

Dated 30 June 2011

POLYARD PETROLEUM INTERNATIONAL GROUP LIMITED
as issuer

- and -

SILVER STAR ENTERPRISES HOLDINGS INC.
as subscriber

- and -

LAM NAM

SUBSCRIPTION AGREEMENT

Hong Kong

THIS AGREEMENT is dated 30 June 2011

BETWEEN:

- (1) **POLYARD PETROLEUM INTERNATIONAL GROUP LIMITED**, a company incorporated under the laws of the Cayman Islands and having its registered office at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands and its principal place of business in Hong Kong at Room 2602, China Merchants Tower, Shun Tak Centre, 168-200 Connaught Road Central, Hong Kong (the "**Company**");
- (2) **SILVER STAR ENTERPRISES HOLDINGS INC.**, a company incorporated under the laws of the British Virgin Islands and having its registered office at Portcullis TrustNet Chambers, P.O. Box 3444, Road Town, Tortola, British Virgin Islands (the "**Subscriber**"); and
- (3) **LAM NAM** (holder of Hong Kong identity card no. P465784(9)) of Avenida do Dr. Rodrigo Rodrigues No. 600E, Edificio "First International Center," 5 Andar, Macau ("**Mr. Lam**").

WHEREAS:

- (A) The Company was incorporated as a limited liability company in the Cayman Islands and registered in Hong Kong as a non-Hong Kong company under Part XI of the Companies Ordinance (Chapter 32 of the Laws of Hong Kong).
- (B) As at the date of this Agreement, the issued and paid up share capital of the Company is HK\$33,491,273.76 divided into 1,674,563,688 shares of HK\$0.02 each, and the shares are listed on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited.
- (C) Pursuant to an instrument executed by the Company by way of deed poll on 10 October 2007 (as supplemented by a supplemental instrument executed by the Company by way of deed poll on 8 September 2010), the Company created and issued to Mr. Lam the HK\$276,352,231.22 three (3) per cent. convertible bonds due 10 October 2011 (the "**Bonds**"). The directors of the Company were duly authorised to issue the Bonds and the shares to be allotted and issued upon exercise of the conversion rights attached to the Bonds.
- (D) The Company, the Subscriber and Mr. Lam have agreed to a debt restructuring which shall include (1) the Company allotting and issuing to the Subscriber new shares of the Company at a total subscription price of HK\$140,000,000, (2) the Company issuing to the Subscriber convertible notes in an aggregate principal amount of HK\$100,000,000, (3) Mr. Lam advancing a loan up to HK\$36,352,231.22 to the Company, and (4) the Company redeeming the Bonds in full, subject to and in accordance with this Agreement.
- (E) The Company will implement a share consolidation on the basis that every two issued and unissued shares will be consolidated into one Consolidated Share

(as defined below) as soon as practicable after the execution of this Agreement.

- (F) As at the date of this Agreement, the Subscriber, Mr. Lam and persons acting in concert with them hold approximately 42.51% of the issued share capital of the Company. Upon the issuance of the Subscription Shares and the full conversion of the Convertible Notes, the Subscriber, Mr. Lam and persons acting in concert with them will be interested in approximately 73.56% of the issued share capital of Company as enlarged by the issue of the Subscription Shares and the Conversion Shares upon full conversion of the Convertible Notes. Under Rule 26 of the Takeovers Code (as defined below), the acquisition of voting rights by more than 2% from the lowest collective holding of voting rights in the Company in any 12-month period by the Subscriber will trigger an obligation on the Subscriber, Mr. Lam and persons acting in concert with them to make a general offer for all the securities of the Company other than those already owned or agreed to be acquired by them, unless a whitewash waiver is granted by the Executive and approved by the independent shareholders of the Company. The Subscriber and Mr. Lam will apply to the SFC (as defined below) for the Whitewash Waiver (as defined below).

IT IS AGREED as follows:

1. INTERPRETATION

- 1.1 In this Agreement (including the recitals and the Schedules), the following expressions shall, unless the context otherwise requires, have the following meanings:

“Articles”	means the articles of association of the Company as amended from time to time;
“Associate”	has the meaning given to it in the Listing Rules;
“Board”	means the board of Directors;
“Bonds”	has the meaning given to it in Recital (C);
“Business Day”	means a day on which banks are generally open for business in Hong Kong (other than a Saturday, Sunday or public holiday or a day on which a tropical cyclone warning No. 8 or above or a “black rainstorm warning signal” is hoisted or remains hoisted in Hong Kong at any time between 9:00 am and 5:00 pm);
“Certificates”	means the definitive registered certificates, substantially in the form set out in the Note Instrument, to be given under seal by the Company in respect of the Convertible Notes;

“Closing”	means completion of the subscription and issue of the Convertible Notes and performance by the parties of their respective obligations pursuant to the terms of this Agreement;
“Closing Date”	means the date which is the fifth Business Days after the date on which the Conditions Precedent are satisfied or waived (or such other date as the Company and the Subscriber may agree in writing);
“Conditions”	means the terms and conditions of the Convertible Notes as set out in the Note Instrument, the major terms of which are set out in <u>Schedule 2</u> ;
“Conditions Precedent”	means the conditions precedent set out in Clause 4;
“Consolidated Share(s)”	means consolidated ordinary share(s) of HK\$0.04 each in the issued and unissued share capital of the Company immediately after completion of the Share Consolidation
“Contracts”	means this Agreement, the Note Instrument and all other agreements and documents contemplated by this Agreement;
“Convertible Notes”	means the HK\$ convertible notes due 2014 in the aggregate principal amount of HK\$100,000,000 to be issued by the Company subject to, and with the benefit of, the Note Instrument and the Conditions;
“Conversion Price”	has the meaning given to it in the Instrument;
“Conversion Shares”	means the new Shares to be allotted and issued upon conversion of the Convertible Notes pursuant to the Note Instrument and the Conditions;
“Directors”	means the directors of the Company for the time being;
“EGM”	the extraordinary general meeting of the Company to be convened for the purpose of approving, if though fit, the resolutions in relation to this Agreement and the Whitewash Waiver;
“Encumbrance”	means any option, right to acquire, right of conversion, right of pre-emption, right of first refusal, restriction on transfer, equity, claim, charge (whether fixed or floating), mortgage, pledge, lien, assignment, power of sale, hypothecation, title retention or other third party right or security interest of any kind and any agreement, arrangement or obligation (including any conditional

