



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

(Stock Code 股份代號: 8011)



2021 Interim Report

Room 801-802, 8/F, Shanghai Industrial Investment Building
48-62 Hennessy Road, Wanchai, Hong Kong

www.ppig.com.hk

CHARACTERISTICS OF GEM OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE “STOCK EXCHANGE”)

GEM has been positioned as a market designed to accommodate small and mid-sized 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.

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.

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this report, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this report.

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.

CONTENTS

Corporate Information	2
Condensed Consolidated Statement of Profit or Loss	3
Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income	5
Condensed Consolidated Statement of Financial Position	6
Condensed Consolidated Statement of Changes in Equity	8
Condensed Consolidated Statement of Cash Flows	9
Notes to the Condensed Consolidated Financial Statements	10
Management Discussion and Analysis	21
Other Information	25

CORPORATE INFORMATION

Executive Directors

Mr. Zhao Zhiyong (*Chairman*)
Mr. Lai Chun Liang
Mr. Lin Zhang

Non-Executive Director

Ms. Xie Qun (redesignated on 1 April 2021)
Mr. Yang Changchun (appointed on 5 July 2021)

Independent Non-Executive Directors

Mr. Kwan King Chi George
Ms. Xie Qun (redesignated to non-executive director on 1 April 2021)
Mr. Cheng Chak Ho (appointed on 1 April 2021)
Mr. Wang Xiaoyu (appointed on 5 July 2021)
Mr. Pai Hsi-Ping (resigned on 5 July 2021)

Compliance Officer

Mr. Zhao Zhiyong

Company Secretary

Mr. Cheng Yun Sing *CPA*

Authorised Representatives

Mr. Lai Chun Liang
Mr. Cheng Yun Sing *CPA*

Audit Committee

Mr. Kwan King Chi George (*Chairman*)
Mr. Pai Hsi-Ping (resigned on 5 July 2021)
Ms. Xie Qun
Mr. Cheng Chak Ho (appointed on 5 July 2021)

Remuneration Committee

Ms. Xie Qun (*Chairman*)
Mr. Pai Hsi-Ping (resigned on 5 July 2021) (*Chairman*)
Mr. Lai Chun Liang (resigned on 1 April 2021)
Mr. Cheng Chak Ho (appointed on 1 April 2021)
Mr. Wang Xiaoyu (appointed on 5 July 2021)

Nomination Committee

Mr. Cheng Chak Ho (appointed on 1 April 2021) (*Chairman*)
Ms. Xie Qun (resigned on 1 April 2021) (*Chairman*)
Mr. Pai Hsi-Ping (resigned on 5 July 2021)
Mr. Lin Zhang
Mr. Yang Changchun (appointed on 5 July 2021)

Registered Office

Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

Legal Adviser

Stevenson, Wong & Co.
4th-5th Floors, Central Tower
No. 28 Queen's Road Central
Hong Kong

Principal Place of Business in Hong Kong

Room 801-802, 8th Floor
Shanghai Industrial Investment Building
48-62 Hennessy Road
Wanchai
Hong Kong

Principal Share Registrar and Transfer Office in Cayman Islands

Suntera (Cayman) Limited
Suite 3204, Unit 2A, Block 3
Building D, P.O. Box 1586
Gardenia Court
Camana Bay
Grand Cayman, KY1-1110
Cayman Islands

Hong Kong Branch Share Registrar and Transfer Office

Tricor Standard Limited
Level 54, Hopewell Centre
183 Queen's Road East
Hong Kong

Auditors

Confucius International CPA Limited
Certified Public Accountants
Room 1501-08, Tai Yau Building
181 Johnston Road, Wan Chai, Hong Kong

Principal Banker

The Hongkong and Shanghai Banking Corporation Limited
Bank of China (Hong Kong) Limited

Company's Website Address

www.ppig.com.hk

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS*For the six months ended 30 June 2021*

		Unaudited Three months ended 30 June		Unaudited Six months ended 30 June	
	<i>Notes</i>	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Turnover		—	—	—	—
Other Income		120	75	120	78
Administrative and other operating expenses		(7,622)	(3,797)	(9,877)	(7,523)
Finance costs	4	(10,101)	(6,128)	(11,506)	(9,938)
Impairment losses recognized on deferred exploration expenditure		—	—	—	134
Share of results of a joint venture		(31)	50	—	66
Gain on disposal of subsidiaries	15	—	3,882	—	3,882

