of the Convertible Bonds into ordinary shares of HK$0.002 each in the share capital of the Company at the conversion price of HK$0.43 per conversion share.

The fair value of the liability component of the Convertible Bonds was measured using a market interest rate of approximately 6.25% for an equivalent non-convertible bond; the remaining balance represented the equity conversion component, is included in shareholders' equity under convertible bonds reserve.

The Group and the Company

	HK$'000
At 1 January 2007	—
Liability component of the Convertible Bonds issued	251,600
Interest charged	3,496
Interest paid	(1,885)
At 31 December 2007	253,211

13. Share capital

	Number of shares		**Amount**	
	2007	2006	**2007**	2006
	'000	*'000*	***HK$'000***	*HK$'000*
Authorised:				
Ordinary shares of HK$0.002 each				
— At beginning and end of the year	**10,000,000**	10,000,000	**20,000**	20,000
Issued and fully paid:				
Ordinary shares of HK$0.002 each				
— At beginning of the year	**4,800,000**	4,000,000	**9,600**	8,000
— Shares issued on exercise of options	**75,000**	—	**150**	—
— Shares issued on acquisition of interests in associates/subsidiaries	**533,000**	800,000	**1,066**	1,600
— At end of the year	**5,408,000**	4,800,000	**10,816**	9,600

14. Events after the Balance Sheet Date

The following agreements were entered into by the Group in respect of a proposed corporate restructuring:

(i) On 6 February 2008, Modern Lucky International Limited ("Modern Lucky"), an indirect wholly-owned subsidiary of the Company, entered into an agreement (the "Polyard Macau Agreement") with Mr. Lam Nam ("Mr. Lam"), a substantial shareholder of the Company, pursuant to which Mr. Lam shall sell, and Modern Lucky shall purchase, 50% of the entire capital of Polyard Petroleum International Company Limited ("PPIC"), an indirect non-wholly owned subsidiary of the Company, (the "Polyard Macau Acquisition"). The consideration of the Polyard Macau Acquisition shall be satisfied by Modern Lucky to procure Chinaoil USA (Macao) Company Limited ("Chinaoil Macao"), an indirect non-wholly owned subsidiary of the Company, to unconditionally and irrevocably transfer to Mr. Lam 21% of the participating interest in the production sharing agreement relating to the oil project in Brunei (the "Oil Project").

    Upon completion of the Polyard Macau Acquisition, PPIC will become a wholly-owned subsidiary of Modern Lucky.

(ii) On 6 February 2008, PPIC entered into an agreement (the "Chinaoil Macao Agreement") with Chinaoil (USA) Inc. pursuant to which Chinaoil (USA) Inc. shall sell, and PPIC shall purchase, 30% of the entire capital of Chinaoil Macao (the "Chinaoil Macao Acquisition"). The consideration of the Chinaoil Macao Acquisition shall be satisfied by PPIC to procure Chinaoil Macao to unconditionally and irrevocably transfer to Chinaoil (USA) Inc. 18% of the participating interest in the production sharing agreement relating to the Oil Project.

    Upon completion of the Chinaoil Macao Acquisition, Chinaoil Macao will become a wholly-owned subsidiary of PPIC.

(iii) On 7 February 2008, the Company entered into an arrangement agreement (the "Arrangement Agreement") to secure the proper execution of the Polyard Macau Agreement and the Chinaoil Macao Agreement (the "Proposed Corporate Restructuring") and to secure a new independent venturer (the "New Venturer") to become an investment party in the Oil Project.

    Pursuant to the Arrangement Agreement, Mr. Lam and Chinaoil (USA) Inc. shall assign to the New Venturer 21% and 18% participating interest in the Oil Project respectively upon obtaining shareholders' approval for the Proposed Corporate Restructuring. Should the shareholders' approval for the Proposed Corporate Restructuring not be obtained, the New Venturer shall be entitled to obtain the ownership of the 50% of the entire capital of PPIC and the 30% of the entire capital of Chinaoil Macao from Mr. Lam and Chinaoil (USA) Inc. respectively under the Arrangement Agreement.

    Mr. Lam has agreed to bear all the costs and expenses and to cover any loss that may arise in/from the Proposed Corporate Restructuring.

15. Change of company name

Pursuant to a special resolution passed on 29 August 2007, the company name was changed from Kanstar Environmental Paper Products Holdings Limited to Polyard Petroleum International Group Limited. The Certificate of Incorporation on Change of Name was issued by the Registrar of Companies in the Cayman Islands on 12 October 2007. The Certificate of Registration of Change of Name of Oversea Company was issued by the Registrar of Companies in Hong Kong on 15 November 2007.

