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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: 8011)

CONNECTED TRANSACTION

EXTENSION OF THE TERM OF HK\$120,000,000 CONVERTIBLE BONDS

EXTENSION OF TERM OF THE CONVERTIBLE BONDS

On 15 November 2013, the Company executed the Supplemental Instrument by way of deed poll to extend the Maturity Date of the Convertible Bonds for one year to 4 February 2015 for Tranche 1 Bonds and 29 December 2014 for Tranche 2 Bonds and the conversion period will accordingly be extended until 4 February 2015 for Tranche 1 Bonds and 29 December 2014 for Tranche 2 Bonds.

GEM LISTING RULES IMPLICATIONS

Pursuant to Rule 34.05 of the GEM Listing Rules, any alteration in the terms of convertible debt securities after issue must be approved by the Stock Exchange, except where the alterations take effect automatically under the existing terms of such convertible debt securities. The Company will apply to the Stock Exchange for its approval of the proposed amendments contemplated by the Supplemental Instrument pursuant to Rule 34.05 of the GEM Listing Rules.

CIMH is wholly-owned by Mr. Lam and Mr. Lam is a substantial Shareholder, thereby a Connected Person of the Company under the GEM Listing Rules. The Extension to be effected by the Supplemental Instrument constitutes a material change to the terms of the Convertible Bonds, the issue of which was originally approved as a connected transaction of the Company under the GEM Listing Rules. Accordingly, the Extension is subject to approval, as a connected transaction of the Company under the GEM Listing Rules, by the Independent Shareholders at the EGM to be convened. The Company will establish an Independent Board Committee and will appoint an independent financial adviser to advise the Independent Shareholders and the Independent Board Committee regarding the Extension.

CIRCULAR

A circular containing details of the Convertible Bonds and the Extension, and the respective letters of advice from the Independent Board Committee and the independent financial adviser will be despatched to the Shareholders as soon as practicable in accordance with the requirements of the GEM Listing Rules.

References are made to the announcements of the Company dated 2 October 2013 and 25 October 2013 in relation to, among other things, the Memorandum of Understanding entered into between the Company and the Subscriber regarding the Subscription. The Board wishes to inform the Shareholders and potential investors of the Company that the Subscription is still under negotiation.

Background Information

As described in the Company's announcements dated 25 July 2008 and 29 September 2008 and the Company's circular dated 31 October 2008, the Company issued to CIMH Convertible Bonds in an aggregate principal amount of HK\$120,000,000, as the consideration for the Company's acquisition of 100% equity interest of Mexford in 2008. The Convertible Bonds bear zero interest and are convertible into shares of the Company.

The terms of the Convertible Bonds were negotiated on arm's length. As Mr. Lam is a Connected Person of the Company by virtue of its being a substantial Shareholder, the acquisition constituted a connected transaction of the Company under Chapter 20 of the GEM Listing Rules. The acquisition was approved by the Independent Shareholders at the extraordinary general meeting of the Company held on 18 November 2008.

As at the date of this announcement, the Convertible Bonds with an aggregate principal amount of HK\$120,000,000 held by CIMH are still outstanding. The Tranche 1 Bonds of HK\$12,000,000 was issued on 4 February 2009 and the Tranche 2 Bonds of HK\$108,000,000 was issued on 29 December 2008.

For further details of the Convertible Bonds, please refer to the Company's circular dated 31 October 2008.

Supplemental Instrument

On 15 November 2013, the Company executed the Supplemental Instrument by way of deed poll to extend the Maturity Date of the Convertible Bonds for one year to 4 February 2015 for Tranche 1 Bonds and 29 December 2014 for Tranche 2 Bonds and the conversion period will accordingly be extended for one year to 4 February 2015 for Tranche 1 Bonds and 29 December 2014 for Tranche 2 Bonds. Subject to the conditions below, CIMH has approved the Extension. The Supplemental Instrument will only become effective upon all the following conditions having been fulfilled:

- (a) the Company having convened an EGM at which resolutions shall have been duly passed by the Independent Shareholders to approve and ratify the Supplemental Instrument;
- (b) the Stock Exchange having approved the Extension pursuant to Rule 34.05 of the GEM Listing Rules; and
- (c) all necessary consents and approvals required to be obtained on the part of the Company in respect of the Extension having been obtained.