Interim Report

	Notes	Unaudited Three months ended 30 June		Unaudited Six months ended 30 June	
		2021 HK\$'000	2020 HK\$'000	2021 HK\$'000	2020 HK\$'000
Loss before tax	5	(17,634)	(5,918)	(21,263)	(13,301)
Income tax	6	—	—	—	—
LOSS FOR THE PERIOD		(17,634)	(5,918)	(21,263)	(13,301)
Attributable to:					
Owners of the Company		(17,558)	(5,638)	(21,167)	(12,651)
Non-controlling interests		(76)	(280)	(96)	(650)
		(17,634)	(5,918)	(21,263)	(13,301)
Loss per share	7				
— Basic (<i>in HK cents</i>)		(0.458)	(0.192)	(0.557)	(0.431)
— Diluted (<i>in HK cents</i>)		(0.458)	(0.192)	(0.557)	(0.431)
Dividend	8	—	—	—	—

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2021

	Unaudited Three months ended 30 June		Unaudited Six months ended 30 June	
	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Loss for the period	(17,634)	(5,918)	(21,263)	(13,301)
Other comprehensive expense: Item that may be reclassified subsequently to profit or loss:				
Exchange differences arising on translation of foreign operations	<u>(882)</u>	<u>(2,729)</u>	<u>296</u>	<u>(1,303)</u>
TOTAL COMPREHENSIVE EXPENSE FOR THE PERIOD	<u>(18,516)</u>	<u>(8,647)</u>	<u>(20,967)</u>	<u>(14,604)</u>
Attributable to:				
Owners of the Company	<u>(18,416)</u>	(8,506)	<u>(21,068)</u>	(13,659)
Non-controlling interests	<u>(100)</u>	<u>(141)</u>	<u>101</u>	<u>(945)</u>
TOTAL COMPREHENSIVE EXPENSE FOR THE PERIOD	<u>(18,516)</u>	<u>(8,647)</u>	<u>(20,967)</u>	<u>(14,604)</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION*As at 30 June 2021*

		Unaudited 30 June	Audited 31 December
		2021	2020
	<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
NON-CURRENT ASSETS			
Property, plant and equipment		30	36
Interests in joint ventures		327,139	289,980
		327,169	290,016
CURRENT ASSETS			
Other receivables	<i>10</i>	54,283	43,978
Cash and cash equivalents		58	57
		54,341	44,035
CURRENT LIABILITIES			
Other payables	<i>11</i>	(85,149)	(71,053)
Amounts due to directors		(12,863)	(12,382)
Bank borrowings		(947)	—
Convertible bonds		(75,000)	(75,000)
Promissory note payable		(2,000)	(2,000)
		(175,959)	(160,435)

		Unaudited 30 June	Audited 31 December
	<i>Notes</i>	2021 HK\$'000	2020 HK\$'000
NET CURRENT LIABILITIES		(121,618)	(116,400)
TOTAL ASSETS LESS CURRENT LIABILITIES		205,551	173,616
NON-CURRENT LIABILITIES			
Amount due to a shareholder		(33,502)	(73,078)
NET ASSETS		172,049	100,538
CAPITAL AND RESERVES			
Share capital	<i>12</i>	153,479	134,168
Reserves		(11,214)	(57,735)
Equity attributable to owners of the Company		142,265	76,433
Non-controlling interests		29,784	24,105
TOTAL EQUITY		172,049	100,538