QUALIFIED AUDITORS' REPORT

The Group's share of results of associates as stated in the consolidated income statement was determined for the period from 1 January 2007 to 10 October 2007, being the date when the associates became subsidiaries of the Company. The figure included the share of results of a jointly controlled entity of the associates in respect of the operation of an oil project in Brunei (the "Oil Project") up to 23 May 2007, being the date immediately before the operations of the Oil Project were suspended and the operatorship of the Oil Project was taken over by the holder of the mineral rights pending the process of a restructuring exercise as detailed in note 14. The holder of the mineral rights did not provide any financial reports for accounting periods subsequent to 23 May 2007. Accordingly, there were no other satisfactory audit procedures that we could adopt to satisfy ourselves that the Group's share of results of associates for the period from 1 January 2007 to 10 October 2007 amounted to HK$2.2 million was properly stated and free from material misstatements.

Interest in the jointly controlled entity was recognised subsequent on 10 October 2007. As the operation of the Oil Project has been suspended while no financial reports were provided by the holder of the mineral rights who took over the operatorship of the Oil Project. There were no other satisfactory audit procedures that we could adopt to satisfy ourselves that the Group's interests in jointly controlled entity as at 31 December 2007 amounted to HK$3,143.8 million were free from material misstatements.

QUALIFIED OPINION ARISING FROM LIMITATION OF AUDIT SCOPE

In our opinion, except for the effects of such adjustments, if any, as might have been determined to be necessary had we been able to satisfy ourselves as to the Group's share of results of associates and interests in jointly controlled entity, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2007 and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

In respect alone of the limitation on our work relating to the Group's share of results of associates and interests in jointly controlled entity:

— we have not obtained all the information and explanations that we considered necessary for the purpose of our audit; and

— we were unable to determine whether proper books of accounts had been kept.

MANAGEMENT DISCUSSION AND ANALYSIS

Business Overview

For the year ended 31 December 2007, the Group's turnover increased by 16.4% to HK$50,378,000 as compared with HK$43,295,000 in 2006. The Group recorded an audited net profit of approximately HK$473,115,000 whereas, the Group has recorded an audited loss of approximately HK$18,428,000 last year. The sharp increase in net profit was attributable to HK$487,534,000 gain arising on business combination of PPIC in October 2007.

The directors of the Company ("Directors") do not recommend the payment of a final dividend for the year 2007 (2006: nil).

Administrative and other operating expenses for the year ended 31 December 2007 amounted to approximately HK$9,860,000 representing a decrease of approximately HK$10,237,000, equivalent to 50.9% decrease as comparing with last year. There are neither provision for impairment loss on trade and other receivables (2006: HK$4,556,000) nor revaluation of plant and equipment (2006: revaluation decrease of HK$10,771,000) during the year. Besides, during the year, approximately HK$2.3 million legal and professional fee was incurred for the further acquisition of 30% equity interest in PPIC and the disposal of a wholly-owned subsidiary, Yunnan Changning Kanstar Paper Co., Ltd ("Yunnan Changning").

On 8 January 2007, Modern Lucky entered into a conditional sales and purchase agreement (supplemented by an agreement dated 31 May 2007) with Mr. Lam, pursuant to which Modern Lucky has further acquired from Mr. Lam 30% of the equity interest in PPIC. Upon completion of the acquisition on 10 October 2007, Modern Lucky, after taking into account the 20% of the capital acquired in the previous acquisition in September 2006, was beneficially interested in 50% of PPIC and PPIC becomes a subsidiary of the Company.

On 8 January 2007, Kanstar Hong Kong Limited ("Kanstar HK"), an indirect wholly-owned subsidiary of the Company, and Sure Carl Investment Limited ("Sure Carl"), wholly owned by Mr. Chim Kim Kiu, Jacky, the previous chairman and previous executive director of the Company, entered into a conditional sales and purchase agreement ("Disposal Agreement"), pursuant to which Kanstar HK has conditionally agreed to dispose of the entire registered capital of Yunnan Changning and related shareholder's loan to Sure Carl ("disposal"). This transaction was completed on 10 October 2007.

On 26 January 2007, Yunnan Changning, as supplier, and Yunnan Kanstar High Tech Products Development Company Limited ("Kanstar High Tech"), as customer, entered into a Supply Agreement to ensure consistent supply of pulp and paper products to the Group after the disposal. Pursuant to the Supply Agreement, Kanstar High Tech has agreed to purchase from Yunnan Changning pulp and paper products for the Group's daily operation of the sale of such products. The Supply Agreement is for the period commencing on the date of completion of the Disposal Agreement and expiring on 31 December 2009. In this connection, the Board is of the view that there will be no material impact on the business operations of the Group as a result of the disposal.

On 29 August 2007, a special resolution was passed by the shareholders of the Company to change the Company name from "Kanstar Environmental Paper Products Holdings Limited 建星環保紙品控股有限公司" to "Polyard Petroleum International Group Limited 百田石油國際集團有限公司" in order to better reflect the Group's emphasis on oil business.

Finance costs for the year ended 31 December 2007 amounted to approximately HK$4,983,000 (2006: HK$1,032,000). The increase was mainly derived from increase in the outstanding balance of the bank loan to finance the Group's development during the year.