	obligation) to create any such right or interest;
“Executive”	means the Executive Director of the Corporate Finance Division of the SFC or any of his delegates;
“Event of Default”	means an event described as an “Event of Default” in the Conditions;
“Group”	means the Company and its subsidiaries;
“HK\$”	means Hong Kong dollars, the lawful currency of Hong Kong;
“Hong Kong”	means the Hong Kong Special Administrative Region of the People’s Republic of China;
“in the agreed form”	means, in relation to any document, the form of that document which has been initialled for the purpose of identification by or on behalf of the Company and the Subscriber;
“Issue Price”	means HK\$240,000,000, being the sum of a price equal to 100% of the principal amount of the Convertible Notes and the total amount for the subscription of the Subscription Shares;
“Listing Rules”	means the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited, as amended from time to time;
“Loan”	means the principal amount drawn and for the time being outstanding under the loan facility to be made available by Mr. Lam under this Agreement;
“Long Stop Date”	means 31 October 2011 (or such later date to be agreed between the parties hereto in writing);
“Loss”	means, in respect of any matter, event or circumstances, all demands, liabilities, claims, actions, proceedings, damages, payments, fines, penalties, losses, costs (including legal costs), expenses (including Taxes), disbursements and other losses of any kind whatsoever arising;
“Note Instrument”	means the deed to be executed by the Company constituting the Convertible Notes, in the agreed form;
“Person”	includes an individual, a partnership, a corporation, a limited liability company, an association, a joint stock company, a trust, a joint venture, an unincorporated organisation or a governmental

	entity or any department, agency or political subdivision of such entity (whether or not having separate legal personality);
“Proceedings”	means any proceeding, suit or action arising out of or in connection with this Agreement or its subject matter (including its validity, formation at issue, effect, interpretation, performance or termination) or any transaction contemplated by this Agreement;
“SFC”	means the Securities and Futures Commission of Hong Kong;
“SFO”	means the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong);
“Share Consolidation”	means the proposed consolidation of every two Shares into one Consolidated Share to be implemented by the Company;
“Shareholders”	means holders of Shares from time to time;
“Share(s)”	means ordinary share(s) of nominal value HK\$0.02 each in the capital of the Company;
“Stock Exchange”	means The Stock Exchange of Hong Kong Limited;
“Subscriber Indemnitees”	has the meaning given to it in Clause 8;
“Subscription Shares”	means 583,333,333 Consolidated Shares (subject to adjustments in the event of a capitalisation issue, rights issue, sub-division or consolidation of shares or reduction of capital);
“subsidiary”	has the meaning given to it under the Listing Rules (and “subsidiaries” shall be construed accordingly);
“Takeovers Code”	means the Hong Kong Code on Takeovers and Mergers as amended from time to time;
“Tax”	means all forms of taxation, duties, levies, imposts and other similar impositions of any jurisdiction whether central, regional or local (including corporate income tax, value added tax, goods and services tax, personal income tax, withholding tax, import tax, export tax, stamp duty and other transaction or documentary taxes, social security and state pension contributions, taxes arising from the ownership of any property or assets, payroll and employment taxes, taxes arising on the sale, lease, hire, gift or other disposal of real or personal assets

or property, and taxes of any kind whatsoever), together with any interest and levies and all penalties, charges, costs and additions to tax in relation to any of the foregoing or resulting from failure to comply with the provisions of any legislation, enactment or other law relating to the foregoing;

“US\$” means the United States Dollars, the lawful currency of the United States of America;

“Warranties” has the meaning given to it in Clause 7 (and **“Warranty”** refers to any or a specific one of the Warranties); and

“Whitewash Waiver” a waiver from the Executive pursuant to note 1 of the Notes on dispensations from Rule 26 of the Takeovers Code in respect of the obligations of Mr. Lam, the Subscriber and parties acting in concert with them to make a mandatory offer for all the securities of the Company not already owned by Mr. Lam, the Subscriber and parties acting in concert with them which would otherwise arise as a result of the Subscriber subscribing the Subscription Shares under this Agreement.

- 1.2 References to **“this Agreement”** shall include the Recitals and the Schedules (unless the context requires otherwise).
- 1.3 References to **“this Agreement”** or to any other agreement or document referred to in this Agreement means this agreement or such other agreement or document as amended, varied, supplemented, modified or novated from time to time, and includes the Schedules and any schedules to any such other agreement or document.
- 1.4 References to a **“Clause”**, a **“Recital”**, a **“Schedule”** and an **“Appendix”** are references, respectively, to a clause of, and a recital, a schedule and an Appendix to, this Agreement.
- 1.5 References in this Agreement to statutory provisions shall be construed as references to those provisions as respectively replaced, amended or re-enacted (whether before or after the date of this Agreement) from time to time or as the application is modified by other provisions from time to time and shall include references to any provisions of which there are re-enactments (whether with or without modification) and any subordinate legislation or regulations made under such provisions.
- 1.6 Words importing the singular include the plural and vice versa, and words importing a gender include every gender.
- 1.7 The headings and sub-headings in this Agreement are inserted for convenience only and shall not affect the construction of this Agreement.

- 1.8 The Schedules shall have the same effect as if set out in this Agreement.
- 1.9 A reference to any Hong Kong legal term for any action, remedy, method of judicial proceeding, legal document, legal status, court, official or any legal concept or thing shall (in respect of any jurisdiction other than Hong Kong) be deemed to include what most nearly approximates the Hong Kong legal term in that jurisdiction and references to any Hong Kong statute or enactment shall be deemed to include any equivalent or analogous laws or rules in any other jurisdiction.
- 1.10 The words “**include**” and “**including**” shall be construed without limitation.