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2021

	Unaudited									
	Attributable to owners of the Company									
	Share capital HK\$'000	Share premium HK\$'000	Share reserve HK\$'000	Capital reserve HK\$'000	Exchange reserve HK\$'000	Convertible bonds reserve HK\$'000	Accumulated losses HK\$'000	Subtotal HK\$'000	Non-controlling interests HK\$'000	Total HK\$'000
At 1 January 2020 (Audited)	117,502	998,012	985	—	(1,045)	3,285	(1,114,690)	4,049	17,959	22,008
Loss for the period	—	—	—	—	—	—	(12,651)	(12,651)	(650)	(13,301)
Other comprehensive expense for the period	—	—	—	—	(1,008)	—	—	(1,008)	(295)	(1,303)
Total comprehensive expense for the period	—	—	—	—	(1,008)	—	(12,651)	(13,659)	(945)	(14,604)
At 30 June 2020	<u>117,502</u>	<u>998,012</u>	<u>985</u>	<u>—</u>	<u>(2,053)</u>	<u>3,285</u>	<u>(1,127,341)</u>	<u>(9,610)</u>	<u>17,014</u>	<u>7,404</u>
At 1 January 2021 (Audited)	134,168	1,056,346	985	23,559	(2,151)	2,810	(1,139,284)	76,433	24,105	100,538
Loss for the period	—	—	—	—	—	—	(21,167)	(21,167)	(96)	(21,263)
Other comprehensive expense for the period	—	—	—	—	99	—	—	99	197	296
Total comprehensive expense for the period	—	—	—	—	99	—	(21,167)	(21,068)	101	(20,967)
Issue of shares	19,311	67,589	—	—	—	—	—	86,900	—	86,900
Acquisition of non-controlling interest in subsidiaries	—	—	—	—	—	—	—	—	5,578	5,578
At 30 June 2021	<u>153,479</u>	<u>1,123,935</u>	<u>985</u>	<u>23,559</u>	<u>(2,052)</u>	<u>2,810</u>	<u>(1,160,451)</u>	<u>142,265</u>	<u>29,784</u>	<u>172,049</u>

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS*For the six months ended 30 June 2021***Unaudited
Six months ended 30 June**

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Net cash used in operating activities	(48,751)	(4,929)
Net cash generated from investing activities	—	—
Net cash generated from financing activities	(48,752)	4,805
	<hr/>	<hr/>
Net increase/(decrease) in cash and cash equivalents	1	(124)
Cash and cash equivalents at 1 January	57	296
	<hr/>	<hr/>
Cash and cash equivalents at 30 June	58	172
	<hr/>	<hr/>
Analysis of cash and cash equivalents		
Cash and bank balances	58	172
	<hr/>	<hr/>

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 principal activity of the Company is investment holding. The subsidiaries of the Group are principally engaged in the exploration, exploitation and development of oil and natural gas and provision of technical services for oil and gas exploration and development.

2. BASIS OF PREPARATION

The 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 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 condensed consolidated results are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2020.

3. SIGNIFICANT ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost.

The accounting policies and method of computation used in preparing the unaudited consolidated results are consistent with those used in the audited financial statements for the year ended 31 December 2020. The condensed consolidated results have not been audited by the Company's auditors, but have been reviewed by the Company's audit committee.

The Group has not early applied the following new and amendments to Hong Kong Financial Reporting Standards ("HKFRSs") that have been issued but are not yet effective:

HKFRS 17	Insurance Contracts and the related Amendments ¹
Amendments to HKAS 8	Definition of Accounting Estimate ¹
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies ¹
Amendments to HKFRS 3	Reference to the Conceptual Framework ²
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ³
Amendments to HKAS 1	Classification of Liabilities as Current or Non- current and related amendments to Hong Kong Interpretation 5 (2020) ¹
Amendments to HKAS 16	Property, Plant and Equipment – Proceeds before Intended Use ²
Amendments to HKAS 37	Onerous Contracts – Cost of Fulfilling a Contract ²
Amendments to HKFRSs	Annual Improvements to HKFRSs 2018-2020 Cycle ²

¹ Effective for annual periods beginning on or after 1 January 2023.

² Effective for annual periods beginning on or after 1 January 2022.

³ Effective date to be determined.

The directors of the Company anticipate that the application of the above new and amendments to HKFRSs will have no material impact on the consolidated financial statements in the foreseeable future.

4. FINANCE COSTS

	Unaudited Three months ended 30 June		Unaudited Six months ended 30 June	
	2021 HK\$'000	2020 HK\$'000	2021 HK\$'000	2020 HK\$'000
Imputed interest on convertible bonds and overdue expense	10,017	6,048	11,343	9,778
Interest on promissory note payable	60	60	120	120
Bank overdraft interest	24	20	43	40
	10,101	6,128	11,506	9,938

5. LOSS BEFORE TAX

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

	Unaudited Three months ended 30 June		Unaudited Six months ended 30 June	
	2021 HK\$'000	2020 HK\$'000	2021 HK\$'000	2020 HK\$'000
Staff costs (including directors' emoluments)				
–Salaries, allowances and benefits in kind	1,723	3,112	3,269	5,535
–Retirement scheme defined contributions	13	20	28	34
Depreciation of property, plant and equipment	2	11	5	22
	<u>2</u>	<u>11</u>	<u>5</u>	<u>22</u>

6. INCOME TAX

	Unaudited Three months ended 30 June		Unaudited Six months ended 30 June	
	2021 HK\$'000	2020 HK\$'000	2021 HK\$'000	2020 HK\$'000
Current tax				
–Hong Kong profits tax	—	—	—	—
–PRC enterprise income tax	—	—	—	—
–Other jurisdictions	—	—	—	—
	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Income tax expense for the period	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>

No Hong Kong profits tax has been provided as the Group had no assessable profits in Hong Kong for the period (2020: Nil).

