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POLYARD PETROLEUM INTERNATIONAL GROUP LIMITED

百田石油國際集團有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 08011)

**SUBSCRIPTION OF CONVERTIBLE BONDS
UNDER GENERAL MANDATE**

On 28 June 2020, the Company (as issuer) and the Subscriber (as subscriber) 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. Closing in respect of the issue and subscription of the Convertible Bonds in aggregate principal amount of HK\$75,000,000 is subject to the fulfilment or the waiver of the conditions to the Subscription. Subject to the completion of the Closing, the Subscriber shall during the period commencing on the Closing Date and ending on the first anniversary of the Closing Date (or such later date to be agreed by the Company in writing) subscribe for the remaining Convertible Bonds in the aggregate principal amount of HK\$25,000,000. Detailed terms of the Convertible Bonds are set out in the section headed “The Subscription Agreement - Principal terms of the Convertible Bonds” in this announcement.

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, representing (i) approximately 18.91% of the existing issued share capital of the Company as at the date of this announcement; and (ii) approximately 15.90% of the issued share capital of the Company as enlarged by the allotment and issue of the Conversion Shares (assuming no other change in the issued share capital of the Company).

The Conversion Shares shall be allotted and issued under the General Mandate. Accordingly, the issue of the Convertible Bonds is not subject to the approval of the Shareholders.

The Company intends to allocate the gross proceeds from the Subscription of HK\$100,000,000 for the redemption of the 2015 Bonds. As the Convertible Bonds Consideration (as defined below) and the Redemption Amount (as defined below) 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.

As the Subscription is subject to the fulfilment or the waiver of the conditions as set out in the Subscription Agreement and may or may not proceed, Shareholders and potential investors are advised to exercise caution when dealing in the Shares.

THE SUBSCRIPTION AGREEMENT

On 28 June 2020, the Company (as issuer) and the Subscriber (as subscriber) 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. Details of the terms of the Subscription Agreement and the Convertible Bonds are summarised below:

Date

28 June 2020

Parties

- (1) The Company (as issuer); and
- (2) East Asia Oil Engineering Group Limited (as subscriber)

The Subscriber is a company incorporated in British Virgin Islands with limited liability. To the best of the knowledge, information and belief of the Directors, and having made all reasonable enquiries, the Subscriber and its ultimate beneficial owner(s) are Independent Third Parties.

Principal terms of the Convertible Bonds

The principal terms of the Convertible Bonds are set out below:

Principal amount:	HK\$100,000,000
Maturity Date:	6 July 2021
Interest:	The Convertible Bonds shall accrue no interest.
Conversion Right(s):	The Bondholder(s) shall have the right(s) 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.
Redemption: (i) <i>Repayment upon maturity</i>	Unless previously redeemed, converted or cancelled in accordance with the conditions therein, the Company shall redeem on the Maturity Date all the outstanding principal amount of the Convertible Bonds in an amount equal to the 100% of the principal amount of the Convertible Bonds.
(ii) <i>Voluntary redemption</i>	The Convertible Bonds may be redeemed in whole or in part by the Company at any time and from time to time prior to the Maturity Date by serving a not less than five Business Days' notice to the relevant Bondholder(s), provided that each partial redemption of the Convertible Bonds shall be in total principal amount of HK\$10,000,000 or multiple integrals thereof.