Prospects

In view of the intense competition and weak operational performance in the pulp and paper products industry, the Company considers the necessary to streamline the Group's business and redeploy its resources in a more productive manner. On 6 February 2008, Modern Lucky entered into a conditional sales and purchase agreement with Mr. Lam, pursuant to which Modern Lucky has conditionally agreed to further acquire 50% equity interest in PPIC. On the same date, PPIC entered into a conditional sales and purchase agreement with Chinaoil USA Inc., pursuant to which PPIC has conditionally agreed to further acquire 30% equity interest in Chinaoil Macao. Upon completion of these two conditional sales and purchase agreements, PPIC and Chinaoil Macao will become wholly-owned subsidiaries of the Company. Details of these two agreements were conveyed in the Company's announcement dated 19 February 2008. As the Directors consider that there is high growth potential in the oil business, the Company intends to focus its corporate resources on oil business, while retaining the sale of pulp and paper products to maintain the income stream of the Group from such business in the coming years.

On 31 January 2008, Polyard Petroleum (Hong Kong) Limited, an indirect wholly-owned subsidiary of the Company, signed a Co-operative Agreement with North Petroleum & Chemical Group Co., Ltd, a limited company incorporated in the People's Republic of China ("PRC"). Pursuant to the Co-operative Agreement, a petroleum company will be incorporated in the PRC and will principally engage in the trading of petroleum-related products in the PRC. Details of the Co-operative Agreement was conveyed in the Company's announcement dated 5 February 2008.

It is believed that the establishment of the above-mentioned petroleum company would have a synergy effect to the existing oil and natural gas business of the Group and represent a mile stone for the Group to enter into the PRC energy market.

The Group has set up a technical team, which possesses full expertise in oil projects, to be responsible for the oil business. Given the technical team's experience in connection with running of oil projects, the Company will endeavour to explore more opportunities in the business of natural energy resources and lead the Group to venture into large oil production and exploitation projects.

Liquidity, Financial Resources, Capital and Gearing

As at 31 December 2007, the Group has net assets amounted to approximately HK$2,868 million (2006: HK$253.2 million). There is a net current liability of around HK$19.7 million (2006: net current liabilities of HK$8.4 million) with current ratio of approximately 0.8 (2006: 0.75). The gearing ratio of the Group, based on the total borrowings to shareholders' equity, was 8.8% (2006: 7.5%). All outstanding bank borrowings were settled by 31 December 2007.

Operations of the Group are mainly conducted in Renminbi (RMB), Hong Kong Dollars ("HK$") and United States Dollars ("US$") and its revenue, expenses, assets, liabilities and borrowings are principally denominated in RMB, HK$ and US$, which do not pose significant foreign currency risk at present.

Employee Information

The Group had a total staff of approximately 30 (2006: approximately 520 employees). Remuneration packages are reviewed on a periodical basis. Bonus is awarded to employees according to the assessment of individual performance. Besides, a share option scheme was adopted by the Company, pursuant to which the directors may offer to any eligible employees (including executive directors and independent non-executive directors) of the Company and any of its subsidiaries options to subscribe for shares in the Company in accordance with the terms of the share option scheme. However, save for the share option granted prior to the listing, no other options have been granted up to 31 December 2007. Staff cost was approximately HK$4 million for the year as compared with that of approximately HK$4 million in 2006.

PURCHASE, SALE OR REDEMPTION OF SECURITIES

During the year ended 31 December 2007, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

AUDIT COMMITTEE AND REVIEW OF FINANCIAL STATEMENTS

The Company has established an audit committee ("Audit Committee") with written terms of reference in compliance with Rule 5.28 and 5.33 of the GEM Listing Rules. The duties of the Audit Committee include reviewing the Company's annual reports 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 and internal control procedures.

The Audit Committee comprises the three independent non-executive directors, namely Mr. Chan Kin Cheong, Mr. Wang Yanhui and Mr. Zhang Xiaobao. Mr. Wang Ai Guo, Mr. Wan Hon Keung and Mr. Chan Chi Hung, Anthony resigned on 7 November 2007, 30 November 2007 and 12 December 2007 respectively. Both Mr. Chan Kin Cheong and Mr. Wang Yanhui were appointed on 12 December 2007 and Mr. Zhang Xiaobao was appointed on 16 January 2008.

The Group's audited annual results for the year ended 31 December 2007 have been reviewed by the

Audit Committee, which was of the opinion that the preparation of such results complied with the applicable accounting standards and requirements and that adequate disclosure have been made.

For and on behalf of the Board
Polyard Petroleum International Group Limited
Kuai Wei
Chairman

Hong Kong, 5 March 2008

At the date of this announcement, the Board is comprised of Mr. Kuai Wei, Mr. Lin Zhang and Mr. Cao Xuejun as executive directors, and Mr. Wang Yanhui, Mr. Chan Kin Cheong and Mr. Zhang Xiaobao as independent non-executive directors.

This announcement, for which the directors of 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 of the Company, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief: (1) the information contained in this announcement 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 announcement misleading; and (3) all opinions expressed in this announcement have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable. The announcement will remain on the "Latest Company Announcements" page of the GEM website (www.hkgem.com) for at least seven days from its publication.