Under the Law of the PRC on Enterprises Income Tax (the “EIT Law”) and Implementation Regulation of the EIT Law, the applicable PRC enterprises income tax rate of the Group’s PRC subsidiaries is 25% for the period. Taxation arising on other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.

No deferred tax assets has been recognised in respect of such tax losses due to unpredictability stream of future taxable profits that will be available against which the tax losses can be utilized (2020: Nil).

7. LOSS PER SHARE

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

	Unaudited Three months ended 30 June		Unaudited Six months ended 30 June	
	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Loss for the period attributable to owners of the Company	<u>(17,558)</u>	<u>(5,638)</u>	<u>(21,167)</u>	<u>(12,651)</u>
	<i>'000</i>	<i>'000</i>	<i>'000</i>	<i>'000</i>
Weighted average number of ordinary shares	<u>3,836,982</u>	<u>2,937,538</u>	<u>3,796,973</u>	<u>2,937,538</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 anti-dilutive.

8. DIVIDENDS

The Board does not recommend the payment of a dividend for the period (2020: Nil).

9. SEGMENT INFORMATION

The Group determines its operating segments based on the reports reviewed by the chief operating decision-makers that are used to make strategic decisions.

For the six months ended 30 June 2021, the Group has two reportable and operating segments – (1) exploration of oil and natural gas, and (2) provision of technical services for oil and gas exploration and development. These segments are managed separately as they belong to different industries and require different operating systems and strategies.

The Group accounts for inter-segment revenue and transfers as if revenue or transfers were to third parties. All inter-segment revenue and transfers are eliminated on consolidation.

The accounting policies of the operating segments are the same as the Group's accounting policies. Segment profit or loss represents profit or loss reported by each segment without allocation of central administration costs including directors' emoluments, finance costs and income tax. This is the measure reported to the chief operating decision makers for the purposes of resource allocation and assessment of segment performance.

For the purposes of monitoring segment performance and allocating resources between segments:

- all assets are allocated to operating segments other than unallocated corporate assets.
- all liabilities are allocated to operating segments other than unallocated corporate liabilities.

An analysis of the Group's reportable segment revenues, results, assets, liabilities and other selected financial information is presented below.

(a) Reportable Segment**Segment revenues and results**

	Unaudited Six months ended 30 June 2021				Unaudited Six months ended 30 June 2020			
	Exploration of oil and natural gas <i>HK\$'000</i>	Provision of technical services <i>HK\$'000</i>	Elimination <i>HK\$'000</i>	Total <i>HK\$'000</i>	Exploration of oil and natural gas <i>HK\$'000</i>	Provision of technical services <i>HK\$'000</i>	Elimination <i>HK\$'000</i>	Total <i>HK\$'000</i>
Revenue from external customers	—	—	—	—	—	—	—	—
Inter-segment revenue	—	447	(447)	—	—	—	—	—
Reportable segment revenue	—	447	(447)	—	—	—	—	—
Reportable segment profit/(loss) before tax	4	(726)	—	(722)	(1,122)	(2,414)	—	(3,536)
Unallocated corporate expenses				(3,457)				(3,909)
Impairment losses recognised on deferred exploration expense				—	134			134
Share of results of a joint venture				—	66			66
Unallocated interest expenses				(11,506)				(9,938)
Gain on disposal of subsidiaries				—				3,882
Loss on acquisition of non-controlling interests in subsidiaries				(5,578)				—
Loss before tax				(21,263)				(13,301)