Conversion Period:	The period from and including 7 July 2020 to and including the Maturity Date
Conversion Price:	<p>The initial Conversion Price of HK\$0.18 per Conversion Share represents:</p> <ul style="list-style-type: none"> (i) a premium of approximately 29.50% over the closing price of HK\$0.139 per Share as quoted on the Stock Exchange on the Last Trading Date; and (ii) a premium of approximately 31.39% over the average closing price of HK\$0.137 per Share as quoted on the Stock Exchange for the last five consecutive trading days up to and including the Last Trading Day.
Adjustment to Conversion Price:	<p>The Conversion Price shall from time to time be subject to adjustment upon occurrence of the following events, amongst other things:</p> <ul style="list-style-type: none"> (i) consolidation or sub-division resulting in a different nominal amount of the Shares; (ii) capitalisation of profits or reserves of the Company; (iii) capital distribution to the Shareholders or granting the Shareholders rights to acquire for cash assets of the Company or any of its subsidiaries; (iv) offer to the Shareholders new Shares for subscription by way of rights, or a granting the Shareholders any options or warrants to subscribe for new Shares, at a price which is less than the market price per Share at the date of the announcement of the terms of the offer or grant; (v) issue wholly for cash of any securities which are convertible into or exchangeable for or carry rights of subscription for new Shares, in any case the relevant consideration per new Share initially receivable is less than the market price at the date of the announcement of the terms of issue of such securities; (vi) modification of the rights of conversion, exchange or subscription attaching to any such securities mentioned in (v) above arises, so that the relevant consideration per new Share initially receivable is less than the market price at the date of announcement of the proposal to modify such rights of conversion or exchange or subscription; (vii) issue wholly for cash of any Shares at a price per Share which is less than the market price at the date of the

	<p>announcement of the terms of such issue;</p> <p>(viii) issue of the Shares for the acquisition of any asset at a price per Share which is less than the market price at the date of the announcement of the terms of such issue; and</p> <p>(ix) other events which the Company or the Bondholder(s), and an approved accountant (acting as expert as requested by them), determine that an adjustment should be made to the Conversion Price.</p>
Conversion Shares:	<p>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, representing:</p> <p>(i) approximately 18.91% of the existing issued share capital of the Company as at date of this announcement; and</p> <p>(ii) approximately 15.90% of the issued share capital of the Company as enlarged by the allotment and issue of the Conversion Shares (assuming no other change in the issued share capital of the Company).</p> <p>The Conversion Shares shall rank <i>pari passu</i> in all respects with the fully paid Shares in issue on the relevant conversion date.</p>
Covenants:	<p>The Subscriber irrevocably waives any and all claims, demands, suits, actions, causes of action and rights whatsoever at law or in equity, now existing or arising relating to any accrued and unpaid interest on the 2015 Bonds (as defined in the paragraph headed “Reasons for and benefit of the Subscription and use of proceeds” below). The Subscriber acknowledges and agrees that it shall not commence or prosecute in any way, or cause to be commenced or prosecuted, any action in any court relating to such accrued and unpaid interest.</p>
Transferability:	<p>The Convertible Bonds may not be transferrable (in whole or in part) by the Bondholder to any Person without the consent of the Company.</p>
Status of the Convertible Bonds:	<p>The Convertible Bonds constitute direct, unconditional, unsubordinated and secured obligations of the Company and rank equally and without any preference amongst themselves. The payment obligations of the Company under the Convertible Bonds will (subject to any obligations preferred by mandatory provisions of applicable laws) rank at least <i>pari passu</i> with all other present and future direct, unconditional, unsubordinated and secured obligations of the Company.</p>

Conditions precedent to the Subscription

The obligation of the Subscriber to subscribe for the Convertible Bonds is subject to the fulfilment of each of the following conditions at or prior to the Closing:

- (i) the listing committee of the Stock Exchange having granted approval to the listing of, and the permission to deal in, the Conversion Shares (and such listing and permission not being subsequently revoked prior to Closing);
- (ii) the warranties made by the Company in the Subscription Agreement remaining true, correct, accurate, complete and not misleading up to the Closing Date; and
- (iii) the current listing of the Shares not having been cancelled or withdrawn, the Shares continuing to be traded on the Stock Exchange at all times from the date of the Subscription Agreement to and including the Closing Date (save for pending clearance of any announcement(s) or circular(s) to be published by the Company under the GEM Listing Rules regarding the transactions contemplated by the Subscription Agreement, the Convertible Bonds and the certificate of the Convertible Bonds and any other document designated as such by the Subscriber).