2. ISSUE OF AND SUBSCRIPTION FOR THE SUBSCRIPTION SHARES AND CONVERTIBLE NOTES; LOAN; REDEMPTION OF THE BONDS

2.1 Subject to the satisfaction (or waiver as the case may be) of the Conditions Precedent, the Company shall, on the Closing Date, issue:

- (a) the Subscription Shares free and clear from all Encumbrances at an issue price of HK\$0.24 per Subscription Share and a total subscription price of HK\$140,000,000; and
- (b) the Convertible Notes free and clear from all Encumbrances at their full face value of HK\$100,000,000 to the Subscriber,

in accordance with the terms of this Agreement.

2.2 Subject to the satisfaction (or waiver as the case may be) of the Conditions Precedent, the Subscriber shall, on the Closing Date, subscribe for:

- (a) the Subscription Shares free and clear from all Encumbrances at an issue price of HK\$0.24 per Subscription Share and pay or procure to be paid to the Company a total subscription price of HK\$140,000,000; and
- (b) the Convertible Notes free and clear from all Encumbrances at their full face value and pay or procure to be paid to the Company a total sum of HK\$100,000,000,

in accordance with the terms of this Agreement.

2.3 Subject to the satisfaction (or waiver as the case may be) of the Conditions Precedent, Mr. Lam shall make available to the Company a loan facility in an aggregate principal amount up to thirty six million three hundred fifty two thousand two hundred and thirty one Hong Kong dollars and twenty two Hong Kong cents (HK\$36,352,231.22) in accordance with the terms of this Agreement.

2.4 Subject to the satisfaction (or waiver as the case may be) of the Conditions Precedent, and against compliance with the provisions of Clauses 2.1, 2.2 and 2.3, the Company shall redeem the Bonds in full in accordance with the terms

and conditions of the instrument (including the supplemental instrument) constituted the Bonds.

3. LISTING OF SUBSCRIPTION SHARES AND CONVERSION SHARES

- 3.1 The Company covenants and agrees that it will as soon as practicable following the execution of this Agreement make an application to the Stock Exchange for the listing of, and permission to deal in, the Subscription Shares and the Conversion Shares.
- 3.2 The Convertible Notes will not be listed on any stock exchange.

4. CONDITIONS PRECEDENT

- 4.1 The obligations of the Company, the Subscriber and Mr. Lam under Clause 2 are conditional upon:
- (a) the passing of ordinary resolutions by the independent shareholders of the Company approving, inter alia, the Share Consolidation this Agreement and the transactions contemplated hereunder and the Whitewash Waiver at the EGM by way of poll;
 - (b) the Executive granting the Whitewash Waiver to the Subscriber and the satisfaction of all conditions (if any) attached to the Whitewash Waiver granted;
 - (c) the Listing Committee of the Stock Exchange having granted or having agreed to grant (either unconditionally or subject only to conditions to which neither the Company nor Mr. Lam shall reasonably object) the listing of, and permission to deal in, the Consolidated Shares, the Subscription Shares and the Conversion Shares;
 - (d) the Share Consolidation having becoming effective;
 - (e) the Subscriber being satisfied in its absolute discretion, from the date of this Agreement and at any time before Closing, that the Warranties having remained true and accurate in all material respects, not misleading or in breach in any material respect and that no events have suggested that there were any breach in any material respect of any Warranties or other provisions of this Agreement by the Company;
 - (f) the Company having performed in all material respects all the covenants, undertakings and obligations which it is required to perform prior to Closing under this Agreement; and
 - (g) there being no event existing or having occurred and no condition being in existence which would (had the Convertible Notes already been issued) constitute an Event of Default and no event or act having occurred which (with the giving of notices, or the lapse of time, or both) would (had the Convertible Notes already been issued) constitute an Event of Default.

- 4.2 The Company undertakes to use its best endeavours to procure the satisfaction of the Conditions Precedent set out in Clauses 4.1(a), 4.1(c) to 4.1(g) as soon as practicable (including without limitation by making all necessary applications as soon as practicable after the signing of this Agreement and the timely supply of information to the Stock Exchange), but in any event not later than 4:00 p.m. on the Long Stop Date. The Company undertakes to provide all such information and documents and execute all such applications, documents and other things as may be reasonably required by the Stock Exchange or any other regulatory authority.
- 4.3 The Subscriber may at its absolute discretion at any time waive in writing any of the Conditions Precedent set out in Clause 4.1 (save and except Clauses 4.1(a), 4.1(c) and 4.1(d) (to the extent it is capable of waiving) and such waiver may be made subject to such terms and conditions as are determined by the Subscriber.
- 4.4 In the event that not all the Conditions Precedent have been fulfilled by 4:00 p.m. on the Long Stop Date (or such later date to be agreed between the parties hereto in writing), this Agreement shall terminate, lapse and be of no further effect, and the Company, the Subscriber and Mr. Lam shall be released from all obligations hereunder and no party shall have any claim against the other for any costs or losses save in respect of any antecedent breaches of this Agreement.

5. CLOSING

- 5.1 Subject to the satisfaction (or waiver as the case may be) of all the Conditions Precedent, Closing shall take place at [10:00] a.m. (Hong Kong time) on the Closing Date at the Hong Kong office of the Company (or at such other place and time as the Company and the Subscriber may agree).
- 5.2 On or before Closing, the Company shall procure that a meeting of the Board (or a duly authorised committee of the Board) is duly convened and held in accordance with the Articles at which the Board (or such committee) approves the execution of the Note Instrument and the issue of the Subscription Shares, the Convertible Notes (and the duly sealed Certificates) in accordance with this Agreement, the issue of the Conversion Shares upon conversion of the Convertible Notes, and the performance of the Company's other obligations under the Convertible Notes and the Conditions.
- 5.3 At Closing:
- (a) the Company shall do all (but not part only unless the Subscriber so agrees) of the following:
 - (i) issue the Subscription Shares to the Subscriber free and clear from all Encumbrances;
 - (ii) issue the Convertible Notes to the Subscriber free and clear from all Encumbrances;