Segment assets and liabilities

	Unaudited 30 June 2021				Audited 31 December 2020			
	Exploration of oil and natural gas HK\$'000	Provision of technical services HK\$'000	Elimination HK\$'000	Total HK\$'000	Exploration of oil and natural gas HK\$'000	Provision of technical services HK\$'000	Elimination HK\$'000	Total HK\$'000
Assets								
Segment assets	53,682	314	—	53,996	43,430	309	—	43,739
Interests in joint ventures	327,139			327,139	289,980			289,980
Unallocated corporate assets				375				332
Total assets				<u>381,510</u>				<u>334,051</u>
Liabilities:								
Segment liabilities	595	13,561	—	14,156	575	12,836	—	13,411
Unallocated corporate liabilities				195,305				220,102
Total liabilities				<u>209,461</u>				<u>233,513</u>

Other segment information

	Unaudited Six months ended 30 June 2021				Unaudited Six months ended 30 June 2020			
	Exploration of oil and natural gas HK\$'000	Provision of technical services HK\$'000	Unallocated HK\$'000	Total HK\$'000	Exploration of oil and natural gas HK\$'000	Provision of technical services HK\$'000	Unallocated HK\$'000	Total HK\$'000
Depreciation	1	3	2	6	12	12	3	27
Additions to non-current assets	—	—	—	—	—	—	—	—

(b) Geographical information

The following table sets out information about the geographical location of (i) the Group's revenue from external customers and (ii) the Group's property, plant and equipment, intangible assets, goodwill and interests in associates and joint ventures ("specified non-current assets"). The geographical location of customers is based on the location at which the services were provided or the goods delivered. The geographical location of the specified non-current assets is based on the physical location of the assets in the case of property, plant and equipment, the location of the operations to which they are allocated in the case of intangible and goodwill, and the location of the operations in the case of interests in associates and joint ventures.

	Revenue from external customer		Specified non-current assets	
	Unaudited Six months ended 30 June		Unaudited	Audited
	2021	2020	30 June 2021	31 December 2020
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Mainland China, including Hong Kong and Macau	—	—	30	36
Philippines	—	—	327,139	289,980
	—	—	327,169	290,016

10. OTHER RECEIVABLES

	Unaudited 30 June	Audited 31 December
	2021 HK\$'000	2020 HK\$'000
Prepayment	1,523	1,488
Deposits and other receivables	1,104	1,104
Amounts due from parties to a joint venture (Note a)	48,477	38,899
Amounts due from a joint venture (Note b)	<u>5,130</u>	<u>4,438</u>
	56,234	45,929
Less: Allowance for credit losses	<u>(1,951)</u>	<u>(1,951)</u>
	<u>54,283</u>	<u>43,978</u>

Notes:

- a. The amounts due from parties to a joint venture represent the expenditure for the joint venture to be recovered from parties to a joint venture. The amounts are interest-free, repayable on demand and could be recovered from the parties to a joint venture through their participating interests and profit sharing in their joint venture.
- b. The amounts due from a joint venture are interest free, unsecured and repayable on demand. The recoverability of the amounts has been taken into account in the recoverable amount of interests in a joint venture.

11. OTHER PAYABLES

	Unaudited 30 June	Audited 31 December
	2021 HK\$'000	2020 HK\$'000
Other payables and accrued interest and charges	<u>85,149</u>	<u>71,053</u>

12. SHARE CAPITAL

	Number of shares '000	Amount HK\$'000
Authorised: Ordinary shares of HK\$0.04 each		
At 1 January 2020, 31 December 2020, 1 January 2021 and 30 June 2021	<u>5,000,000</u>	<u>200,000</u>
	Number of ordinary shares in issue '000	Issued capital HK\$'000
At 1 January 2020	2,937,538	117,502
Conversion of convertible bonds (Note a)	<u>416,666</u>	<u>16,666</u>
At 31 December 2020 and 1 January 2021	3,354,204	134,168
Issue of shares (Note b)	<u>482,778</u>	<u>19,311</u>
At 30 June 2021 (Unaudited)	<u>3,836,982</u>	<u>153,479</u>

Note:

- a. During the year ended 31 December 2020, the Company issued 416,666,667 ordinary shares of HK\$0.04 each at conversion price of HK\$0.18 per share for full conversion of CB C with principle amount of HK\$75,000,000. Upon conversion, the liability component of HK\$69,275,000 and equity component of HK\$5,725,000 of CB C were transferred to the issued capital of approximately HK\$16,666,000 and the share premium amount of approximately HK\$58,334,000.
- b. On 15 January 2021, 222,222,223 ordinary shares and 260,555,556 ordinary shares were issued by the Company to the Ultimate Controlling Party and East Asia respectively, pursuant to two subscription agreements both dated on 27 November 2020 at the subscription price of HK\$0.18 per share.