Save for condition (i) above, the Subscriber may agree to waive the above conditions at its discretion. The Company shall procure the fulfilment of all the conditions set out above as soon as possible after the date of the Subscription Agreement and in any event no later than 5 July 2020 extendable upon mutual agreement of the Company and the Subscriber.

Closing and the subsequent closing of the Subscription

Subject to the fulfilment or the waiver of the conditions to the Subscription, the Closing in respect of the issue and subscription of the Convertible Bonds in aggregate principal amount of HK\$75,000,000 shall be held at the office of the Company in Hong Kong at 4:00 p.m. on 6 July 2020 or at such other place, time and/or date as the Company and the Subscriber may mutually agree upon. At the Closing, the Company shall deliver or cause to be delivered, among others, the certificate of Convertible Bonds in aggregate principal amount of HK\$75,000,000 duly executed by the Company in favour of the Subscriber.

Subject to the completion of the Closing, the Subscriber shall during the period commencing on the Closing Date and ending on the first anniversary of the Closing Date (or such later date to be agreed by the Company in writing) subscribe for the remaining Convertible Bonds in the aggregate principal amount of HK\$25,000,000 by serving a written notice to the Company. The notice of subsequent closing shall include, among others, (i) the amount of Convertible Bonds to be subscribed by the Subscriber which shall be in the integral multiple of HK\$5,000,000; and (ii) the date of the closing for the subscription which shall be not less than five (5) Business Days after the date of the notice of subsequent closing. Each subsequent closing of the issue and subscription of the remaining Convertible Bonds in an aggregate principal amount of HK\$25,000,000 shall be held at the office of the Company in Hong Kong on the date specified in the notice of subsequent closing or at such other place and time as the Company and the Subscriber may mutually agree upon. At each subsequent closing, the Company shall deliver or cause to be delivered, among others, the certificate of Convertible Bonds in such aggregate principal amount as set out in the relevant subsequent closing notice, duly executed by the Company in favour of the Subscriber.

GENERAL MANDATE

The Conversion Shares shall be allotted and issued under the General Mandate. Under the General Mandate, the Company is authorised to allot, issue or otherwise deal with a maximum of 587,507,562 new Shares, being 20% of the issued capital of the Company as at the date of the annual general meeting of the Company held on 6 February 2020. As at the date of this announcement, none of the General Mandate have been utilised. Assuming the conversion of the Convertible Bonds in full based on the initial Conversion Price, the Convertible Bonds will be convertible into 555,555,556 new Shares. The General Mandate is sufficient for the allotment and issue of the Conversion Shares. Accordingly, the issue of the Convertible Bonds is not subject to the approval of the Shareholders.

The Company will make an application to the listing committee of the Stock Exchange for the listing of, and permission to deal in, the Conversion Shares on the Stock Exchange. No application will be made for the listing of the Convertible Bonds on the Stock Exchange or any other stock exchange.

As the Subscription is subject to the fulfilment or the waiver of the conditions as set out in the Subscription Agreement and may or may not proceed, Shareholders and potential investors are advised to exercise caution when dealing in the Shares.

INFORMATION ON THE SUBSCRIBER

The Subscriber is a company with limited liability incorporated under British Virgin Islands and principally engaged in providing oilfield engineering and technology services.

REASONS FOR AND BENEFIT OF THE SUBSCRIPTION AND USE OF PROCEEDS

The Group is principally engaged in the exploration, exploitation and development of oil, natural gas and provision of technical services.

Reference is made to the announcement of the Company dated 3 January 2020. On 3 January 2020, the Company had entered into a legally binding memorandum of understanding (“MOU”) with the Subscriber, pursuant to which the Subscriber had (i) undertaken to take over the outstanding convertible bonds issued by the Company on 21 July 2015 (the “**2015 Bonds**”) from Haitong International Securities Company Limited (“**Haitong**”); and (ii) committed that it would not demand for repayment of 2015 Bonds by the Company within thirty months from the date of the MOU. On the same date, Haitong had completed transfer of convertible bond with principal amount of HK\$75,000,000 to the Subscriber. As at the date of this announcement, the remaining principal balance of HK\$25,000,000 of 2015 Bonds (i) has not yet transferred to the Subscriber and are still registered in the name of Haitong and is guaranteed by Mr. Lam Nam (being the ultimate controlling party of the Company); and (ii) is still outstanding and had not been called for repayment.