- (iii) deliver to the Subscriber a copy of the minutes of the meeting(s) of the Board certified as true and complete copies of the originals by a Director approving and/or ratifying the execution of this Agreement and the performance of the Company's obligations under this Agreement and the matters set out in Clause 5.2;
 - (iv) procure the delivery to the Subscriber of the share certificate(s) for the Subscription Shares, in the name of the Subscriber;
 - (v) execute the Note Instrument and deliver to the Subscriber a copy of the Note Instrument certified as a true and complete copy of the original by a Director; and
 - (vi) procure the entry in the register of holders of the Convertible Notes which shall be maintained by the Company in accordance with the requirements of the Note Instrument of the name of the Subscriber as the holder of the Convertible Notes, and deliver to or to the order of the Subscriber Certificates (in such number as shall have been notified by the Subscriber to the Company at least two Business Days prior to Closing) duly sealed by the Company representing the full amount of the Convertible Notes and substantially in the form set out in the Note Instrument; and
- (b) the Subscriber shall:
- (i) deliver or cause to be delivered to the Company a duly completed application for the allotment of the Subscription Shares (in a form as set out in Schedule 4);
 - (ii) pay or cause to be paid to the Company the Issue Price in HK\$ on the Closing Date by remitting the same to such bank account as shall have been notified by the Company to the Subscriber not less than one Business Days prior to the Closing Date or in such other manner as the Company and the Subscriber may agree (for the avoidance of doubt, any bank charges for the remittance of the Issue Price shall be borne by the Company);
 - (iii) deliver or cause to be delivered to the Company a certified true copy of the minutes of the board of directors or written resolutions of the director(s) of the Subscriber evidencing the authority of the person(s) executing, delivering and completion of this Agreement on behalf of the Subscriber.

6. THE LOAN

- 6.1 Subject to the provisions of this Agreement the aggregate principal amount of the loan facility available to the Company is thirty six million three hundred fifty two thousand two hundred and thirty one Hong Kong dollars and twenty two Hong Kong cents (HK\$36,352,231.22).

- 6.2 Subject to the satisfaction (or waiver as the case may be) of all the Conditions Precedent and the other terms and conditions of this Agreement, the Company may request the making of the advance (the “**Advance**”) of the full amount available under the loan facility to be made available by Mr. Lam under this Agreement on any one Business Day during the period commencing from the Closing Date and ending on 30th day after the Closing Date.
- 6.3 The making of the Advance is also subject to the conditions that:
- (a) Mr. Lam shall have received not later than 12:00 noon (Hong Kong time) on the Business Day immediately before the date on which the Advance is to be made a duly completed and signed original notice of drawing in the form set out in Schedule 3; and
 - (b) no Event of Default shall have occurred (or would be likely to occur as a result of the Advance being made) and all representations and warranties made by the Company in or in connection with this Agreement shall be true and correct as at the date the Advance is to be made with reference to the facts and circumstances then subsisting.
- 6.4 The proceeds of the facility shall be used exclusively to redeem the Bonds.
- 6.5 The Loan shall be interest free.
- 6.6 The Company shall repay the Loan in full on the date falling on the second anniversary of the date of drawdown of the Loan and all other monies then outstanding in connection with the loan facility to be made available by Mr. Lam under this Agreement. The Company may prepay the Loan or any part thereof if prior consent shall have been obtained from Mr. Lam.

7. REPRESENTATIONS, WARRANTIES AND ACKNOWLEDGEMENTS

- 7.1 As a condition of the obligations of the Subscriber to subscribe for the Subscription Shares and the Convertible Notes and Mr. Lam to advance the Loan, the Company represents and warrants to the Subscriber and Mr. Lam on the terms (the “**Warranties**”) set out in Schedule 1.
- 7.2 Save where the relevant Warranty refers specifically to a fact as at the date of this Agreement:
- (a) each of the Warranties that is qualified as to materiality is true, correct and accurate as of the date of this Agreement and shall be fulfilled down to and shall be true, correct and accurate in all respects and not misleading in any respect at Closing and shall be deemed to be repeated by the Company as at the Closing Date as if all references therein to the date of this Agreement were references to the Closing Date; and
 - (b) each of the other Warranties is true, correct and accurate as of the date of this Agreement in all material respects and shall be fulfilled

down to and shall be true, correct and accurate in all material respects and not misleading in any material respect at Closing and shall be deemed to be repeated by the Company as at the Closing Date, as if all references therein to the date of this Agreement were references to the Closing Date.

- 7.3 Insofar as the Warranties relate in whole or in part to matters of fact they shall constitute representations by the Company upon the faith of which the Subscriber has entered into this Agreement and each of the Warranties shall be construed as a separate Warranty and (save as expressly provided to the contrary) shall not be limited or restricted by reference to or inference from the terms of any other Warranty or any other term of this Agreement.
- 7.4 The Company shall procure that (except only to such extent as may be necessary to give effect to this Agreement) neither the Company nor any of the subsidiaries shall do or omit to do any act prior to Closing which would constitute a breach of any of the Warranties or which would make any of the Warranties inaccurate or misleading in any respect.
- 7.5 The rights and remedies of the Subscriber and Mr. Lam in respect of a breach of the Warranties shall not be affected by Closing. The Company acknowledges that the Subscriber and Mr. Lam have agreed to enter into this Agreement in reliance upon the Warranties.
- 7.6 The Company by this Agreement undertakes with the Subscriber and Mr. Lam that it shall forthwith disclose in writing to the Subscriber and Mr. Lam any event or circumstance which may arise after the date of this Agreement and prior to Closing which is inconsistent with any of the Warranties (which disclosure shall not affect the Company's liability under this Agreement).
- 7.7 No information relating to the Group of which the Subscriber or any of its directors, officers, employees, agents or advisers has knowledge (actual or constructive) or Mr. Lam shall prejudice any claim made by the Subscriber and/or Mr. Lam under the Warranties, or operate to reduce any amount recoverable.
- 7.8 The Subscriber warrants to the Company as follows:
- (a) the Subscriber has power under its constitutional documents to subscribe for the Convertible Notes upon the terms set out in this Agreement; and
 - (b) the Subscriber has full power, authority and legal right to enter into this Agreement and to perform its obligations under this Agreement.
- 7.9 Mr. Lam warrants to the Company as follows:
- (a) he has power to advance the Loan upon the terms set out in this Agreement; and
 - (b) he has full power, authority and legal right to enter into this Agreement and to perform his obligations under this Agreement.