All the new shares issued rank pari passu with the existing ordinary shares of the Company in all respects.

13. CAPITAL COMMITMENTS

The capital commitments outstanding contracted for but not provided for are as follows:

	Unaudited 30 June	Audited 31 December
	2021	2020
	HK\$'000	HK\$'000
Contributions to a power plant project	1,468	1,465
Contributions to an oil and gas project in South Cebu of the Philippines	37,976	37,915
	39,444	39,380

14. RELATED PARTY TRANSACTION

	Unaudited Three months ended 30 June		Unaudited Six months ended 30 June	
<i>Note</i>	2021	2020	2021	2020
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Office rentals	88	122	220	264

Note:

The Group paid office rentals to a company controlled by Mr. Lam Nam, the controlling shareholder of the Company.

15. GAIN ON DISPOSAL OF SUBSIDIARIES

On 31 December 2019, a wholly-owned subsidiary of the Company entered into a legally binding MOU with an independent third party pursuant to which the subsidiary of the Company has agreed to dispose of the entire interest in Modern Lucky International Limited and its subsidiaries which held 89% equity interest in Central Luzon Gas Project at the consideration of HK\$1. On 19 June 2020, the Disposal Transaction had been completed.

MANAGEMENT DISCUSSION AND ANALYSIS

Business and Financial Review

The Group did not generate any turnover for the period ended 30 June 2021 (2020: Nil).

The Group recorded a net loss attributable to owners of the Company of approximately HK\$21,167,000 for the period as compared to a net loss attributable to owners of the Company of approximately HK\$12,651,000 for the corresponding period last year.

Administrative and other operating expenses for the period amounted to approximately HK\$9,877,000 representing an increase of approximately HK\$2,354,000 or 31%, as compared with the corresponding period last year. The increase was mainly attributable to a loss on acquisition of non-controlling interests in subsidiaries of approximately HK\$5,578,000 and partially offset by a decrease in various business expenses such as employee costs, rental, entertainment and overseas travelling expenses.

Finance costs for the period amounted to approximately HK\$11,506,000 (2020: approximately HK\$9,938,000). The increase in interest costs was mainly resulted from late charges of interest expense on convertible bonds.

Liquidity, Financial Resources, Capital and Gearing

As at 30 June 2021, the Group had net assets amounted to approximately HK\$172,049,000 (31 December 2020: approximately HK\$100,538,000) and net current liabilities amounted to approximately HK\$121,618,000 (31 December 2020: approximately HK\$116,400,000). The current ratio was 31% (31 December 2020: 27%). As at 30 June 2021, the gearing ratio of the Group based on net debt to the shareholders' equity was 122% (31 December 2020: 232%).

Operations of the Group are mainly conducted in Renminbi ("RMB"), Hong Kong Dollars ("HKD"), United States Dollars ("USD") and Philippine Pesos ("PHP"). Their revenue, expenses, assets and liabilities and borrowings are principally denominated in RMB, HKD, USD and PHP, which do not pose significant foreign currency risk at present.

On 31 May 2018, the Company, its holding Company, Silver Star Enterprises Holdings Inc. ("Silver Star"), and Mr. Lam Nam, the ultimate controlling party of the Company ("Personal Guarantor") and the holder of the convertible bonds with principal amount of HK\$100,000,000 ("CB A") entered into the Deed of Undertaking; and the Company, the Personal Guarantor and the holder of CB A entered into the Supplemental Deed, together with the Deed of Undertaking, (the "Extension Arrangement") pursuant to which the parties agreed that the maturity date of CB A to be extended from 21 July 2017 to 21 May 2019.

On 3 January 2020, the Company had entered into a legally binding memorandum of understanding ("MOU") with East Asia where East Asia had undertaken to take over CB A from the original holder ("Original Holder"). On the same date, the Original Holder of CB A had completed transfer of convertible bond with principal amount of HK\$75,000,000 ("75M CB A1") to East Asia. By the same MOU between the Company and East Asia, East Asia had committed that it would not demand for repayment of CB A by the Company within thirty months from the date of the MOU.