Set out below are the selected principal terms of the 2015 Bonds pursuant to the subscription agreement dated 10 July 2015 and entered into between the Company and Haitong (as subscriber) in respect of the subscription of the 2015 Bonds (details of which have been disclosed in the announcement of the Company dated 10 July 2015 and 21 July 2015):

Principal amount:	HK\$100,000,000
Maturity Date:	21 July 2017
Interest:	Interest is payable in arrears quarterly at the rate of 10% per annum
Conversion Price:	HK\$0.40 per conversion share

The maturity date of the 2015 Bonds was extended from 21 July 2017 to 21 May 2019 as agreed between the Company, Haitong, Silver Star Enterprises Holdings Inc. and Mr. Lam Nam (being the ultimate controlling party of the Company) (as personal guarantor), under a deed of undertaking on 31 May 2018 (as supplemented by a supplemental deed).

The Company intends to allocate the gross proceeds from the Subscription of HK\$100,000,000 for the redemption of the 2015 Bonds. Pursuant to the terms of the Subscription Agreement, the principal amount of HK\$100,000,000 of the Convertible Bonds (the “**Convertible Bonds Consideration**”) shall be satisfied by the Subscriber (i) delivering to the Company the original certificates of the 2015 Bonds; (ii) agreeing to the Company to redeem the 2015 Bonds at a price equal to the principal amount of the 2015 Bonds of HK\$100,000,000 (the “**Redemption Amount**”); and (iii) agreeing the Company to use the Redemption Amount to set-off against the Convertible Bonds Consideration. 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. The net proceeds will be HK\$100,000,000 and the net price of each Conversion Share will be approximately HK\$0.180.

The Board is of the view that the entering into of the Subscription Agreement enables the Company to redeem the 2015 Bonds which has been fall due. The 2015 Bonds will be redeemed upon issuance of the Convertible Bonds. Furthermore, pursuant to the terms of the Convertible Bonds, the Subscriber irrevocably waives any and all claims, demands, suits, actions, causes of action and rights whatsoever at law or in equity, now existing or arising relating to any accrued and unpaid interest on the 2015 Bonds. Taking into account the above and the zero coupon interest rate of the Convertible Bonds, the Directors consider that the terms of the Subscription Agreement, which were arrived at after arm’s length negotiations between the Company and the Subscriber, are on normal commercial terms and are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

FUND RAISING EXERCISE OF THE COMPANY IN THE PAST 12 MONTHS

The Company has not carried out any equity fund raising activities during the 12 months immediately preceding the date of this announcement.

EFFECTS OF THE SUBSCRIPTION ON THE SHAREHOLDING STRUCTURE

	As at the date of this announcement		Immediately upon full conversion of the Convertible Bonds at the initial Conversion Price	
	Number of Shares	Approximate %	Number of Shares	Approximate %
Mr. Lam Nam and his associates ^(Note)	1,925,355,931	65.54%	1,925,355,931	55.12%
The Subscriber	-	-	555,555,556	15.90%
Sub-total	1,925,355,931	65.54%	2,480,911,487	71.02%
Public Shareholders	1,012,181,880	34.46%	1,012,181,880	28.98%
Total	<u>2,937,537,811</u>	<u>100%</u>	<u>3,493,093,367</u>	<u>100%</u>

Notes: This represents the aggregate of (i) 48,480,000 Shares beneficially owned by Mr. Lam Nam (being the ultimate controlling party of the Company); and (ii) 1,876,875,931 Shares held by Silver Star Enterprises Holdings Inc., which is wholly-owned by Mr. Lam Nam, as at the date of this announcement.