8. UNDERTAKINGS

8.1 The Company confirms and undertakes to the Subscriber that:

- (a) the Company shall pay on behalf of the Subscriber, any Associate of the Subscriber and any directors, officers, employees and Mr. Lam (collectively, the “**Subscriber Indemnitees**”), and the Company shall defend, indemnify and hold harmless each of the Subscriber Indemnitees from, any Loss suffered or incurred by any of the Subscriber Indemnitees as a result of: (i) any breach of any of the covenants, undertakings and obligations of the Company under any of the Contracts; (ii) any of the Warranties that is qualified as to materiality being untrue or misleading or breached in any respect and any of the other Warranties being untrue or misleading or breached in any material respect; and (iii) fraud or illegality on the part of any member of the Group;
- (b) the Company shall pay any stamp, issue, documentary and registration duties and other charges (including interest and penalties), if any, payable on or in connection with the creation, issue and offering of the Subscription Shares, the Convertible Notes or the Conversion Shares or the execution or delivery of the Contracts;
- (c) the Company shall make all necessary arrangements to ensure that the share certificates in respect of the Subscription Shares and the Certificates are printed or otherwise produced and issued and delivered to the Subscriber in accordance with the provisions of this Agreement; and
- (d) the Company shall use the proceeds from the issuance of the Subscription Shares and the Convertible Notes (after payment of all related fees and expenses) and the proceeds of the Loan to redeem the Bonds.

8.2 The Company agrees and undertakes that, subject to the terms and conditions in this Agreement, it shall use its commercially reasonable best efforts to take (or cause to be taken) all action and to do (or cause to be done) all things reasonably necessary, proper or advisable under applicable laws and regulations to consummate and make effective the transactions and other matters contemplated by this Agreement and to fulfill all of the Conditions Precedents set out in Clause 4.1 and the execution and delivery of the agreements and instruments contemplated by this Agreement to be executed and delivered at Closing. In the event any claim, action, suit, investigation or other proceeding by any governmental authority or other Person is commenced which questions the validity or legality of the transactions contemplated by this Agreement or seeks damages in connection with this Agreement, the parties agree to cooperate and use commercially reasonable best efforts to defend against such claim, action, suit, investigation or other proceeding and, if an injunction or other order is issued in any such action, suit or other proceeding, to use its reasonable best efforts to have such injunction or other order lifted, and to cooperate reasonably regarding any other

impediment to the consummation of the transactions contemplated by this Agreement.

8.3 The Company agrees and undertakes that:

- (a) it shall (and shall procure that each member of the Group shall) conduct its business in compliance with all applicable laws, rules, regulations and articles of association in all material aspects; and
- (b) it shall (and shall procure that each member of the Group shall) use its best endeavours to obtain all permits, approvals and registrations and make all disclosures, notifications and filings necessary or desirable for the operation of the business by the Company and any member of the Group as currently conducted.

9. EXPENSES AND PAYMENTS

9.1 The Company agrees to pay at Closing all costs and expenses incurred or to be incurred in connection with the issue and delivery of the Subscription Shares, the Convertible Notes and the Conversion Shares and to bear all costs and expenses incurred or to be incurred in connection with the listing of the Subscription Shares and the Conversion Shares on the Stock Exchange (including the application for such listing).

9.2 The Company shall bear the costs and expenses of its own legal and other professional advisers incurred in connection with the issue of the Convertible Notes, the negotiations in respect of the Contracts and related matters.

9.3 All payments by the Company under this Agreement shall be paid without set-off or counterclaim, and free and clear of and without deduction or withholding for or on account of any Tax (unless deduction or withholding of such Taxes is required by law in which case the Company shall pay such additional amounts as may be necessary to ensure that the payee receives the full amount due as if no such deduction or withholding had been made).

10. TERMINATION

10.1 Without prejudice to any other rights and remedies available at any time to the relevant party:

- (a) The Subscriber may by notice to the Company terminate this Agreement at any time before the Closing Date: (i) in the event of any material breach of the Warranties prior to Closing (which, if capable of rectification, has not been rectified within five Business Days of a notice requiring rectification being given by the Subscriber to the Company); or (ii) if the Company has failed to perform any of its obligations which it is required to perform prior to Closing under this Agreement in any material respect, and in each case to rescind this Agreement.

- (b) The Company may by notice to the Subscriber terminate this Agreement at any time before the Closing Date if the Subscriber has failed to perform any of its obligations which it is required to perform prior to Closing under this Agreement in any material respect (which, if capable of rectification, has not been rectified within five Business Days of a notice requiring rectification being given by the Company to the Subscriber) and in that case to rescind this Agreement.
- 10.2 Each party may by notice to the other terminate this Agreement at any time after 4:00 p.m. on the Long Stop Date if at that time there is any Condition Precedent which has not been satisfied or waived by the Subscriber.
- 10.3 Upon such notice being given pursuant to Clause 10.1 or Clause 10.2, the parties to this Agreement shall, save as otherwise provided in this Agreement, be released and discharged from their respective obligations under this Agreement, except that Clauses 9, 11, 19 and 20 shall continue in full force and effect.

11. ANNOUNCEMENTS

- 11.1 Subject to Clause 11.2, neither party to this Agreement shall make any announcement concerning the provisions or subject matter of this Agreement or containing any information about the other party without the prior written approval of the other party.
- 11.2 Clause 11.1 shall not apply if and to the extent that such announcement is required by law or under the Listing Rules or otherwise by any securities exchange or regulatory or governmental body having jurisdiction over it and whether or not the requirement has the force of law (provided that any such announcement shall be made only after the provision by the party which is required to make such announcement of drafts of such announcement to and consultation with the other party).