Apart from the Extension, all other terms and conditions of the Convertible Bonds remain unchanged. The principal terms of the Convertible Bonds after the Supplemental Instrument becomes effective are as follows:

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| Principal amount | HK\$120,000,000 (Tranche 1 Bonds of HK\$12,000,000 and Tranche 2 Bonds of HK\$108,000,000) |
| Date of issue | 4 February 2009 for Tranche 1 Bonds 29 December 2008 for Tranche 2 Bonds |
| Interest | The Convertible Bonds accrue no interest |
| Maturity | 4 February 2015 for Tranche 1 Bonds 29 December 2014 for Tranche 2 Bonds |
| Form and denomination | The Convertible Bonds will be issued in registered form and in the denomination of HK\$100,000 each. |
| Conversion price | <p>Initially, HK\$0.048 per Conversion Share, which is subject to adjustments triggered by certain events, including subdivision or consolidation of Shares, bonus issues, rights issues and other issues of securities by the Company, which may or may not occur.</p> <p>As at the date of this announcement, the conversion price has been adjusted to HK\$0.742 per Share.</p> |
| Conversion rights | The conversion rights under the Convertible Bonds shall be exercisable from the date of issue of the Convertible Bonds up to the Maturity Date. Upon the exercise of any conversion rights under the Convertible Bonds, the Company will allot the number of Shares in respect of which conversion rights are exercised provided that no conversion right may be exercised, to the extent that following such exercise (i) a holder of the Convertible Bonds and parties acting in concert with it, taken together, will directly or indirectly, control or be interested in 25% or more of the entire issued Shares or such percentage as may from time to time be specified in the Hong Kong Code on Takeovers and Mergers as being the level for triggering a mandatory general offer, or (ii) the Company will be in breach of the minimum public float requirement under the GEM Listing Rules. |
| Ranking | The Conversion Shares will rank pari passu in all respects with all existing Shares in issue at the date of the notice of conversion. |

Status of the Convertible Bonds

The Convertible Bonds constitute a direct, general, unconditional and unsecured obligation of the Company and rank pari passu and rateably without preference (with the exception of obligations in respect of taxes and certain other mandatory provisions of applicable law exceptions) equally with all other present and/or future unsecured and unsubordinated obligations of the Company. No application will be made for the listing of the Convertible Bonds.

Transferability

The Convertible Bonds will be transferable provided that (a) any transfer of the Convertible Bonds shall be in the principal amount of HK\$100,000; and (b) if the transfer is made to a Connected Person of the Company, such transfer shall comply with the requirements under the GEM Listing Rules.

Voting rights

The Convertible Bonds do not confer any voting rights at any meetings of the Company.

Reasons for the Extension

The Group is principally engaged in the exploration, exploitation and development of oil, natural gas and coal, and trading of petroleum-related products.

The Extension effectively allows the Group to refinance the debts under the Convertible Bonds under the same terms for a further period of one year. The Board is of the view that the Extension will enable the Company to retain its funds for its investment projects in the Republic of the Philippines. In addition, the Convertible Bonds carry no interest which is much less than the cost of bank borrowings. Save for the Extension, other terms and conditions of the Convertible Bonds remain unaltered.

The Board (excluding the independent non-executive Directors who will express their views on the Supplemental Instrument and the Extension to be included in the circular after taking into account advice from the Independent Financial Adviser) considers that the terms and conditions of the Supplemental Instrument are fair and reasonable and the Extension is in the interests of the Company and the Shareholders as a whole. The Directors are of the view that the Extension will not pose any significant impact on the operations of the Group.

GEM Listing Rules Implication

Pursuant to Rule 34.05 of the GEM Listing Rules, any alteration in the terms of convertible debt securities after issue must be approved by the Stock Exchange, except where the alterations take effect automatically under the existing terms of such convertible debt securities. The Company will apply to the Stock Exchange for its approval of the proposed amendments contemplated by the Supplemental Instrument pursuant to Rule 34.05 of the GEM Listing Rules.

CIMH is wholly-owned by Mr. Lam and Mr. Lam is a substantial Shareholder, thereby a Connected Person of the Company under the GEM Listing Rules. The Extension to be effected by the Supplemental Instrument constitutes a material change to the terms of the Convertible Bonds, the issue of which was originally approved as a connected transaction of the Company under the GEM Listing Rules. Accordingly, the Extension is subject to approval, as a connected transaction of the Company under the GEM Listing Rules, by the Independent Shareholders at the EGM to be convened. The Company will establish an Independent Board Committee and will appoint an independent financial adviser to advise the Independent Shareholders and the Independent Board Committee regarding the Extension.

A circular containing details of the Convertible Bonds and the Extension, and the respective letters of advice from the Independent Board Committee and the independent financial adviser will be despatched to the Shareholders as soon as practicable in accordance with the requirements of the GEM Listing Rules.

The Board wishes to emphasise that no binding agreement in relation to the Subscription has been entered into by the Company and the Subscriber as at the date of this announcement. As such, the Subscription may or may not proceed. Shareholders and the potential investors of the Company are urged to exercise caution when dealing in the Shares. Further announcement in respect of the Subscription will be made by the Company in the event that the formal agreement has been signed.