The remaining principal balance of HK\$25,000,000 of CB A not yet transferred to East Asia (“\$25M CB A2”) are still registered in the name of the Original Holder and is guaranteed by Mr. Lam Nam, the ultimate controlling party of the Company, until its disposal. Up to the date of this report, the \$25M CB A2 is still outstanding and had not been called for repayment. The Company and the Original Holder are in the negotiation regarding the settlement arrangement of \$25M CB A2.

On 15 October 2018, the Company and holder of the convertible bonds in principal amount of HK\$50,000,000 (“CB B”) also entered into an amendment deed pursuant to which both parties had agreed that the maturity date of CB B to be extended from 28 January 2018 to 31 March 2019.

On 28 June 2020, the Company and East Asia entered into the subscription agreement pursuant to which the Company agreed to issue and the subscriber agreed to subscribe for, by tranches, the convertible bonds with the principal amount of HK\$100,000,000. The convertible bonds shall accrue no interest and shall mature on 6 July 2021. East Asia shall have the right at any time during the conversion period to convert the whole or part of the principal amount outstanding under the convertible bonds at the conversion price into conversion shares. Upon full conversion of the convertible bonds at the initial conversion price of HK\$0.18 per conversion share, an aggregate of 555,555,556 conversion shares will be allotted and issued. The Company intends to allocate the gross proceeds from the subscription of HK\$100,000,000 for the redemption of CB A. As the convertible bonds consideration and the redemption amount shall be set-off against each other, the Group will use its internal resources to settle the related expenses payable in connection with the issuance of the convertible bonds.

On 13 July 2020, all the conditions in respect of the issuance and subscription of convertible bonds in an aggregate principal amount of HK\$75,000,000 had been fulfilled. Upon closing, the Company has issued the convertible bonds in aggregate principal amount of HK\$75,000,000 to East Asia for the redemption of \$75M CB A1.

On 14 July 2020, East Asia converted the convertible bonds in the amount of HK\$75,000,000 registered in its name at the conversion price of HK\$0.18 per share, and had been allotted and issued 416,666,667 conversion shares, representing (i) approximately 14.18% of the existing issued share capital of the Company before conversion; and (ii) approximately 12.42% of the issued share capital of the Company as enlarged by the allotment and issue of the conversion shares.

The unsubscribed convertible bonds in the principle amount of HK\$25,000,000 under the subscription agreement, once allotted, can be converted at the conversion price of HK\$0.18 per share to 138,888,889 conversion shares.

Details were disclosed in the announcements of the Company dated 31 May 2018, 15 October 2018, 5 January 2020, 28 June 2020, 6 July 2020 and 13 July 2020.

On 15 January 2021, the Company completed a connected transaction in respect of loan capitalisation involving the issue of shares of the Company to two subscribers under specific mandate. A total of 222,222,223 shares of the Company and 260,555,556 shares of the Company, at the subscription price of HK\$0.18 per subscription share, were allotted and issued by the Company to Mr. Lam Nam and East Asia Oil Engineering Group Limited (“East Asia”), respectively. Please refer to the announcements of the Company dated 27 November 2020, 30 November 2020 and 15 January 2021 and the circular of the Company dated 21 December 2020 for details.

As a result of the above issue of shares of the Company at the subscription price of HK\$0.18 per subscription share, the Company adjusted the conversion price of the convertible bonds issued to CCB International Overseas Limited in the aggregate principal amount of HK\$50,000,000 (“CCBI CB”) from HK\$0.414 per share to HK\$0.18 per share in accordance with the terms and conditions of CCBI CB, with effect from 20 January 2021. Please refer to the announcement of the Company dated 20 January 2021 for details.

Acquisition of Additional 30% Issued Share Capital of a Non-Wholly Owned Subsidiary

In March 2021, a wholly-owned subsidiary of the Company entered into an agreement with a joint investor (which is an independent third party) pursuant to which the subsidiary of the Company agreed to acquire from the joint investor the 30% equity interest in Sinotech Polyard Petroleum Exploration & Development Research Institute Limited (being a non wholly-owned indirect subsidiary of the Company prior to the acquisition) which held 25% equity interest in Sinotech Polyard (Beijing) Resource Science and Technology Limited (being a non wholly-owned indirect subsidiary of the Company prior to the acquisition) (“Acquisition Transaction”) at the consideration of HK\$1. As the relevant applicable percentage ratios (as defined under Rule 19.07 of the GEM Listing Rules) calculated were all less than 5%, the Acquisition Transaction did not constitute a notifiable transaction under Chapter 19 of the GEM Listing Rules. The Acquisition Transaction was completed on 30 March 2021. Prior to the Acquisition Transaction, the Company indirectly held 70% equity interest in Sinotech Polyard Petroleum Exploration & Development Research Institute Limited and 92.5% effective equity interest in Sinotech Polyard (Beijing) Resource Science and Technology Limited. Subsequent to the Acquisition Transaction, the Company indirectly owns 100% equity interest in the above two subsidiaries.

Employee Information

The Group had a total number of staff of 39 (31 December 2020: 40). Remuneration packages are reviewed on a periodical basis. Bonus is awarded to employees according to the assessment of individual performance. In Hong Kong, the Group provides staff benefits including mandatory provident fund scheme. In overseas, the Group provides staff welfare for its employees in accordance with the prevailing labor legislations. Staff cost was approximately HK\$3,300,000 for the six months ended 30 June 2021 as compared with the corresponding period of approximately HK\$5,600,000 in 2020.

BUSINESS REVIEW AND OUTLOOK

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 SC49 project to 50.4% after the latest acquisition.

During the year of 2020, due to the COVID-19 pandemic, the Philippine government had imposed various preventive measures, amongst others, lock-down policy and quarantine measures across cities and provinces as well as the travel restriction banning foreigner nationals from entering the country since March 2020. Manila and Cebu were under General Community Quarantine, and the travel restriction has still been in force up to the date of this report. CIMP had already sent relevant personnel to the country under the endorsement of Department of Foreign Affairs, and replaced the expatriates who had long been stationing there. 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.

As a result of COVID-19 pandemic, the demand of oil from the customers under SC49 project had decreased. Nonetheless, CIMP has actively been identifying for prospective oil buyers. In September 2020, CIMP signed a five-year sales and purchase agreement with a local oil trading company, Boom Oil Inc., which committed to purchase 60 barrels of crude oil a day from CIMP. The oil hauling and sales activities attributable to this customer started in the last quarter of 2020. However, Boom Oil Inc., put a halt on oil hauling due to the lower demands because of COVID-19 pandemic and the skyrocketing WTI oil prices. Apart from Tom's Power Petroleum Distributor Inc. which has been purchasing oil from CIMP on an irregular basis since 2016, CIMP started business relationship with Havohej Trading Inc. in 2020 for the supply of oil. The negotiation for a bulk sale with another oil buyer in 2021 is ongoing.

In order to meet the market demands, CIMP plans to drill more production wells and expand the oil production in 2021, upon the ease of COVID-19 pandemic and the Philippine government’s lifting of the foreigner-entry restrictions. Meanwhile, CIMP’s Cebu team is strenuously performing paraffin-removing work for well facilities. In addition, CIMP is drafting an engineering plan to work over the production wells with a view to enhancing production yield. Upon finalization of drafting work, the plan is expected to be presented to Department of Energy (“DOE”) for approval in the second half of 2021.

Philippines San Miguel Coal Mine Project

San Miguel Coal Mine 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. However, due to the COVID-19 pandemic, the operation of San Miguel Coal Mine Project could not be resumed. The operation company, Great Wall Mining and Power Corporation, has filed a moratorium for temporary suspension of operation.

Outlook

Given the uncertainties in the oil and gas industry and the macroeconomic environment, the Group remains cautious about the economic outlook. Crude oil prices have recovered to their pre-pandemic levels from their COVID-19 slump. The Company will continue to evaluate commercial feasibility of potential projects, in particular in respect of small to medium-sized oil fields, and continue its efforts in seeking operating funds from the financial market. In the meantime, the Group will continue to concentrate our exploration efforts in our major operation area, i.e. SC49 project, and ensure smooth development and production for maintaining stable healthy cash flow.

OTHER INFORMATION

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 June 2021, 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 30 June 2021, 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%
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 CCB International Overseas Limited, which has matured on 31 March 2019. The entire issued share capital of CCB 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 CCB International Overseas Limited are in the process of negotiation regarding the settlement arrangement.

Save as disclosed above, as at 30 June 2021, 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 2021.

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 two independent non-executive Directors, namely Mr. Kwan King Chi George and 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 condensed consolidated financial statements of the Group for the period have been reviewed by the Audit Committee, which is of the opinion that such 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 August 2021