12. SURVIVAL OF REPRESENTATIONS AND OBLIGATIONS

The representations, warranties, agreements, undertakings and indemnities in this Agreement shall continue in full force and effect, despite Closing having taken place or any investigation made by the Subscriber.

13. NOTICES

- 13.1 Any notice (which term shall in this Clause include any other communication) required to be given under this Agreement or in connection with the matters contemplated by it shall, except where otherwise specifically provided, be in writing in the English language.
- 13.2 Any such notice shall be addressed as provided in Clause 13.3 and may be:
 - (a) personally delivered, in which case it shall be deemed to have been given upon delivery at the relevant address;

- (b) if within Hong Kong, sent by pre-paid post, in which case it shall be deemed to have been given two Business Days after the date of posting;
- (c) if from or to any place outside Hong Kong, sent by pre-paid priority airmail, in which case it shall be deemed to have been given seven Business Days after the date of posting; or
- (d) sent by facsimile, in which case it shall be deemed to have been given when despatched, subject to confirmation of uninterrupted transmission by a transmission report (provided that any notice despatched by facsimile after 5:00 pm on any day (local time for the recipient) or otherwise than on a Business Day shall be deemed to have been received at 9:00 am on the next Business Day).

13.3 The addresses and other details of the parties referred to in Clause 13.2 are, subject to Clause 13.4, as follows:

In the case of the Company:

Room 2602, China Merchants Tower
Shun Tak Centre, 168-200 Connaught Road Central, Hong Kong
Fax no : (852) 2587 8884
Attention: Board of Directors

In the case of the Subscriber and Mr. Lam:

Room A 10th Floor, Kam Ling Building
231 Nathan Road, Kowloon
Hong Kong
Fax no : 852) 2119 0505
Attention: Mr. Lam Nam

13.4 Any party to this Agreement may notify the other party of any change to the address or any of the other details specified in Clause 13.3 (provided that such notification shall only be effective on the date specified in such notice or five Business Days after the notice is given, whichever is later).

14. ASSIGNMENT

This Agreement shall be binding upon, and inure to the benefit of, the parties and their respective successors and permitted assigns. No party shall take any steps to assign, transfer, charge or otherwise deal with all or any of its rights and/or obligations under or pursuant to this Agreement without the prior written consent of the other parties. In the absence of the prior written consent of the parties, this Agreement shall not be capable of assignment.

15. ENTIRE AGREEMENT

This Agreement, together with any documents referred to in it, constitutes the whole agreement between the parties to this Agreement relating to the issue of the Subscription Shares, the Convertible Notes and the Conversion Shares and supersedes and extinguishes any other prior drafts, agreements,

undertakings, representations, warranties and arrangements of any nature, whether in writing or oral, relating to the issue of the Subscription Shares, the Convertible Notes and Conversion Shares (provided that nothing in this Clause 15 shall limit or exclude any liability for fraud or fraudulent misrepresentation).

16. COUNTERPARTS

This Agreement may be executed in counterparts, and by the parties to this Agreement on separate counterparts, but shall not be effective until each party has executed at least one counterpart. Each counterpart shall constitute an original of this Agreement, but the counterparts shall together constitute one and the same instrument.

17. TIME OF THE ESSENCE

Any time, date or period referred to in this Agreement may be extended by mutual agreement in writing between the parties to this Agreement, but (as regards any time, date or period originally fixed or any time, date or period so extended) time shall be of the essence.

18. RELATIONSHIP OF THE PARTIES

Nothing in this Agreement shall be deemed to constitute a partnership between the parties to this Agreement, nor constitute any of them the agent of the other party or otherwise entitle a party to bind the other party for any purpose.

19. MISCELLANEOUS

- 19.1 Any provision of this Agreement which is capable of being performed after but which has not been performed at or before Closing and all Warranties, undertakings and indemnities contained or entered into pursuant to this Agreement shall remain in full force and effect notwithstanding Closing.
- 19.2 Without prejudice to any other provision of this Agreement, each party to this Agreement shall (on being required to do so by the other party concerned), now or at any time in the future, do or procure the doing of all such acts and/or execute or procure the execution of such documents in a form reasonably satisfactory to the other party which the other party may from time to time reasonably require for giving full effect to this Agreement and securing to the other party the full benefit of the rights, powers and remedies conferred upon the other party in this Agreement.
- 19.3 No variation of this Agreement shall be effective unless made in writing and executed by the parties to this Agreement.

- 19.4 The rights, powers and remedies provided in this Agreement are cumulative and are not exclusive of any rights, powers or remedies provided by law or otherwise.
- 19.5 No failure to exercise nor any delay in exercising by any party to this Agreement any right, power, privilege or remedy under this Agreement shall impair or operate as a waiver thereof. No single or partial exercise of any right, power, privilege or remedy under this Agreement shall prevent any further or other exercise thereof or the exercise of any other right or remedy.
- 19.6 If any provision of this Agreement shall be held to be illegal, void, invalid or unenforceable under the laws of any jurisdiction affecting any of the parties to this Agreement or their properties or assets, the legality, validity and enforceability of the remainder of this Agreement in that jurisdiction shall not be affected, and the legality, validity and enforceability of the whole of this Agreement shall not be affected in any other jurisdiction.

20. GOVERNING LAW AND JURISDICTION

- 20.1 This Agreement shall be governed by, and construed in accordance with, the laws of Hong Kong.
- 20.2 In relation to any Proceedings, the parties to this Agreement irrevocably submit to the non-exclusive jurisdiction of the courts of Hong Kong and waive any objection to Proceedings in such courts on the grounds of venue or on the grounds that Proceedings have been brought in an inappropriate forum. The taking of Proceedings in one or more jurisdictions shall not preclude the taking of Proceedings in any other jurisdiction (whether concurrently or not).
- 20.3 The Subscriber hereby irrevocably appoints China International Mining Company Limited of Room A, 10th Floor, Kam Ling Building, 231 Nathan Road, Kowloon, Hong Kong to receive, for it and on its behalf, service of process in any Proceedings. The Subscriber agrees that any such legal process shall be sufficiently served on it if delivered to China International Mining Company Limited at its address specified in this Clause or at its registered office for the time being in Hong Kong. If for any reason the Subscriber's process agent is unable to act as such, the Subscriber shall promptly notify the Company and forthwith appoint a substitute process agent acceptable to the Company. Without affecting the right of any party to serve process in any other way permitted by law, the parties irrevocably consent to service of process given in the manner provided for notices in Clause 13.