DEFINITIONS

The following words and phrases used in this announcement have the following meaning:

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| “Associates” | has the meaning ascribed thereto in the GEM Listing Rules |
| “Board” | means the board of Directors |
| “CIMH” | means China International Mining Holding Company Limited, a company incorporated under the laws of Hong Kong and wholly-owned by Mr. Lam |
| “Company” | means Polyard Petroleum International Group Limited, a company incorporated under the laws of the Cayman Islands, whose shares are listed on GEM |
| “Connected Person” | has the meaning ascribed thereto in the GEM Listing Rules |
| “Conversion Shares” | means those Shares to be issued upon the exercise of the conversion rights attached to the Convertible Bonds |

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| “Convertible Bonds” | means the Tranche 1 Bonds and Tranche 2 Bonds |
| “Directors” | means directors of the Company |
| “EGM” | means the extraordinary general meeting of the Company to be convened to approve, inter alia, the Extension |
| “Extension” | means the proposed extension of the Maturity Date and the conversion period of the Convertible Bonds for one year to 4 February 2015 for Tranche 1 Bonds and 29 December 2014 for Tranche 2 Bonds |
| “GEM” | means the Growth Enterprise Market operated by the Stock Exchange |
| “GEM Listing Rules” | means the Rules Governing the Listing of Securities on GEM |
| “Group” | means the Company and its subsidiaries |
| “HK\$” | means Hong Kong dollars, the lawful currency of Hong Kong |
| “Hong Kong” | means Hong Kong Special Administrative Region of the PRC |
| “Independent Board Committee” | means the independent board committee of the Company to be constituted by all the independent non-executive Directors to advise the Independent Shareholders on the Extension |
| “Independent Shareholders” | means Shareholders other than Mr. Lam and his Associates |
| “Memorandum of Understanding” | means the memorandum of understanding entered into between the Company and Subscriber on 25 September 2013 regarding the Subscription |
| “Maturity Date” | means the fifth (5th) anniversary of the date of issue of the Convertible Bonds |
| “Mexford” | means Mexford Holdings Limited, a company incorporated under the laws of the British Virgin Islands |
| “Mr. Lam” | means Mr. Lam Nam, a substantial Shareholder |
| “PRC” | means the People’s Republic of China, which for the purpose of this announcement excludes Hong Kong and the Macau Special Administrative Region of the PRC |

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| “Share(s)” | means ordinary share(s) of HK\$0.04 each in the existing share capital of the Company |
| “Shareholder(s)” | means shareholder(s) of the Company |
| “Stock Exchange” | means The Stock Exchange of Hong Kong Limited |
| “Subscriber” | Beijing Enterprises Energy Development (Holdings) Company Limited, a company incorporated under the laws of the British Virgin Islands, whose ultimate holding company is Beijing Enterprises Group Company Limited (北京控股集團有限公司) which was set up in 2005 and is wholly owned, supervised and controlled by the State-owned Assets Supervision and Administrative Commission of People’s Government of Beijing Municipality and the principal businesses of which are investment holding and investment management |
| “Subscription” | the conditional allotment and issue of 1,733,800,000 new Shares by the Company to the Subscriber through an arranger pursuant to a formal agreement |
| “subsidiary” | as defined under the GEM Listing Rules |
| “Supplemental Instrument” | a supplemental instrument executed by way of deed poll on 15 November 2013 to extend the Maturity Date of the Convertible Bonds for one year to 4 February 2015 for Tranche 1 Bonds and 29 December 2014 for Tranche 2 Bonds |
| “Tranche 1 Bonds” | means the zero coupon bonds comprising a total principal amount of HK\$12,000,000 issued by the Company to CIMH |
| “Tranche 2 Bonds” | means the zero coupon bonds comprising a total principal amount of HK\$108,000,000 issued by the Company to CIMH |
| “%” | means per cent. |

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

Hong Kong, 15 November 2013

At the date of this announcement, the Board is comprised of Mr. Kuai Wei, Mr. Lai Chun Liang and Mr. Lin Zhang as executive Directors, and Mr. Pai Hsi-Ping, Ms. Xie Qun and Ms. Wang Ai-Chin as independent non-executive Directors.

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: (1) the information contained in this announcement is accurate and complete in all material respects and not misleading; (2) there are no other matters the omission of which would make any statement in this announcement misleading; and (3) all opinions expressed in this announcement have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.

The Directors jointly and severally accept full responsibility for the accuracy of information contained in this announcement and confirm, having made all reasonable inquiries, that to the best of their knowledge, opinions expressed in this announcement have been arrived at after due and careful consideration and there are no other facts not contained in this announcement, the omission of which would make any statement in this announcement misleading.

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