PUBLIC FLOAT

The Company will monitor closely and will ensure that it maintains the minimum public float percentage as prescribed under the GEM Listing Rules from time to time. The Company's public float will not fall below the minimum prescribed percentage under the GEM Listing Rules upon conversion of the Convertible Bonds.

DEFINITIONS

In this announcement, unless the context otherwise requires, the following terms shall have the following meanings:

“associate(s)”	ascribed thereto in the GEM Listing Rules
“Board”	the board of Directors
“Bondholder(s)”	the person who is for the time being the holder(s) of Convertible Bonds

“Business Day”	any day (other than a Saturday, Sunday or public holiday) on which licensed banks in Hong Kong are generally open for business throughout their normal business hours
“Company”	Polyard Petroleum International Group Limited, a company incorporated in Cayman Islands with limited liability, the Shares of which are listed on the GEM Board of the Stock Exchange (Stock Code: 8011)
“Closing”	the first closing of the issue and subscription of the Convertible Bonds in the aggregate principal amount of HK\$75,000,000 upon the fulfilment or waiver of the conditions precedent in the Subscription Agreement
“Closing Date”	the date of the Closing, being 6 July 2020 or at such other date as the Company and the Subscriber may mutually agree upon
“Conversion Period”	the period from and including 7 July 2020 to and including the Maturity Date
“Conversion Price”	the conversion price of the Convertible Bonds being HK\$0.18 (subject to adjustments) per Conversion Share
“Conversion Right(s)”	the right(s) of the Bondholder(s) at any time during the Conversion Period to convert the whole or part of the principal amount of the Convertible Bonds into Conversion Shares
“Conversion Shares”	the new Shares to be allotted and issued upon the exercise of the Conversion Rights
“Convertible Bonds”	the convertible bonds in the aggregate principal amount of HK\$100,000,000 to be issued by the Company to the Subscriber pursuant to the Subscription Agreement
“Director(s)”	the director(s) of the Company
“GEM”	GEM operated by the Stock Exchange
“GEM Listing Rules”	the Rules Governing the Listing of Securities on the GEM
“General Mandate”	the general mandate granted by the Shareholders to the Directors at the annual general meeting of the Company held on 6 February 2020 to allot, issue or otherwise deal with a maximum of 587,507,562 new Shares, being 20% of the issued capital of the Company as at the date of the said annual general meeting
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China

“Independent Third Part(ies)”	party(ies) which are not connected persons (as defined under the GEM Listing Rules) of the Company and is independent of the Company and its connected persons
“Maturity Date”	6 July 2021
“Last Trading Day”	26 June 2020, being the last trading day immediately prior to the entering into of the Subscription Agreement
“Share(s)”	ordinary share(s) of HK\$0.040 each in the share capital of the Company
“Shareholder(s)”	the holder(s) of Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscriber”	East Asia Oil Engineering Group Limited, a company incorporated in British Virgin Islands with limited liability
“Subscription”	the subscription of the Convertible Bonds by the Subscriber pursuant to the Subscription Agreement
“Subscription Agreement”	the subscription agreement dated 28 June 2020 and entered into between the Company and the Subscriber in respect of the subscription of the Convertible Bonds
“HK\$”	Hong Kong dollar, the lawful currency of Hong Kong
“%”	per cent.

On behalf of the Board

Lai Chun Liang

Executive Director and CEO

Hong Kong, 28 June 2020

At the date of this announcement, the executive directors of the Company are Mr. Zhao Zhiyong, Mr. Lai Chun Liang and Mr. Lin Zhang; the independent non-executive directors of the Company are Mr. Pai Hsi-Ping, Ms. Xie Qun and Mr. Kwan King Chi George.

This announcement, for which the Directors 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 enquiries, confirm that, to the best of their knowledge and belief, the information contained in this announcement is accurate and complete in all material respects and not misleading, and there are no other matters the omission of which would make any statement herein or this announcement misleading.

This announcement will remain on the GEM website at www.hkgem.com on the “Latest Listed Company Information” page of for at least seven days from the date of its posting and on the website of the Company at www.ppig.com.hk.