SCHEDULE 1

REPRESENTATIONS AND WARRANTIES

1. All consents, approvals, orders or qualifications required to be obtained from or made under all governmental, regulatory or other public bodies (including the Stock Exchange) or authorities or courts or from any third party pursuant to any contractual or other arrangement to which the Company or any other member of the Group is a party or made in connection with the consummation of the transactions contemplated by this Agreement have been duly obtained and are in full force and effect.
2. The Company is duly incorporated and validly existing under the laws of the place of its incorporation and the Company has the power under its constitutional documents to enter into this Agreement and this Agreement (and the performance of this Agreement) has been duly authorised (such authorisation remaining in full force and effect) and executed by, and constitutes valid and legally binding and enforceable obligations of, the Company in accordance with its terms.
3. The Company has power under its constitutional documents to enter into and perform its obligations under the Note Instrument, and (subject to obtaining the approval of the independent shareholders at the EGM) to allot and issue the Subscription Shares and the Conversion Shares without any sanction or consent of its members and all necessary authorisations, approvals, consents and licences relating to the same have been unconditionally obtained and are in full force and effect, and the Note Instrument will be a legal, valid and binding agreement of the Company, enforceable in accordance with its terms.
4. The allotment and issue of the Subscription Shares and the Conversion Shares pursuant to the Note Instrument will not result in any breach of and will comply with all relevant provisions of its constitutional documents, the Listing Rules and all other applicable laws, rules and regulations.
5. The Company has the power under its constitutional documents to obtain the Loan from Mr. Lam and to use the proceeds of the Loan to redeem the Bonds.
6. Neither the Company, nor any of its Associates, nor any person acting on its or their behalf has taken or will take, directly or indirectly, any action designed to cause or to result (or that has constituted or which might reasonably be expected to cause or result) in the stabilisation in violation of applicable laws or manipulation of the price of any security of the Company to facilitate the issue of the Convertible Notes.
7. The Company has not been, is not and will not be at any time engaged in insider dealing for the purposes of the SFO in connection with the issue of the Subscription Shares and the Convertible Notes and the related transactions entered into or to be entered into pursuant to the Contracts; neither the Company nor any person acting on behalf of the Company or any of the Associates of the Company has taken or will take, directly or indirectly, any action designed or which was designed for (or which constitutes or has constituted or might reasonably be or have been expected to cause or result in)

stabilisation or manipulation of the price of any Shares or other securities of the Company.

8. The Company is not in possession of any non-public information relating to the Company or its businesses the release of which could materially affect the trading price of the Shares and there is not in existence any material or information relating to the Company which are or will be required to be disclosed by the Company under the Listing Rules within the one month period after the date of this Agreement.
9. There is no claim, litigation, arbitration, prosecution or other legal proceedings or investigation or enquiry in progress or pending or threatened against any member of the Group (nor is there any claim or any facts or circumstances of a material nature which would give rise to a claim against any member of the Group), which is material for disclosure in the context of the transactions contemplated by the Contracts.
10. Each member of the Group is duly incorporated and validly existing under the laws of the place of its incorporation and each member of the Group has power to own its assets and to conduct its business in the manner presently conducted and there has been no petition filed, order made or effective resolution passed for the liquidation or winding up of any member of the Group.
11. Each member of the Group has obtained such authorisations and licences (if any) as are required under the provisions of any applicable law in connection with the operation of its business and there is no breach by any member of the Group of the provisions of any ordinance, statute or regulation governing such authorisations or licences (nor is there any reason why any such authorisation or licence should be withdrawn or cancelled).
12. The Company is not in breach of any rules, regulations or requirements of the Stock Exchange or its listing agreement made with the Stock Exchange (if any) and in particular, the Company has complied at all times with the disclosure requirements under the Listing Rules and/or its listing agreement made with the Stock Exchange (if any) and, other than the Conditions Precedent set out in Clause 4, all necessary consents (if any) have been obtained from the Stock Exchange and other authority to complete the transactions contemplated by the Contracts in the manner contemplated.
13. There is no order, decree or judgment of any court or governmental agency or regulatory body outstanding or anticipated against any member of the Group which is material in the context of the transactions contemplated by the Contracts.
14. No material outstanding indebtedness of any member of the Group has become payable or repayable by reason of any default of any member of the Group and no event has occurred or is impending which may result in such indebtedness becoming payable or repayable prior to its maturity date, in a demand being made for such indebtedness to be paid or repaid or in any step being taken to enforce any security for any such indebtedness of any member of the Group.

15. No member of the Group is a party to or under any obligation which is material and which is of an unusual or unduly onerous nature; no member of the Group is in breach of or in default of any contract or agreement which is material in the context of the transactions contemplated by the Contracts.
16. Neither the Contracts nor the transactions contemplated by the Contracts will constitute or give rise to a breach of or default under any agreement or other arrangement to which any member of the Group is party or give rise to any rights of any third party in respect of any assets of the Group.
17. The compliance by the Company with all of the provisions of this Agreement (as well as the consummation of the transactions contemplated in the Contracts) will not conflict with or result in a breach or violation of, or result in any third party consent being required under:
 - (a) any of the terms or provisions of any indenture, mortgage, deed of trust, loan agreement or other agreement or instrument, decree, regulation or law to which any member of the Group or by which any member of the Group is a party or to which any of the property or assets of any member of the Group is subject; or
 - (b) any statute or any order, rule or regulation (including the Listing Rules) or any judgment, decree or order of any court or governmental agency or body having jurisdiction over any member of the Group or the property or assets of any member of the Group.

SCHEDULE 2

MAJOR TERMS AND CONDITIONS OF THE CONVERTIBLE NOTES

<i>Issuer:</i>	The Company.
<i>Principal amount:</i>	HK\$100,000,000.
<i>Maturity date:</i>	The date falling on the third anniversary of the date of issue of the Convertible Notes.
<i>Interest rate:</i>	3% per annum.
<i>Conversion rights:</i>	The holder of the Convertible Notes will have the right to convert the whole or part of the principal amount of the Convertible Notes into Conversion Shares at any time and from time to time from the date of the issue of the Convertible Notes up to the close of business on the date falling 30 business days prior to the maturity date of the Convertible Notes.
<i>Conversion Price:</i>	The initial Conversion Price is HK\$0.250 per Conversion Share.
<i>Adjustments to Conversion Price:</i>	The Conversion Price will be subject to adjustment for, amongst other things, consolidation, subdivision or reclassification of Shares, capitalisation of profits or reserves, dividend or distribution, rights issue of Shares or options over Shares, issues at less than current market price and other events which may have a diluting effect on the holder of the Convertible Notes.
<i>Redemption of the Convertible Notes by the Company:</i>	<p>The Company may redeem the Convertible Notes at the redemption amount which is equal to 100% of the then outstanding principal amount of the Convertible Notes, together with all interest accrued thereon and remaining outstanding (if any), at any time on or after the first anniversary of its issuance.</p> <p>Unless previously redeemed, converted or purchased and cancelled, the Convertible Notes will be redeemed at 100% of its principal amount on the maturity date of the Convertible Notes.</p>
<i>Transferability:</i>	Subject to all applicable laws and regulations and prior notification to the Company, the Convertible Notes may only be assigned or transferred in whole or in part of its principal amount outstanding to any subsidiary or holding company of the Subscriber or any subsidiary of any holding company of the Subscriber or, if required by the Stock Exchange, with the prior approval of the Stock Exchange and the Company, to any other party.
<i>Voting rights:</i>	A holder of the Convertible Notes will not be entitled to receive notice of, attend or vote at any general meetings of

the Company by reason only of it being a holder of the Convertible Notes.

Listing:

The Company will apply to the Stock Exchange for the listing of and permission to deal in the Conversion Shares to be allotted and issued upon exercise of the conversion rights attached to the Convertible Notes. No application will be made by the Company for the listing of the Convertible Notes.

Ranking of the Conversion Shares:

The Conversion Shares, when allotted and issued, will rank *pari passu* in all respects with all other existing Shares outstanding at the date of such allotment and issue and be entitled to all dividends and other distributions the record date of which falls on a date on or after the date of such allotment and issue.

Ranking of the Convertible Notes:

The obligations of the Company arising under the Convertible Notes constitute direct, unconditional, unsubordinated and unsecured obligations of the Company and rank and shall at all times rank *pari passu* in all respects among themselves and *pari passu* with all other present and future unsecured and unsubordinated obligations of the Company except for obligations accorded preference by mandatory provisions of applicable law.

Events of default:

After the occurrence of an event of default as specified in the terms and conditions of the Convertible Notes, a holder of the Convertible Notes may give notice to the Company that the Convertible Notes is immediately due and payable.

SCHEDULE 3

FORM OF NOTICE OF DRAWDOWN

From: Polyard Petroleum International Group Limited

To: Mr. Lam Nam

_____ 2011

Dear Sirs

**HK\$36,352,231.22 LOAN FACILITY
SUBSCRIPTION AGREEMENT DATED 30 June 2011**

We refer to the subscription agreement (the “**Agreement**”) dated 30 June 2011 made between Polyard Petroleum International Group Limited, Silver Star Enterprises Holdings Inc. and your goodself, and hereby give notice that we wish to draw the Advance under the loan facility to be made available by your goodself under the Agreement on 30th June 2011 in the amount of HK\$36,352,231.22, being the full amount available under the loan facility available.

The proceeds of the Advance are to be used exclusively for the purposes specified in the Agreement.

We confirm that no Event of Default shall have occurred (or would be likely to occur as a result of the Advance being made) and all representations and warranties made by the Company in or in connection with this Agreement shall be true and correct as at the date the Advance is to be made with reference to the facts and circumstances then subsisting.

Terms defined in the Agreement have the same meanings when used in this notice.

For and on behalf of
**Polyard Petroleum International
Group Limited**

Name:
Title: Director

SCHEDULE 4

FORM OF APPLICATION FOR THE SUBSCRIPTION SHARES

Date:

To: Polyard Petroleum International Group Limited
[address]
Hong Kong

Dear Sirs

Application for allotment of shares

We refer to the subscription agreement (the “**Agreement**”) dated 30 June 2011 made between Polyard Petroleum International Group Limited, Silver Star Enterprises Holdings Inc. and Lam Nam.

Expressions defined in the Agreement have the same meanings where used in this letter.

Pursuant to the terms of the Agreement, we apply for an aggregate of [●] shares (the “**Subscription Shares**”) of HK\$0.04 each in the capital of the Company at the subscription price of HK\$0.24 per Subscription Share for an aggregate amount of HK\$140,000,000. We hereby request the Company to register our name and address on the branch register of members of the Company in Hong Kong in accordance with the memorandum and articles of association of the Company and agree to hold the Subscription Shares subject to the memorandum and articles of association of the Company.

Registered shareholder and address

No. of Subscription Shares

[name]
[address]

[●]

Yours faithfully
For and on behalf of
Silver Star Enterprises Holdings Inc.

Name: Lam Nam
Title: Director

EXECUTED as an agreement.

SIGNED by)

for and on behalf of)
POLYARD PETROLEUM GROUP)
INTERNATIONAL GROUP LIMITED)
in the presence of:)



.....
Title: Director

.....
Name:

SIGNED by)

for and on behalf of)
SILVER STAR ENTERPRISE)
HOLDINGS INC.)
in the presence of:)



.....
Title: Director

.....
Name:

SIGNED by **LAM NAM**)
in the presence of:)



.....
Name: