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**THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION**

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**If you are in doubt** as to any aspect of this circular or as to the action to be taken, you should consult your licensed securities dealer, registered institution in securities, bank manager, solicitor, professional accountant or other professional adviser.

**If you have sold or transferred** all your shares in Polyard Petroleum International Group Limited (the “Company”), you should at once hand this circular with the accompanying form of proxy to the purchaser or transferee or to the bank manager, licensed securities dealer or registered institution in securities or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

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This circular appears for information purposes only and does not constitute an invitation or offer to shareholders of the Company or any other persons to acquire, purchase, or subscribe for securities of the Company.

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**POLYARD PETROLEUM INTERNATIONAL GROUP LIMITED**

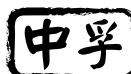
**百田石油國際集團有限公司**

*(incorporated in the Cayman Islands with limited liability)*

(Stock code: 8011)

**CONNECTED TRANSACTION  
LOAN CAPITALISATION INVOLVING ISSUE OF  
NEW SHARES UNDER SPECIFIC MANDATE  
AND  
NOTICE OF EXTRAORDINARY GENERAL MEETING**

**Financial adviser to the Company**



中孚資本有限公司

HOLOGRAM CAPITAL LIMITED

**Independent Financial Adviser to the Independent Board Committee  
and the Independent Shareholders**

**Nuada Limited**

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Capitalised terms used on this cover page have the same meanings as those defined in this circular. A letter from the Board is set out on pages 5 to 17 of this circular and a letter from the Independent Board Committee containing its recommendation to the Independent Shareholders is set out on pages 18 to 19 of this circular. A letter of advice from the Independent Financial Adviser containing its recommendation to the Independent Board Committee and the Independent Shareholders is set out on pages 20 to 34 of this circular.

A notice convening the EGM to be held at Room 801-802, 8th Floor, Shanghai Industrial Investment Building, 48-62 Hennessy Road, Wanchai, Hong Kong, at 11:30 a.m. (Hong Kong time) on Monday, 11 January 2021 is set out on pages EGM-1 to EGM-3 of this circular. A form of the proxy for use at the EGM is sent to the Shareholders together with this circular. Whether or not the Shareholders are able to attend the EGM in person, they are requested to complete and return the enclosed form of proxy in accordance with the instructions printed thereon together with any power of attorney or other authority (if any) under which it is signed or a certified copy of such power of attorney to the Company’s branch share registrar and transfer office in Hong Kong, Tricor Standard Limited at 54th Floor, Hopewell Centre, 183 Queen’s Road East, Hong Kong, as soon as possible and in any event not less than 48 hours (i.e. not later than Saturday, 9 January 2021 at 11:30 a.m. (Hong Kong time)) before the time scheduled for holding the EGM or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM or at any adjournment thereof if you so wish. In such event, the form of proxy shall be deemed to be revoked.

This circular will remain on the GEM website at [www.hkgem.com](http://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](http://www.ppig.com.hk)

21 December 2020

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## CHARACTERISTICS OF GEM

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**GEM has been positioned as a market designed to accommodate small and mid-sized companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration.**

**Given that the companies listed on GEM are generally small and mid-sized companies, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board of the Stock Exchange and no assurance is given that there will be a liquid market in the securities traded on GEM.**

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## PRECAUTIONARY MEASURES FOR THE EGM

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### VOTING BY PROXY IN ADVANCE OF THE EGM

The Company does not in any way wish to diminish the opportunity available to the Shareholders to exercise their rights and to vote, but is conscious of the pressing need to protect the Shareholders from possible exposure to the novel coronavirus pneumonia (COVID-19) pandemic. For the health and safety of the Shareholders, the Company would like to remind Shareholders that they should carefully consider the risks of attending the EGM, taking into account their own personal circumstances and encourage Shareholders to exercise their right to vote at the EGM by appointing the chairman of the EGM as their proxy instead of attending the EGM in person. **Physical attendance is not necessary for the purpose of exercising Shareholders' rights. Completion and return of the proxy form will not preclude the Shareholders from attending and voting in person at the EGM or any adjournment thereof should they subsequently so wish.**

### PREVENTIVE MEASURES AT THE EGM

In view of the Prevention and Control of Disease (Prohibition on Group Gathering) Regulation (Chapter 599G of the Laws of Hong Kong) (the "**Regulation**") and the recent development of the COVID-19 pandemic, the Company will implement the following precautionary measures at the EGM to comply with the Regulation and to safeguard the health and safety of the Shareholders and other participants who will attend the EGM:

- (i) A compulsory body temperature check will be conducted for every attendee at the entrance of the EGM venue. Any person with a body temperature of over 37.3 degree Celsius or any individual who has any flu-like symptoms or is otherwise unwell will not be admitted to the EGM venue.
- (ii) Every attendee will be required to wear a surgical face mask inside the EGM venue at all time. Please note that no masks will be provided at the EGM venue and attendees should bring and wear their own masks. Attendees not wearing face mask will not be permitted to access to the EGM venue.
- (iii) Seats at the EGM venue will be arranged in such a manner so as to allow appropriate social distancing. As a result, there will be limited capacity for Shareholders. The Company may limit the number of attendees at the EGM as may be necessary to avoid overcrowding.
- (iv) Any person who (a) has travelled outside Hong Kong within 14 days immediately before the EGM ("**recent travel history**"), (b) is subject to quarantine or self-quarantine in relation to COVID-19, or (c) has close contact with any person under quarantine or with recent travel history shall not attend the EGM.
- (v) Any attendee who does not comply with the abovementioned measures will not be admitted to the EGM venue.
- (vi) No refreshments, corporate gifts or souvenirs will be served or distributed at the EGM.

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## **PRECAUTIONARY MEASURES FOR THE EGM**

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The Company will closely monitor the development of the COVID-19 pandemic and any regulations or measures introduced or to be introduced by the Hong Kong government in relation to COVID-19 pandemic. The Company will ensure that the EGM will be conducted in compliance with the regulations or measures of the Hong Kong government and Shareholders will not be deprived of their right of voting on the resolutions to be proposed at the EGM. Subject to the development of the COVID-19 situation, the Company may implement further precautionary measures in respect of the EGM, and may issue further announcement(s) on such measures as and when appropriate.

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## DEFINITIONS

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

“2019 Annual Report”	the annual report of the Company for the year ended 31 December 2019
“2020 Interim Report”	the interim report of the Company for the six months ended 30 June 2020
“associate(s)”	has the meaning ascribed thereto under the GEM Listing Rules
“Board”	the board of Directors
“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 the Cayman Islands with limited liability, the Shares of which are listed on the GEM (Stock Code: 8011)
“Completion”	the completion of the Subscriptions in accordance with the terms and conditions of the Subscription Agreements
“connected person(s)”	has the meaning ascribed thereto under the GEM Listing Rules
“CIMP”	China International Mining Petroleum Company Limited, a limited company incorporated in Hong Kong and an indirect non-wholly owned subsidiary of the Company
“Director(s)”	the director(s) of the Company
“East Asia”	East Asia Oil Engineering Group Limited (being a company incorporated in British Virgin Islands with limited liability), a substantial Shareholder
“East Asia CB”	the convertible bonds in an aggregate principal amount of HK\$100,000,000 as agreed by the Company to issue, and agreed by East Asia to subscribe, by tranches, in accordance with the terms and conditions of a subscription agreement dated 28 June 2020 (as amended and restated on 6 July 2020) entered into between the Company and East Asia

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## DEFINITIONS

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“East Asia Remaining CB”	the remaining part of the outstanding East Asia CB in an aggregate principal amount of HK\$25,000,000 to be issued by the Company to East Asia, subject to the subsequent closing of the subscription in accordance with the terms and conditions of a subscription agreement dated 28 June 2020 (as amended and restated on 6 July 2020) entered into between the Company and East Asia
“EGM”	the extraordinary general meeting of the Company to be convened for the purpose of considering and, if thought fit, approving, among other things, the Subscription Agreements and the transactions contemplated thereunder
“GEM”	GEM operated by the Stock Exchange
“GEM Listing Committee”	has the meaning ascribed thereto under the GEM Listing Rules
“GEM Listing Rules”	the Rules Governing the Listing of Securities on GEM of the Stock Exchange
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Indebted Amounts”	the sum of Indebted Amount A and Indebted Amount B
“Indebted Amount A”	the indebtedness owed by the Company to Mr. Lam of HK\$40,000,000, being the agreed amount for setting-off against the subscription amount payable by Mr. Lam under the Subscription Agreement A
“Indebted Amount B”	the amount of trade payables (arising from the turnkey drilling services provided by East Asia for the project of SC49) due to East Asia of HK\$46,900,000, being the agreed amount for setting-off against the subscription amount payable by East Asia under the Subscription Agreement B
“Independent Board Committee”	the independent board committee of the Company comprising all independent non-executive Directors, namely Mr. Pai Hsi-Ping, Ms. Xie Qun and Mr. Kwan King Chi George, to advise the Independent Shareholders on the Subscription Agreements and the transactions contemplated thereunder

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## DEFINITIONS

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“Independent Financial Adviser”	Nuada Limited, a corporation licensed to carry out business in type 6 (advising on corporate finance) regulated activity under the SFO, being the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the Subscription Agreements and the transactions contemplated thereunder
“Independent Shareholders”	Shareholder(s) other than those that are required under the GEM Listing Rules to abstain from voting on the resolution(s) to be proposed at the EGM
“Latest Practicable Date”	17 December 2020, being the latest practicable date prior to the printing of this circular for ascertaining certain information referred to in this circular
“Mr. Lam”	Mr. Lam Nam, a controlling Shareholder of the Company
“SC49”	the petroleum service contract no.49 dated 1 March 2005 entered into between Phil-mal Petroenergy Corporation, a company incorporated under the laws of the Republic of Philippines, and the Government of the Republic of the Philippines for an area of 265,000 hectares more or less, covering the oil fields in Southern Cebu, Philippines, and the 4% participating interests of which is currently held by Phil-mal Petroenergy Corporation, the 16% participating interests of which is held by Skywealth Group Holdings Limited, and the 80% participating interests of which is held by CIMP as at the Latest Practicable Date
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Share(s)”	ordinary share(s) of HK\$0.04 each in the share capital of the Company
“Shareholder(s)”	the holder(s) of Shares
“Specific Mandate A”	the specific mandate to be granted by the Independent Shareholders to the Directors at the EGM for the allotment and issue of 222,222,223 Subscription Shares under Subscription A
“Specific Mandate B”	the specific mandate to be granted by the Independent Shareholders to the Directors at the EGM for the allotment and issue of 260,555,556 Subscription Shares under Subscription B
“Specific Mandates”	Specific Mandate A and Specific Mandate B



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## DEFINITIONS

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“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscribers”	Mr. Lam and East Asia
“Subscriptions”	Subscription A and Subscription B
“Subscription A”	the allotment and issue of 222,222,223 Subscription Shares at the Subscription Price of HK\$0.18 per Subscription Share by the Company to Mr. Lam by capitalising the Indebted Amount A pursuant to the Subscription Agreement A
“Subscription B”	the allotment and issue of 260,555,556 Subscription Shares at the Subscription Price of HK\$0.18 per Subscription Share by the Company to East Asia by capitalising the Indebted Amount B pursuant to the Subscription Agreement B
“Subscription Agreement A”	the subscription agreement dated 27 November 2020 entered into between the Company and Mr. Lam in respect of Subscription A
“Subscription Agreement B”	the subscription agreement dated 27 November 2020 entered into between the Company and East Asia in respect of Subscription B
“Subscription Agreements”	Subscription Agreement A and Subscription Agreement B
“Subscription Price”	the subscription price of HK\$0.18 per Subscription Share for the Subscriptions
“Subscription Shares”	an aggregate of 482,777,779 new Shares to be allotted and issued to Mr. Lam and East Asia pursuant to the terms and conditions of the Subscription Agreements
“substantial Shareholder(s)”	has the meaning ascribed thereto under the GEM Listing Rules
“HK\$”	Hong Kong dollar, the lawful currency of Hong Kong
“%”	per cent.

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## LETTER FROM THE BOARD

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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)**

*Executive Directors:*

Mr. Zhao Zhiyong (*Chairman*)

Mr. Lai Chun Liang

Mr. Lin Zhang

*Registered office:*

Cricket Square

Hutchins Drive

P.O. Box 2681

Grand Cayman KY1-1111

Cayman Islands

*Independent non-executive Directors:*

Mr. Pai Hsi-Ping

Ms. Xie Qun

Mr. Kwan King Chi George

*Principal place of business in Hong Kong:*

Room 801-802, 8th Floor

Shanghai Industrial Investment Building

48-62 Hennessy Road

Wanchai, Hong Kong

21 December 2020

*To the Shareholders*

Dear Sir or Madam,

**CONNECTED TRANSACTION  
LOAN CAPITALISATION INVOLVING ISSUE OF  
NEW SHARES UNDER SPECIFIC MANDATE  
AND  
NOTICE OF EXTRAORDINARY GENERAL MEETING**

**INTRODUCTION**

Reference is made to the announcements of the Company dated 27 November 2020 and 30 November 2020 in relation to the Subscriptions.

On 27 November 2020 (after trading hours), the Company (as the issuer) entered into the Subscription Agreement A and Subscription Agreement B with Mr. Lam and East Asia (as the subscribers), respectively. Pursuant to the Subscription Agreement A, the Company has conditionally agreed to allot and issue, and Mr. Lam has conditionally agreed to subscribe for, 222,222,223 Subscription Shares at the Subscription Price of HK\$0.18 per Subscription Share. The subscription amount payable by Mr. Lam of HK\$40,000,000 under the Subscription Agreement A shall be satisfied by capitalising the Indebted Amount A. Pursuant to the Subscription Agreement B, the Company has conditionally agreed to allot and issue, and

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## LETTER FROM THE BOARD

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East Asia has conditionally agreed to subscribe for, 260,555,556 Subscription Shares at the Subscription Price of HK\$0.18 per Subscription Share. The subscription amount payable by East Asia of HK\$46,900,000 under the Subscription Agreement B shall be satisfied by capitalising the Indebted Amount B.

The purpose of this circular is to provide Shareholders with (i) further details of the Subscription Agreements and the transactions contemplated thereunder; (ii) the recommendation of the Independent Board Committee to the Independent Shareholders in respect of the Subscriptions; (iii) the advice from the Independent Financial Adviser in respect of the Subscriptions; and (iv) a notice convening the EGM.

### THE SUBSCRIPTION AGREEMENTS

The principal terms of the Subscription Agreements are as follows:

- Date : 27 November 2020
- Parties : (i) Subscription Agreement A:
- (a) the Company (as issuer)
  - (b) Mr. Lam (as subscriber)
- (ii) Subscription Agreement B:
- (a) the Company (as issuer)
  - (b) East Asia (as subscriber)

### Subscription Shares

Pursuant to the Subscription Agreement A, the Company has conditionally agreed to allot and issue, and Mr. Lam has conditionally agreed to subscribe for, 222,222,223 Subscription Shares at the Subscription Price of HK\$0.18 per Subscription Share. The subscription amount payable by Mr. Lam of HK\$40,000,000 under the Subscription Agreement A shall be satisfied by capitalising the Indebted Amount A. Upon the allotment and issue of 222,222,223 Subscription Shares at Completion, the repayment obligations of the Company for the Indebted Amount A will be discharged.

Pursuant to the Subscription Agreement B, the Company has conditionally agreed to allot and issue, and East Asia has conditionally agreed to subscribe for, 260,555,556 Subscription Shares at the Subscription Price of HK\$0.18 per Subscription Share. The subscription amount payable by East Asia of HK\$46,900,000 under the Subscription Agreement B shall be satisfied by capitalising the Indebted Amount B. Upon the allotment and issue of 260,555,556 Subscription Shares at Completion, the settlement obligations of SC49 for the Indebted Amount B will be discharged.

Assuming that there will be no change in the number of issued share capital of the Company between the Latest Practicable Date and Completion, the total of 482,777,779 Subscription Shares represent:

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## LETTER FROM THE BOARD

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- (i) approximately 14.4% of the issued share capital of the Company as at the Latest Practicable Date; and
- (ii) approximately 12.6% of the issued share capital of the Company as enlarged by the allotment and issue of the Subscription Shares.

### Subscription Price

The Subscription Price of HK\$0.18 per Subscription Share represents:

- (i) a premium of approximately 30.4% over the closing price of HK\$0.138 per Share as quoted on the Stock Exchange on the date of the Subscription Agreements;
- (ii) a premium of approximately 21.6% over the average closing price of HK\$0.148 per Share as quoted on the Stock Exchange for the five consecutive trading days of the Shares immediately preceding the date of the Subscription Agreements;
- (iii) a premium of approximately 24.1% over the average closing price of HK\$0.145 per Share as quoted on the Stock Exchange for the ten consecutive trading days of the Shares immediately preceding the date of the Subscription Agreements;
- (iv) a premium of approximately 25.9% over the closing price of HK\$0.143 per Share as quoted on the Stock Exchange as at the Latest Practicable Date; and
- (v) a premium of approximately 14,776.0% over the audited consolidated net asset value attributable to the owners of the Company of approximately HK\$0.00121 per Share (based on the 3,354,204,478 Shares in issue as at the Latest Practicable Date) as at 31 December 2019, the date to which the latest audited consolidated financial results of the Group were made up.

The aggregate nominal value of the Subscription Shares (with a nominal value of HK\$0.04 each) is approximately HK\$19,311,111.2. The Subscription Price was determined after arm's length negotiation between the Company and the Subscribers with reference to the prevailing market prices of the Shares and the financial position of the Group. The Directors (including the independent non-executive Directors who have taken into account the advice from the Independent Financial Adviser) consider that the terms of the Subscription Agreements (including the Subscription Price) are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

As the subscription amount payable by the Subscribers of HK\$86,900,000 in aggregate under the Subscription Agreements shall be satisfied by capitalising the Indebted Amounts, the Group will use its internal resources to settle the professional fees and all related expenses which may be borne by the Company in connection with the Subscriptions. The net proceeds will be HK\$86,900,000 and the net issue price per Subscription Share will be approximately HK\$0.18.

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## LETTER FROM THE BOARD

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### Ranking of the Subscription Shares

The Subscription Shares, when allotted and issued, shall rank *pari passu* in all respects with the Shares in issue on the date of their allotment and issue.

### Application for listing

An application will be made by the Company to the GEM Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Subscription Shares.

### Conditions precedent

Completion is conditional upon fulfillment of the following conditions:

- (i) in respect of the Subscription Agreement A, the passing of ordinary resolution by the Independent Shareholders at the EGM to approve the Subscription Agreement A and the transactions contemplated thereunder;
- (ii) in respect of the Subscription Agreement B, the passing of ordinary resolution by the Independent Shareholders at the EGM to approve the Subscription Agreement B and the transactions contemplated thereunder;
- (iii) the GEM Listing Committee of the Stock Exchange having granted the listing of, and the permission to deal in, the relevant Subscription Shares;
- (iv) the minimum public float requirement of at least 25% of the total issued share capital of the Company as enlarged by the allotment and issue of the Subscription Shares being complied; and
- (v) the Subscribers being satisfied in its/his absolute discretion, from the date of the Subscription Agreements and at any time before Completion, that the warranties given by the Company have 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 the Subscription Agreements by the Company.

The Subscription Agreement A and Subscription Agreement B are not inter-conditional. Save for condition (v) above which may be waived by the Subscribers, all the conditions are not capable of being waived by the Subscribers and the Company. If the conditions above have not been fulfilled on or before 4:00 p.m. on 31 March 2021 (or such later date to be agreed between the Subscribers and the Company in writing), the Subscription Agreements shall terminate, lapse and be of no further effect, and the Company and the Subscribers shall be released from all obligations thereunder and no party shall have any claim against the other for any costs or losses save in respect of any antecedent breaches of the Subscription Agreements. The Company shall procure the fulfillment of all the conditions set out above as soon as possible, but in any event no later than 4:00 p.m. on 31 March 2021 (or such later date to be agreed between

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## LETTER FROM THE BOARD

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the Subscribers and the Company in writing). In the event that the Subscriptions are not completed on or before 31 March 2021, the Company will again seek the approval from the Independent Shareholders and make further announcement(s) as and when appropriate.

### **Completion**

Completion will take place on the third Business Days after the date on which all the conditions to the Subscription Agreements are satisfied or waived (or such other date as the Company and the Subscribers may agree in writing).

### **SPECIFIC MANDATE**

The Subscription Shares will be allotted and issued under the Specific Mandates proposed to be sought from the Independent Shareholders at the EGM.

### **INFORMATION ON THE SUBSCRIBERS**

Mr. Lam is the controlling Shareholder of the Company. As at the Latest Practicable Date, Mr. Lam, together with his associate, being Silver Star Enterprises Holdings Inc. (which is a wholly-owned company of Mr. Lam), are interested in 1,925,355,931 Shares in aggregate, representing approximately 57.4% of the total issued share capital of the Company. Accordingly, Mr. Lam is a connected person of the Company under Chapter 20 of the GEM Listing Rules.

East Asia is a company incorporated in the British Virgin Islands with limited liability and is principally engaged in providing oilfield engineering and technology services. East Asia is indirectly held as to 68% by Ms. Li Suiqing and 32% by Guoxiang Holdings (Hong Kong) Limited (which is beneficially owned by Mr. He Rongguo). To the best of the knowledge, information and belief of the Directors, Ms. Li Suiqing has over six years of experience in the investment in the oil and gas industry and Mr. He Rongguo has over 15 years of experience in the construction engineering industry. As at the Latest Practicable Date, Guoxiang Holdings (Hong Kong) Limited owned 444,000,000 Shares, representing approximately 13.2% of the total issued share capital of the Company. Accordingly, East Asia is a connected person of the Company under Chapter 20 of the GEM Listing Rules.

### **BACKGROUND AND REASONS FOR AND BENEFITS OF THE LOAN CAPITALISATION**

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

### **Subscription A**

Mr. Lam, a controlling Shareholder, had been providing shareholder loans to the Company as a support to the business and daily operation of the Group. As disclosed in the 2020 Interim Report, the amount due to Mr. Lam as at 30 June 2020 was approximately HK\$71.9 million, which were unsecured, interest-free and without fixed repayment terms. As of 30 September 2020, the aggregate amount due from

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## LETTER FROM THE BOARD

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the Company to Mr. Lam amounted to approximately HK\$72.5 million (of which the Indebted Amount A in the amount of HK\$40,000,000 forms part). The Company intends to allocate the gross proceeds from the Subscription A of HK\$40,000,000 to settle part of the amount due to Mr. Lam.

According to the 2020 Interim Report, as at 30 June 2020, the Group recorded net current liabilities and total liabilities of approximately HK\$190.4 million and HK\$307.6 million, respectively. Moreover, cash and cash equivalents of the Group as at 30 June 2020 was approximately HK\$172,000. Given the financial positions of the Group, the Group is not able to repay the amount due to Mr. Lam with the existing financial resources of the Company. Capitalisation of the Indebted Amount A enables the Group to settle its existing liabilities without utilising existing financial resources of the Company and avoid cash outflows. Furthermore, the capitalisation of the Indebted Amount A reduces the gearing level of the Company and broadens its capital base.

### **Subscription B**

The Group, through CIMP (an indirect non-wholly owned subsidiary of the Company), holds 80% participating interests of all rights, interests, benefits, duties, privileges and obligations in and under a joint arrangement of SC49. Pursuant to the provisions of SC49 and relevant subsequent agreements made between each of the contractors of SC49, the contractors, including CIMP, are required to provide funds and apply its appropriate and advanced technology and expertise to cooperate with the Government of the Republic of the Philippines for the exploration, development and exploitation of petroleum resources within the contract area of SC49. East Asia, as a service provider, has been providing turnkey drilling services for the project of SC49 since 2014. The Company intends to allocate the gross proceeds from the Subscription B of HK\$46,900,000 to provide funds to SC49 for settling part of the outstanding trade payables (arising from the said services) due to East Asia.

As disclosed in the 2019 Annual Report, the turnover of the Group was nil for each of the year ended 31 December 2018 and 2019. The Group recorded the net operating cash outflow of approximately HK\$18.7 million and HK\$12.8 million for the year ended 31 December 2018 and 2019, respectively. According to the 2020 Interim Report, cash and cash equivalents of the Group as at 30 June 2020 was approximately HK\$172,000. Given the financial position and the tight financial resources, the Group may not be able to provide additional funds to SC49 for the settlement of the outstanding trade payables in respect of SC49 (including the Indebted Amount B) with the existing financial resources of the Company. Capitalisation of the Indebted Amount B will ease the cash flow pressure of the Group in providing funds to SC49 for its operation.

### **Financing alternatives**

The Directors have considered other alternative means for raising fund to settle the Indebted Amounts, such as bank borrowings, share placement, rights issue or open offer. However, having taken into account that (i) debt financing and bank borrowing will inevitably increase the gearing ratio of the Group and generally require pledge of assets by the borrower; (ii) the capitalisation of the Indebted Amount A under Subscription A will reduce the gearing ratio of the Group; and (iii) other equity financing such as placing of Shares, rights issue and open offer usually require attractive discount to the current market price

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## **LETTER FROM THE BOARD**

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of the Shares and are relatively more time consuming and less cost effective as compared to the Subscriptions, the Directors consider that the Subscriptions are more desirable solutions for the Group to settle the Indebted Amounts.

Although the allotment and issue of the Subscription Shares will have a dilution effect to the existing Shareholders, having considered (i) the Subscription Price represents a premium over the market price of the Shares as of the date of the Subscription Agreements; (ii) the Company can release from pressure to satisfy the Indebted Amounts; and (iii) the Subscription Shares, when allotted and issued, will be recognized entirely as equity of the Company which in turn will reduce the gearing ratio, enlarge the capital base and enhance the net asset position of the Company, the Directors consider that the dilution effect arising from the allotment and issue of the Subscription Shares is justifiable in this regard.

In view of the above, the Directors (including the independent non-executive Directors who have taken into account the advice from the Independent Financial Adviser) consider that the terms of the Subscription Agreements are fair and reasonable, on normal commercial terms or better and that the entering into of the Subscription Agreements is in the interests of the Company and the Shareholders as a whole.

### **EQUITY FUND RAISING ACTIVITIES IN THE PAST TWELVE MONTHS**

The following table summaries the fund raising activities of the Company in the past twelve months immediately preceding the Latest Practicable Date:



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## LETTER FROM THE BOARD

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Date of initial announcement	Fund raising activity	Net proceeds	Intended use of proceeds	Actual use of proceeds as at the Latest Practicable Date
28 June 2020	Subscription of East Asia CB (by tranches) by East Asia under general mandate of the Company	Approximately HK\$100,000,000	Redemption of the convertible bonds issued by the Company to Haitong International Securities Company Limited (“Haitong”) on 21 July 2015 (“Haitong CB”) in an aggregate principal amount of HK\$100,000,000	On 13 July 2020, the Company issued East Asia CB in an aggregate principal amount of HK\$75,000,000 to East Asia and the Company used such amount to redeem Haitong CB in an aggregate amount of HK\$75,000,000. East Asia CB in an aggregate principal amount of HK\$75,000,000 had been converted at the initial conversion price of HK\$0.18 per Share by East Asia into 416,666,667 Shares on 14 July 2020.  Subsequent closing (which is subject to the completion of transfer of the remaining Haitong CB in the aggregate principal amount of HK\$25,000,000 from Haitong to East Asia) of the subscription of East Asia Remaining CB has not taken place as at the Latest Practicable Date. Thus, East Asia Remaining CB has not been issued by the Company to East Asia as at the Latest Practicable Date.

Apart from East Asia CB, as at the Latest Practicable Date, there are two outstanding convertible bonds issued by the Company (the “**Outstanding CBs**”):

- (i) Haitong CB, carrying right entitling holder to convert its principal amount into new Shares at the conversion price of HK\$0.40 per conversion Share, with the aggregate outstanding principal amount of HK\$25,000,000 as at the Latest Practicable Date, which is convertible into an aggregate of 62,500,000 Shares; and
- (ii) the convertible bonds issued on 28 January 2016 by the Company to CCB International Overseas Limited (“**CCBI**”), carrying right entitling holder to convert its principal amount into new Shares at the conversion price of HK\$0.414 per conversion Share, with the aggregate outstanding principal amount of HK\$50,000,000 as at the Latest Practicable Date, which is convertible into an aggregate of 120,772,946 Shares.

The maturity date of the Outstanding CBs (which are under the personal guarantee given by Mr. Lam) has expired. The Company is in the negotiation regarding the settlement arrangement of the Outstanding CBs. On 5 January 2020, the Company and East Asia entered into a legally binding memorandum of

## LETTER FROM THE BOARD

understanding where East Asia had undertaken to take over Haitong CB from Haitong. As at the Latest Practicable Date, the outstanding Haitong CB in the aggregate amount of HK\$25,000,000 has not been transferred from Haitong to East Asia.

Save for the foregoing, there are no other options, warrants or other convertible securities granted by the Company that are subsisting as at the Latest Practicable Date.

### EFFECTS ON THE SHAREHOLDING STRUCTURE OF THE COMPANY

Set out below is the shareholding structure of the Company (i) as at the Latest Practicable Date; (ii) immediately after Completion (assuming (a) no conversion of any Outstanding CBs; and (b) no issuance of East Asia Remaining CB); (iii) immediately after Completion (assuming (a) no conversion of any Outstanding CBs; and (b) East Asia Remaining CB being issued by the Company and fully converted by East Asia); and (iv) immediately after Completion (assuming (a) full conversion of the Outstanding CBs; and (b) no issuance of East Asia Remaining CB), assuming that there is no other change in the issued share capital of the Company between the Latest Practicable Date and the Completion:

	As at the Latest Practicable Date		Immediately after Completion (assuming (a) no conversion of any Outstanding CBs; and (b) no issuance of East Asia Remaining CB)		Immediately after Completion (assuming (a) no conversion of any Outstanding CBs; and (b) East Asia Remaining CB being issued by the Company and fully converted by East Asia) <sup>(Note 3)</sup>		Immediately after Completion (assuming (a) full conversion of the Outstanding CBs; and (b) no issuance of East Asia Remaining CB) <sup>(Note 4)</sup>	
	Number of Shares	Approximate %	Number of Shares	Approximate %	Number of Shares	Approximate %	Number of Shares	Approximate %
<b>Mr. Lam and his associates</b>								
Mr. Lam	48,480,000	1.45	270,702,223	7.06	270,702,223	6.81	270,702,223	6.73
Silver Star Enterprises Holdings Inc. <sup>(Note 1)</sup>	1,876,875,931	55.95	1,876,875,931	48.91	1,876,875,931	47.21	1,876,875,931	46.69
<b>Sub-total</b>	<b>1,925,355,931</b>	<b>57.40</b>	<b>2,147,578,154</b>	<b>55.97</b>	<b>2,147,578,154</b>	<b>54.02</b>	<b>2,147,578,154</b>	<b>53.42</b>
<b>East Asia and its associates</b> <sup>(Note 2)</sup>								
East Asia	-	-	260,555,556	6.79	399,444,445	10.04	260,555,556	6.48
Guoxiang Holdings (Hong Kong) Limited	444,000,000	13.24	444,000,000	11.57	444,000,000	11.17	444,000,000	11.04
<b>Sub-total</b>	<b>444,000,000</b>	<b>13.24</b>	<b>704,555,556</b>	<b>18.36</b>	<b>843,444,445</b>	<b>21.21</b>	<b>704,555,556</b>	<b>17.52</b>
<b>Public Shareholders</b>								
Haitong	-	-	-	-	-	-	62,500,000	1.56
CCBI	-	-	-	-	-	-	120,772,946	3.00
Other public Shareholders	984,848,547	29.36	984,848,547	25.67	984,848,547	24.77	984,848,547	24.50
<b>Sub-total</b>	<b>984,848,547</b>	<b>29.36</b>	<b>984,848,547</b>	<b>25.67</b>	<b>984,848,547</b>	<b>24.77</b>	<b>1,168,121,493</b>	<b>29.06</b>
<b>Total</b>	<b>3,354,204,478</b>	<b>100.00</b>	<b>3,836,982,257</b>	<b>100.00</b>	<b>3,975,871,146</b>	<b>100.00</b>	<b>4,020,255,203</b>	<b>100.00</b>

*Notes:*

- The entire issued share capital of Silver Star Enterprises Holdings Inc. is beneficially owned by Mr. Lam. Mr. Lam is deemed to be interested in 1,876,875,931 shares held by Silver Star Enterprises Holdings Inc.
- East Asia is indirectly held as to 68% by Ms. Li Suiqing and 32% by Guoxiang Holdings (Hong Kong) Limited (which is beneficially owned by Mr. He Rongguo).

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## LETTER FROM THE BOARD

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3. In this scenario, Haitong CB is assumed to be transferred by Haitong to East Asia. With the completion of such transfer, the subsequent closing of the subscription of East Asia Remaining CB will take place accordingly. East Asia Remaining CB in an aggregate principal amount of HK\$25,000,000 is assumed to be issued by the Company to East Asia and then converted by East Asia into 138,888,889 Shares at the conversion price of HK\$0.18 per conversion Share.
4. In this scenario, Haitong CB is assumed to be converted by Haitong itself, without transferring to East Asia. As such, East Asia Remaining CB will not be issued by the Company to East Asia.

As illustrated in the above shareholding table, upon Completion (assuming (a) no conversion of any Outstanding CBs; and (b) no issuance of East Asia Remaining CB), there will be 984,848,547 Shares held by public Shareholders, representing approximately 25.67% of the total issued share capital of the Company as enlarged by the allotment and issue of the Subscription Shares, which will be slightly above the minimum public float requirement of 25% under the GEM Listing Rules. In the scenario of assuming (a) no conversion of any Outstanding CBs; and (b) East Asia Remaining CB being issued by the Company and fully converted by East Asia upon Completion, the public float percentage of the Company will reduce to 24.77%, resulting in the Company not being able to satisfy the minimum public float requirements under the GEM Listing Rules. In light of the above, the Company has put in place the following measures to ensure the compliance with the minimum public float requirement upon Completion:

- (i) the management of the Company will carefully assess and will not cause the Company or any management of the Company to conduct any transaction which will result in the Company in breach of the minimum public float requirement under the GEM Listing Rules from the Latest Practicable Date and up to and including the date of Completion;
- (ii) the Company will closely monitor its public float percentage to ensure its compliance, at all times, with relevant requirements on public float as stipulated under the GEM Listing Rules prior to proceeding with Completion; and
- (iii) the Company has requested and East Asia has given an irrevocable undertaking to the Company on 11 December 2020 that, with effect from the date of the irrevocable undertaking until the earlier of (a) the maturity date of the East Asia CB (being 6 July 2021); or (b) the full conversion of East Asia Remaining CB:
  - (a) East Asia shall not convert East Asia Remaining CB (as and when issued by the Company upon the subsequent closing of the subscription of East Asia Remaining CB) if and to the extent that, the conversion would result in the Company in breach of the minimum public float requirement under the GEM Listing Rules immediately following the conversion; and
  - (b) East Asia shall not, and will procure that, none of its associates and companies controlled by it, its directors and shareholders, enter into any transaction if, immediately following such transaction, the aggregate shareholding interest in the Company of East Asia, its associates and companies controlled by it, its directors and shareholders will increase and result in the Company in breach of the minimum public float requirement under the GEM Listing Rules.

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## LETTER FROM THE BOARD

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### GEM LISTING RULES IMPLICATIONS

#### Subscription A

As at the Latest Practicable Date, Mr. Lam, together with his associate, being Silver Star Enterprises Holdings Inc. (which is a wholly-owned company of Mr. Lam), are interested in 1,925,355,931 Shares in aggregate, representing approximately 57.4% of the total issued share capital of the Company. Pursuant to Rule 20.07(1) of the GEM Listing Rules, Mr. Lam, a substantial Shareholder, is a connected person of the Company. Accordingly, the Subscription Agreement A and the transactions contemplated thereunder constitute a connected transaction of the Company under Chapter 20 of the GEM Listing Rules, and are subject to the reporting, announcement, circular and Independent Shareholders' approval requirements under Chapter 20 of the GEM Listing Rules.

Given that Mr. Lam has a material interest in Subscription A, Mr. Lam and his associate are therefore required to abstain from voting on the relevant resolution(s) to be proposed at the EGM to approve Subscription Agreement A and the transactions contemplated thereunder (including the allotment and issue of 222,222,223 Subscription Shares under Specific Mandate A).

#### Subscription B

East Asia is indirectly held as to 68% by Ms. Li Suiqing and 32% by Guoxiang Holdings (Hong Kong) Limited (which is beneficially owned by Mr. He Rongguo). As at the Latest Practicable Date, Guoxiang Holdings (Hong Kong) Limited owned 444,000,000 Shares, representing approximately 13.2% of the total issued share capital of the Company. Pursuant to Rule 20.07(1) of the GEM Listing Rules, Guoxiang Holdings (Hong Kong) Limited, a substantial Shareholder, is a connected person of the Company. East Asia is a 30%-controlled company (as defined in Rule 20.10(1)(c) of the GEM Listing Rules) held by the connected person as defined in Rule 20.07(1) of the GEM Listing Rules, and hence an associate of Guoxiang Holdings (Hong Kong) Limited and a connected person of our Company. Accordingly, the Subscription Agreement B and the transactions contemplated thereunder constitute a connected transaction of the Company under Chapter 20 of the GEM Listing Rules, and are subject to the reporting, announcement, circular and Independent Shareholders' approval requirements under Chapter 20 of the GEM Listing Rules.

Given that East Asia has a material interest in Subscription B, East Asia and its associates are therefore required to abstain from voting on the relevant resolution(s) to be proposed at the EGM to approve Subscription Agreement B and the transactions contemplated thereunder (including the allotment and issue of 260,555,556 Subscription Shares under Specific Mandate B).

As none of the Directors has material interest in the Subscription Agreements and the transactions contemplated thereunder (including the allotment and issue of the Subscription Shares under the Specific Mandates), no Director is required to abstain from voting on the relevant resolutions of the Board to approve the Subscription Agreements and the transactions contemplated thereunder.

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## LETTER FROM THE BOARD

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### GENERAL

The EGM will be convened and held at Room 801-802, 8th Floor, Shanghai Industrial Investment Building, 48-62 Hennessy Road, Wanchai, Hong Kong, on Monday, 11 January 2021 at 11:30 a.m. for the Independent Shareholders to consider and, if thought fit, approve the Subscription Agreements and the transactions contemplated thereunder (including the allotment and issue of the Subscription Shares under the Specific Mandates), by way of poll.

The notice of EGM is set out on pages EGM-1 to EGM-3 of this circular. A form of proxy for use by the Shareholders at the EGM is enclosed with this circular. Whether or not Shareholders are able to attend the EGM in person, Shareholders are requested to complete and sign the accompanying form of proxy in accordance with the instructions printed thereon and return it to the Company's branch share registrar and transfer office in Hong Kong, Tricor Standard Limited at 54th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong by 11:30 a.m. on Saturday, 9 January 2021 or not later than 48 hours before the time appointed for any adjournment of the EGM. Completion and return of the form of proxy will not preclude Shareholders from attending and voting in person at the EGM or any adjournment thereof (as the case maybe) should they so wish.

Voting at the EGM will be conducted by poll. Any Shareholder who is interested in the Subscriptions shall abstain from voting on the resolution(s) to approve the relevant Subscription Agreements and the transactions contemplated thereunder at the EGM. To the best of knowledge, information and belief of the Directors after having made all reasonable enquiries, as at the Latest Practicable Date, (i) save for Mr. Lam and Silver Star Enterprises Holdings Inc., no Shareholder is interested in Subscription A and will be required to abstain from voting on the resolution(s) to approve Subscription Agreement A and the transactions contemplated thereunder at the EGM; and (ii) save for Guoxiang Holdings (Hong Kong) Limited, no other Shareholder is interested in Subscription B and will be required to abstain from voting on the resolution(s) to approve Subscription Agreement B and the transactions contemplated thereunder at the EGM.

The Independent Board Committee, comprising all the independent non-executive Directors, namely Mr. Pai Hsi-Ping, Ms. Xie Qun and Mr. Kwan King Chi George, has been established to consider the terms of the Subscription Agreements and the transactions contemplated thereunder, and to advise the Independent Shareholders as to whether the aforesaid transactions are on normal commercial terms, fair and reasonable and in the interests of the Company and the Shareholders as a whole, and how to vote on each of the Subscription Agreements and the transactions contemplated thereunder. Nuada Limited has been appointed by the Company with the approval of the Independent Board Committee as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this regard.

### CLOSURE OF REGISTER OF MEMBERS

For determining the entitlement of the Shareholders to attend and vote at the EGM, the register of members of the Company will be closed from Wednesday, 6 January 2021 to Monday, 11 January 2021, both days inclusive, during which no transfer of Shares will be effected. In order to be eligible to attend and vote at the EGM, all share transfer documents accompanied by the relevant share certificates must be lodged with the Company's branch share registrar and transfer office in Hong Kong, Tricor Standard Limited at 54th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong, for registration no later than 4:30 p.m. on Tuesday, 5 January 2021.

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## LETTER FROM THE BOARD

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### RECOMMENDATION

The Directors (including the independent non-executive Directors who have taken into account the advice from the Independent Financial Adviser) consider that, although the entering into of the Subscription Agreements is not in the ordinary and usual course of the business of the Group, the terms of the Subscription Agreements are fair and reasonable, on normal commercial terms or better and that the entering into of the Subscription Agreements is in the interests of the Company and the Shareholders as a whole. Accordingly, the Directors recommend the Independent Shareholders to vote in favour of the relevant resolutions to be proposed at the EGM to approve each of the (i) Subscription Agreement A and the transactions contemplated thereunder (including the allotment and issue of 222,222,223 Subscription Shares under Specific Mandate A); and (ii) Subscription Agreement B and the transactions contemplated thereunder (including the allotment and issue of 260,555,556 Subscription Shares under Specific Mandate B).

Your attention is also drawn to (i) the letter from the Independent Board Committee set out on pages 18 to 19 of this circular which contains its views in relation to the Subscription Agreements and the transactions contemplated thereunder (including the allotment and issue of the Subscription Shares under the Specific Mandates), (ii) the letter from the Independent Financial Adviser set out on pages 20 to 34 of this circular which contains its advice to the Independent Board Committee and the Independent Shareholders in relation to the Subscription Agreements and the transactions contemplated thereunder (including the allotment and issue of the Subscription Shares under the Specific Mandates); and (iii) the appendix to this circular.

For and on behalf of the Board  
**Polyard Petroleum International Group Limited**  
**Lai Chun Liang**  
*Executive Director and Chief Executive Officer*

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## LETTER FROM THE INDEPENDENT BOARD COMMITTEE

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*The following is the text of a letter from the Independent Board Committee, which has been prepared for the purpose of incorporation into this circular, setting out its recommendation to the Independent Shareholders as to its opinion and recommendations in respect of the Subscription Agreements and the transactions contemplated thereunder.*



**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)**

21 December 2020

*To the Independent Shareholders*

Dear Sir or Madam,

### **CONNECTED TRANSACTION LOAN CAPITALISATION INVOLVING ISSUE OF NEW SHARES UNDER SPECIFIC MANDATE**

We refer to the circular of the Company to the Shareholders dated 21 December 2020 (the “**Circular**”) of which this letter forms part. Capitalised terms defined in the Circular shall have the same meanings when used herein unless the context otherwise requires.

We have been appointed by the Board to form the Independent Board Committee to advise the Independent Shareholders as to whether the Subscription Agreements and the transactions contemplated thereunder are on normal commercial terms, fair and reasonable and in the interests of the Company and the Shareholders as a whole, and how to vote on each of the Subscription Agreements and the transactions contemplated thereunder. Nuada Limited has been appointed as the Independent Financial Adviser with approval of the Independent Board Committee to provide advice and recommendation to the Independent Board Committee and the Independent Shareholders in this regard. Details of the independent advice of Independent Financial Adviser, together with the principal factors and reasons the Independent Financial Adviser has taken into consideration, are set out on pages 20 to 34 of the Circular. We wish to draw your attention to the letter from the Board, the letter from the Independent Financial Adviser and the additional information set out in the appendix to the Circular.

Having considered the principal reasons and factors taken into account by, and the advice of the Independent Financial Adviser, we are of the opinion that the terms of the Subscription Agreements and the transactions contemplated thereunder (including the allotment and issue of the Subscription Shares under the Specific Mandates) are on normal commercial terms and fair and reasonable so far as the Company and the Independent Shareholders are concerned, and although the entering into of the Subscription Agreements is not in the ordinary and usual course of the business of the Group, the Subscriptions are in the interests of the Company and its Shareholders as a whole.

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## LETTER FROM THE INDEPENDENT BOARD COMMITTEE

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Accordingly, we recommend the Independent Shareholders to vote in favour of all resolutions to be proposed at the EGM to approve the Subscription Agreements and the transactions contemplated thereunder (including the allotment and issue of the Subscription Shares under the Specific Mandates).

Yours faithfully,

For and on behalf of

**Independent Board Committee**

**Ms. Xie Qun**

*Independent non-executive Directors*

**Mr. Pai Hsi-Ping**

**Mr. Kwan King Chi George**



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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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*The following is the text of a letter of advice to the Independent Board Committee and the Independent Shareholders from Nuada Limited dated 21 December 2020 prepared for the purpose of inclusion in this circular.*

Nuada Limited

Unit 1606 16/F  
OfficePlus @Sheung Wan  
93-103 Wing Lok Street  
Sheung Wan, Hong Kong  
香港上環永樂街93-103號  
協成行上環中心16樓1606室

21 December 2020

*To the Independent Board Committee and the Independent Shareholders of  
Polyard Petroleum International Group Limited*

Dear Sirs,

### CONNECTED TRANSACTION LOAN CAPITALISATION INVOLVING ISSUE OF NEW SHARES UNDER SPECIFIC MANDATE

#### INTRODUCTION

We refer to our appointment as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the terms of the Subscription Agreements and the transactions contemplated thereunder (including the allotment and issue of the Subscription Shares under the Specific Mandates), details of which are set out in the section headed “Letter from the Board” (the “**Board Letter**”) in this circular, of which this letter forms part. Our appointment as the Independent Financial Adviser has been approved by the Independent Board Committee. Terms used in this letter shall have the same meanings as defined in this circular unless the context requires otherwise.

On 27 November 2020, the Company (as the issuer) entered into the Subscription Agreement A and Subscription Agreement B with Mr. Lam and East Asia (as the subscribers), respectively. Pursuant to the Subscription Agreement A, the Company has conditionally agreed to allot and issue, and Mr. Lam has conditionally agreed to subscribe for 222,222,223 Subscription Shares at the Subscription Price of HK\$0.18 per Subscription Share. The subscription amount payable by Mr. Lam of HK\$40,000,000 under the Subscription Agreement A shall be satisfied by capitalising the Indebted Amount A. Upon the allotment and issue of 222,222,223 Subscription Shares at Completion, the repayment obligations of the Company for the Indebted Amount A will be discharged.

Pursuant to the Subscription Agreement B, the Company has conditionally agreed to allot and issue, and East Asia has conditionally agreed to subscribe for 260,555,556 Subscription Shares at the Subscription Price of HK\$0.18 per Subscription Share. The subscription amount payable by East Asia of HK\$46,900,000

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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under the Subscription Agreement B shall be satisfied by capitalising the Indebted Amount B. Upon the allotment and issue of 260,555,556 Subscription Shares at Completion, the settlement obligations for the Indebted Amount B will be discharged.

As at the Latest Practicable Date, Mr. Lam, together with his associate, being Silver Star Enterprises Holdings Inc. (which is a wholly-owned company of Mr. Lam), are interested in 1,925,355,931 Shares in aggregate, representing approximately 57.4% of the total issued share capital of the Company. Pursuant to Rule 20.07(1) of the GEM Listing Rules, Mr. Lam, a substantial Shareholder, is a connected person of the Company. Accordingly, the Subscription Agreement A and the transactions contemplated thereunder constitute a connected transaction of the Company under Chapter 20 of the GEM Listing Rules, and are subject to the reporting, announcement, circular and Independent Shareholders' approval requirements under Chapter 20 of the GEM Listing Rules.

Given that Mr. Lam has a material interest in Subscription A, Mr. Lam and his associate are therefore required to abstain from voting on the relevant resolution(s) to be proposed at the EGM to approve Subscription Agreement A and the transactions contemplated thereunder (including the allotment and issue of 222,222,223 Subscription Shares under Specific Mandate A).

East Asia is indirectly held as to 68% by Mr. Li Suiqing and 32% by Guoxiang Holdings (Hong Kong) Limited (which is beneficially owned by Mr. He Rongguo). As at the Latest Practicable Date, Guoxiang Holdings (Hong Kong) Limited owned 444,000,000 Shares, representing approximately 13.2% of the total issued share capital of the Company. Pursuant to Rule 20.07(1) of the GEM Listing Rules, Guoxiang Holdings (Hong Kong) Limited, a substantial Shareholder, is a connected person of the Company. East Asia is a 30%-controlled company (as defined in Rule 20.10(1)(c) of the GEM Listing Rules) held by the connected person as defined in Rule 20.07(1) of the GEM Listing Rules, and hence an associate of Guoxiang Holdings (Hong Kong) Limited and a connected person of our Company. Accordingly, the Subscription Agreement B and the transactions contemplated thereunder constitute a connected transaction of the Company under Chapter 20 of the GEM Listing Rules, and are subject to the reporting, announcement, circular and Independent Shareholders' approval requirements under Chapter 20 of the GEM Listing Rules.

Given that East Asia has a material interest in Subscription B, East Asia and its associates are therefore required to abstain from voting on the relevant resolution(s) to be proposed at the EGM to approve Subscription Agreement B and the transactions contemplated thereunder (including the allotment and issue of 260,555,556 Subscription Shares under Specific Mandate B).

As none of the Directors has material interest in the Subscription Agreements and the transactions contemplated thereunder (including the allotment and issue of the Subscription Shares under the Specific Mandates), no Director is required to abstain from voting on the relevant resolutions of the Board to approve the Subscription Agreements and the transactions contemplated thereunder.

In respect of the terms of the Subscription Agreements and the transactions contemplated thereunder (including the allotment and issue of the Subscription Shares under the Specific Mandates), an Independent Board Committee has been established to advise the Independent Shareholders, and we, Nuada Limited, have been appointed by the Company as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this regard.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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During the past two years, we did not act as the independent financial adviser of the Company. Apart from normal professional fees for our services to the Company in connection with this engagement, no other arrangement, including contingent fee or conditional fee, exists whereby we will receive any fees and/or benefits from the Group. As at the Latest Practicable Date, we were not aware of any relationships or interests between us and the Company or its substantial Shareholders, Directors or chief executive, or any of their respective associates. We are independent under Rule 17.96 of the GEM Listing Rules to act as the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders.

### **BASIS OF OUR OPINION**

In formulating our opinion to the Independent Board Committee and the Independent Shareholders, we have relied on the accuracy of the statements, information, opinions and representations contained or referred to in this circular and the information and representations provided to us by the Company, the Directors and the management of the Company (the “**Management**”). We have no reason to believe that any information or representation relied on by us in forming our opinion is untrue, inaccurate or misleading, nor are we aware of any material facts the omission of which would render the information provided and the representations made to us untrue, inaccurate or misleading. We have assumed that all information, representations and opinions contained or referred to in this circular, which have been provided by the Company, the Directors and the Management and for which they are solely and wholly responsible, were true and accurate at the time when they were made and continue to be true up to the Latest Practicable Date and should there be any material changes after the despatch of this circular, the Shareholders would be notified as soon as possible.

The Directors have jointly and severally accepted full responsibility for the accuracy of the information contained in this circular and have confirmed in this circular, having made all reasonable inquiries, that to the best of their knowledge, opinion expressed in this circular have been arrived at after due and careful consideration and there are no other facts the omission of which would make any statement in this circular misleading.

Our review and analysis were based upon, among other things, including (i) the Subscription Agreements; (ii) this circular; (iii) the annual report of the Company for the year ended 31 December 2019 (the “**Annual Report**”) and the interim report of the Company for the six months ended 30 June 2020 (the “**Interim Report**”) and (iv) the published information available from the Stock Exchange. We consider that we have reviewed sufficient information, including relevant information and documents provided by the Company and the Directors and the information published by the Company, to enable us to reach an informed view and to justify reliance on the accuracy of the information contained in this circular to provide a reasonable basis for our opinions and advice. We have not, however, carried out any independent verification of the information provided by the Company and the Directors, nor have we conducted an independent in-depth investigation into the business and affairs, financial condition and prospects of the Group.

### **PRINCIPAL FACTORS AND REASONS CONSIDERED**

In formulating our advice in respect of the Subscriptions, we have taken into consideration the following principal factors and reasons:

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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### 1. Background information of the Group

#### 1.1 Principal business of the Group

According to the Board letter and the Management, the Group is principally engaged in the exploration, exploitation and development of oil, natural gas and provision of technical services.

#### 1.2 Financial information of the Group

The table below summarises the financial results of the Group for the two years ended 31 December 2018 (“FY2018”) and 2019 (“FY2019”) respectively as extracted from the Annual Report, and two six-month periods ended 30 June 2019 (“FP2019”) and 2020 (“FP2020”) as extracted from the Interim Report (the “Interim Report”).

Table 1: Consolidated income statement of the Group

	For the six months ended		For the years ended	
	30 June		31 December	
	2020	2019	2019	2018
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	(unaudited)	(unaudited)	(audited)	(audited)
Turnover	–	–	–	–
Other revenue	78	489	596	1,897
Administrative and other operating expenses	(7,523)	(8,972)	(18,059)	(26,262)
Finance costs	(9,938)	(7,584)	(18,407)	(16,535)
Impairment losses recognised on deferred exploration expenditure	134	66	–	(141)
Share of results of a joint venture	66	–	(84,841)	(37)
Gains from disposal of a subsidiary	3,882	–	–	–
<b>Loss for the period</b>	<b>(13,301)</b>	<b>(16,001)</b>	<b>(120,711)</b>	<b>(41,042)</b>

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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Table 2: Consolidated statement of financial position of the Group

	<b>As at 30 June</b>	<b>As at 31 December</b>	
	<b>2020</b>	<b>2019</b>	<b>2018</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	(unaudited)	(audited)	(audited)
Current assets	45,258	45,297	41,759
– Other receivables	45,086	45,001	41,516
– Cash and cash equivalents	172	296	243
Non-current assets	269,713	270,829	361,740
– Interests in joint ventures	269,648	270,685	361,377
<b>Total assets</b>	<b>314,971</b>	<b>316,126</b>	<b>403,499</b>
Current liabilities	(235,655)	(226,909)	(197,579)
– Other payables	(71,795)	(63,151)	(36,981)
– Convertible bonds	(150,000)	(150,000)	(150,000)
Non-current liabilities			
– Amount due to a shareholder	(71,912)	(67,209)	(62,540)
<b>Total liabilities</b>	<b>(307,567)</b>	<b>(294,118)</b>	<b>(260,119)</b>
<b>Net current liabilities</b>	<b>(190,397)</b>	<b>(181,612)</b>	<b>(155,820)</b>
<b>Total equity</b>	<b>7,404</b>	<b>22,008</b>	<b>143,380</b>

*For the six months ended 30 June 2020 and 30 June 2019*

According to the Management and the Annual Report, we noted that the Group did not generate any turnover since the year ended 31 December 2013. The Group recorded a loss of approximately HK\$13.30 million for FP2020 as compared to that of approximately HK\$16.00 million for FP2019, which represents an improvement of approximately 16.88%. Such improvement was mainly due to the gains from disposal of a subsidiary of approximately HK\$3.88 million recorded for FP2020 (FP2019: nil).

As at 30 June 2020, the total assets of the Group were approximately HK\$314.97 million, which represents a slight decrease of approximately 0.37% as compared to that of approximately HK\$316.13 million as at 31 December 2019. The cash and cash equivalents of the Group was approximately HK\$172,000 as at 30 June 2020, as compared to that of approximately HK\$296,000 as at 31 December 2019. The Group recorded increased of current liabilities of approximately HK\$8.75 million as at 30 June 2020 as compared to that as at 31 December 2019, increased from approximately HK\$226.91 million to approximately HK\$235.66 million, which was mainly due to the increase of other payables from approximately HK\$63.15 million as at 31 December 2019 to that of approximately HK\$71.80 million as at 30 June 2020. The Group also has convertible bonds of approximately HK\$150 million as at 30 June 2020 and as at 31 December 2019,

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respectively which are classified as current liabilities, so the Group recorded net current liabilities of approximately HK\$181.61 million as at 31 December 2019 and approximately HK\$190.40 million as at 30 June 2020. According to the Interim Report, the gearing ratio of the Group based on net debt to the shareholders' equity (i.e. calculated by the total liabilities of the Group minus cash and cash equivalents of the Group, then divided by the total equity of the Group and multiplied by 100%) was approximately 4,152% as at 30 June 2020 (i.e. approximately 1,355% as at 31 December 2019). Based on the above, the Group recorded total equity of approximately HK\$7.40 million as at 30 June 2020, which represents a decrease of approximately 66.38% as compared to that of approximately HK\$22.01 million as at 31 December 2019.

*For the years ended 31 December 2018 and 2019*

According to the Annual Report, the Group did not generate any turnover for FY2018 and FY2019. The Group's loss for the year increased from approximately HK\$41.04 million for FY2018 to approximately HK\$120.71 million for FY2019, which represents an increase of approximately 194.13%. Such increase was mainly due to the share of losses of a joint venture increased from approximately HK\$37,000 for FY2018 to approximately HK\$84.84 million for FY2019. According to the Management and the Annual Report, it was mainly due to the significant drop in crude oil price during FY2019. According to the US Energy Information Administration, an official agency under the US Department of Energy, has stated that the price of Brent crude oil, the international benchmark price of crude oil, averaged USD64 per barrel in 2019, is USD7 per barrel lower than its average price in 2018. (<https://www.eia.gov/todayinenergy/detail.php?id=42415>)

As at 31 December 2019, the total assets of the Group were approximately HK\$316.13 million, which represents a decrease of approximately 21.65% as compared to that of approximately HK\$403.50 million as at 31 December 2018. The cash and cash equivalents of the Group was approximately HK\$296,000 as at 31 December 2019, as compared to that of approximately HK\$243,000 as at 31 December 2018. According to the Management, the relatively low cash and cash equivalents balance was mainly due to continuous net cash used in the Group's operating activities which amounted to approximately HK\$12.78 million and HK\$18.72 million for FY2019 and FY2018 respectively resulted for nil turnover. According to the Annual Report, the carrying amounts of the Group's interests in a joint venture exceeded the recoverable amounts as at 31 December 2019, resulting in an impairment losses amounting to approximately HK\$85.24 million as at 31 December 2019 (i.e. approximately HK\$37,000 as at 31 December 2018) attributable to the Group's interests in a joint venture, which was recognised in the consolidated statement of profit or loss as share of results of a joint venture of loss of approximately HK\$84.84 million for the year ended 31 December 2019. Accordingly, the interests in a joint venture that classified as non-current assets decreased from approximately HK\$361.38 million as at 31 December 2018 to approximately HK\$270.69 million as at 31 December 2019 and the non-current assets of the Group decreased from approximately HK\$361.74 million as at 31 December 2018 to approximately HK\$270.83 million as at 31 December 2019.

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The Group recorded increased of current liabilities from approximately HK\$197.58 million as at 31 December 2018 to approximately HK\$226.91 million as at 31 December 2019, which was mainly due to the increase of other payables from approximately HK\$36.98 million as at 31 December 2018 to approximately HK\$63.15 million as at 31 December 2019. The convertible bonds of approximately HK\$150 million as at 31 December 2019 and as at 31 December 2018, respectively also led to the Group recorded net current liabilities of approximately HK\$181.61 million as at 31 December 2019 and approximately HK\$155.82 million as at 31 December 2018 respectively. Based on the above, the Group recorded total equity of approximately HK\$22.01 million as at 31 December 2019, which represents a decrease of approximately 84.65% as compared to that of approximately HK\$143.38 million as at 31 December 2018.

### **2. Reasons for and benefits of the Loan Capitalisation**

As shown in the section headed “1. Background information of the Group – 1.2 Financial information of the Group” above in this letter, the Group has been suffering from (i) not generating any turnover since the year ended 31 December 2013; (ii) relatively low cash and cash equivalents balance over the years due to continuous net cash used in the Group’s operating activities which amounted to approximately HK\$18.72 million and HK\$12.78 million for FY2018 and FY2019, respectively; (iii) recorded continuous net current liabilities for FY2018 and FY2019 and (iv) relatively high gearing ratio of approximately 1,355% as at 31 December 2019 and approximately 4,152% as at 30 June 2020. Taking into account the abovementioned financial difficulties of the Group, we are of the view and concur with the Directors’ view that the Loan Capitalisation enables the Group to (i) settle part of its existing liabilities without depleting its existing financial resources and avoid cash outflow; and (ii) reduce the Group’s gearing ratio.

According to the Management and with reference to the section headed “Management Discussion and Analysis” in the Interim Report, the Group’s on-going coal mining project is still at development phase and the main income stream was contributed from the operation of SC49. With reference to note 16 to the Annual Report, the Group has began to generate revenue of approximately HK\$4.20 million in FY2019 from the operation of SC49. However, SC49’ drilling progress has been postponed due to the outbreak of Covid-19 according to the Management and the Interim Report. Based on the above, we are of the view and concur with the Directors’ view that it is impracticable to settle the outstanding shareholder loans from Mr. Lam and settle the outstanding trade payables due to East Asia in a timely manner rely on the turnover from the operations of the Group.

According to the Management, they had explored and evaluated other settlement methods as alternative means of settling the Indebted Amounts, such as by way of cash, bank borrowings and other equity financing other than Loan capitalisation. Given the current financial performance and position of the Group as stated under the section headed “1. Background information of the Group – 1.2 Financial information of the Group” above in this letter, the Directors expect that they would have difficulties to obtain bank borrowings with favourable terms. Furthermore, even if the Group could obtain bank borrowings, such bank borrowings will inevitably increase interest burden and further deteriorate the level of the gearing level of the Group. Based on the above and the Company’s goal to lower the level of the gearing ratio according to the Management, we are of the view and concur with the Directors’ view that bearing additional liabilities to settle the Indebted Amounts is not in the interests of the Group.

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In respect of other equity financing methods for settling the Indebted Amounts, such as placing of Shares, open offer and rights issue. However, given the size of fund raising (i.e. HK\$86,900,000), having considered (i) the Subscription Price (i.e. HK\$0.18) represents a premium of approximately 30.4% over the closing price of HK\$0.138 per Share as quoted on the Stock Exchange on the date of the Subscription Agreements, the Directors are of the view that it would be difficult to secure placing agents or underwriters for placing of Shares, open offer or rights issue with a placing price or subscription price has a premium of approximately 30.4% over the market price of Share; (ii) if the Company conducts private placement, rights issue or open offer assuming that the placing price or subscription price is similar to the closing price of Share on the date of Subscription Agreements, the Company would need to issue larger number of new Shares to raise the funding size equal to that of the Indebted Amounts and the potential dilution effect to the public Shareholders will be higher than the dilution effect of the Subscriptions (for illustration purpose only, given the same size of Indebted Amounts, i.e. HK\$86,900,000, the number of new Shares to be issue at the price of HK\$0.138, being the closing price of Share on the date of the Subscription Agreements, would be 629,710,145, whereas the number of Subscription Shares is 482,777,779 with an increase of dilution of approximately 4.38%); and (iii) placing of new Shares would need to pay placing commission, while no such commission is involved in the Subscriptions, we are of the view and concur with the Directors' view that the Loan Capitalisation is comparatively a more appropriate and viable means of settling the Indebted Amounts.

Having considered (i) the deteriorated financial position of the Group as mentioned above; (ii) it is impracticable to rely on cash flow from operating activities to settle the Indebted Amounts in the near future as mentioned above; and (iii) the Management expects that the Group would not be able to obtain favourable terms for debt financing which would also increase finance costs of the Group; and (iv) equity financing methods such as placing of shares, rights issue and open offer may have difficulties to attract investors to subscribe new shares (assuming the premium placing price or subscription price over the market price of Share) and it may cause larger dilution effect than the Subscriptions (assuming the placing price or subscription price similar to the market price of Share) as mentioned above, we are of the view and concur with the Directors' view that the Subscriptions are in the interests of the Company and the Shareholders as a whole.

### **3. Principal terms of the Subscription Agreements**

Please refer to the section headed "The Subscription Agreements" in the Board Letter for details of the Subscription Agreements.

#### **3.1 Subscription Price**

The Subscription Price of HK\$0.18 per Subscription Share represents:

- (i) a premium of approximately 30.4% over the closing price of HK\$0.138 per Share as quoted on the Stock Exchange on the date of the Subscription Agreements;
- (ii) a premium of approximately 21.6% over the average closing price of HK\$0.148 per Share as quoted on the Stock Exchange for the five consecutive trading days of the Shares immediately preceding the date of the Subscription Agreements;



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- (iii) a premium of approximately 24.1% over the average closing price of HK\$0.145 per Share as quoted on the Stock Exchange for the ten consecutive trading days of the Shares immediately preceding the date of the Subscription Agreements;
- (iv) a premium of approximately 25.9% over the closing price of HK\$0.143 per Share as quoted on the Stock Exchange as at the Latest Practicable Date; and
- (v) a premium of approximately 14,776.0% over the audited consolidated net asset value attributable to the owners of the Company of approximately HK\$0.00121 per Share (based on the 3,354,204,478 Shares in issue as at the Latest Practicable Date) as at 31 December 2019, the date to which the latest audited consolidated financial results of the Group were made up.

With reference to the Board Letter and according to the Management, the Subscription Price was determined after arm's length negotiations between the Company and the Subscribers with reference to the prevailing market prices of the Shares and the financial position of the Group.

### *Historical Share price performance*

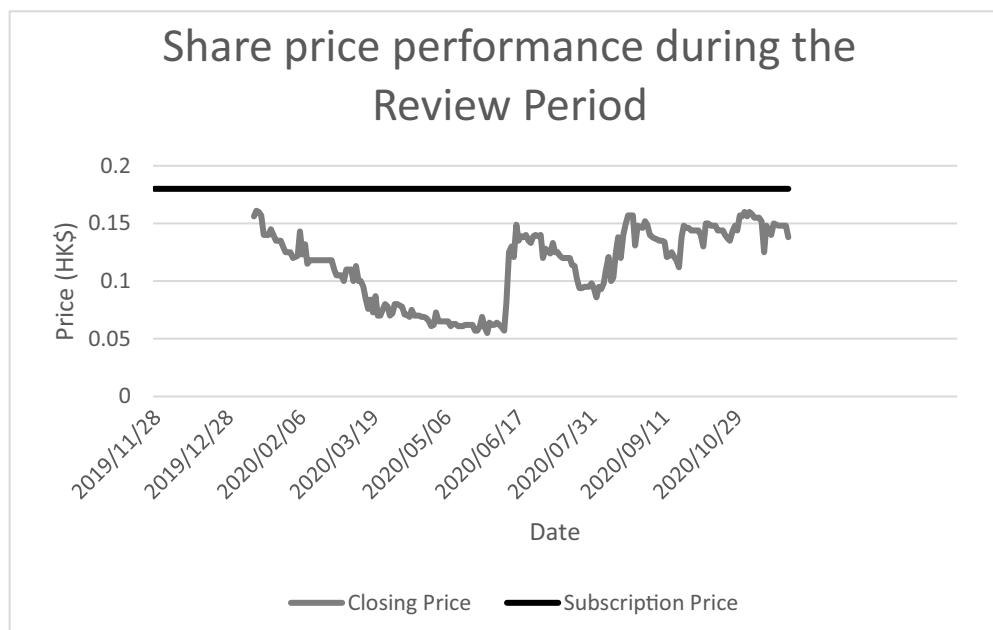
As the Share was suspended for trading from 1 April 2019 to 7 January 2020, we demonstrated a chart below reflecting movements in the historical closing prices of the Share for the period from 28 November 2019 to 27 November 2020, being a twelve-month trading period from the date of the Subscription Agreements (the "**Review Period**"). We consider that a twelve-month period is reasonable and representative for Independent Shareholders' reference in regard to the Subscription Price as (i) a twelve-month period represents a reasonable period to reflect the performance of closing price per Share in response to prevailing market condition and operating condition; (ii) a shorter period can only demonstrate

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the closing price per Share in a limited and specific time which may be distorted by specific events; and (iii) it is commonly used for analysis purpose. The comparison of daily closing prices per Share and the Subscription Price during the Review Period is illustrated as follows:



Source: the Stock Exchange web-site ([www.hkex.com.hk](http://www.hkex.com.hk))

Note: The Share was suspended for trading from 1 April 2019 to 7 January 2020

During the Review Period, the highest and lowest closing prices of the Share as quoted on the Stock Exchange were HK\$0.161 per Share recorded on 9 January 2020 and HK\$0.055 per Share recorded on 29 May 2020, respectively. The average daily closing price of the Share during the Review Period was approximately HK\$0.114 per Share (we excluded the period from 28 November 2019 to 7 January 2020 as the Share was suspended during such period).

The Subscription Price of HK\$0.18 represents (i) a premium of approximately 11.80% over the highest closing price of Share during the Review Period; (ii) a premium of approximately 227.27% over the lowest closing price of Share during the Review Period; and (iii) a premium of approximately 57.89% over the average closing price of Share during the Review Period. Based on the above, we are of the view and concur with the Directors' view that the Subscription Price is fair and reasonable from the perspective of historical trend of the closing price of Share.

### *Comparable analysis on the Subscription Price*

In assessing whether the Subscription Price is fair and reasonable, on a best-efforts and exhaustive bases, we carried out a comparable analysis of issue, placing or subscription of new shares by companies listed on the Stock Exchange (the "**Subscription Comparable(s)**"), based

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on the criteria that (i) the respective issue, placing or subscription of shares were initially announced by the Subscription Comparables during the six-month period from 28 May 2020 to 27 November 2020 (i.e. being the date of the Subscription Agreements); (ii) the shares were issued for subscription by connected persons of the respective companies; and (iii) the shares were issued for loan capitalisation or with the proceeds to be used in settling outstanding indebtedness.

We determined the length of our review period based on two major factors: (i) the review period has to be close to the date of Subscription Agreements such that the Subscription Comparables are under similar and recent market conditions and sentiment; and (ii) the number of samples covered in the review period has to be sufficient such that the average figures calculated are representative and not significantly affected by any individual comparable.

Based on the aforesaid criteria and to the best of our knowledge, we have identified three Subscription Comparables which we consider to be exhaustive. Independent Shareholders should note that the businesses, operations, financial positions and prospects of the Company are not identical to the Subscription Comparables. We have not conducted any independent investigation with regards to the businesses, operations, financial positions and prospects of the companies but it shall not affect our analysis as we are comparing the general trend of subscription of new shares for specific use of proceeds in the market.

Our findings and analysis on the Subscription Comparables are set out below:

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Table 3: Subscription Comparables

Case number	Date of initial announcement	Company name	Stock code	Market capitalisation as at the date of Subscription Agreement (HK\$ million)	Use of proceeds (Note 1)	Premium/ (Discount) of subscription price over/(to) the average closing price per share for the last five consecutive trading days immediately prior to the date of respective announcements/ subscription agreements in relation to the respective subscription of shares (%) (Note 1)	Premium/ (Discount) of subscription price over/(to) the average closing price per share for the last five consecutive trading days immediately prior to the date of respective announcements/ subscription agreements in relation to the respective subscription of shares (%) (Note 1)	Premium/ (Discount) of subscription price of the respective companies over/ (to) the total equity of the respective companies per issued share of the respective companies (%) (Note 2)	Theoretical dilution effect (%) (Note 3)
1	3 July 2020	China Technology Industry Group Limited	8111	190.48	Loan capitalisation	58.73	56.25	1,607.60	NA
2	6 July 2020	China Jinmao Holdings Group Limited	817	50,434.59	Land bidding, debt repayment and general working capital	(6.56)	(0.56)	(38.21)	0.19
3	24 November 2020	Zensun Enterprises Limited	185	5,534.43	Loan capitalisation	(4.17)	(0.86)	12.04	1.44
		Average				16.00	18.28	527.14	0.81
		Maximum				58.73	56.25	1,607.60	1.44
		Minimum				(6.56)	(0.86)	(38.21)	0.19
		Company				30.40	21.60	7,041.50	NA

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*Notes:*

1. The relevant figures/information of the Subscription Comparables are referenced to the figures as disclosed in the respective initial announcements regarding their subscription of shares.
2. The figures are calculated based on (i) the respective total equity and issued shares as disclosed in the respective latest annual/interim reports of the Subscription Comparables prior to the Subscription Comparables' announcements regarding their subscription of shares; and (ii) the respective subscription prices as disclosed in the respective initial announcements regarding their subscription of shares.
3. The theoretical dilution effects (as defined in Rule 10.44A of the GEM Listing Rules) are calculated based on the figures as disclosed in the respective announcements regarding the Subscription Comparables' subscription of shares. If the theoretical diluted price (as defined in Rule 10.44A of the GEM Listing Rules) of a Subscription Comparable does not represent a discount to the respective benchmarked price (as defined in Rule 10.44A of the GEM Listing Rules), the theoretical dilution effect will not be applicable for such Subscription Comparable.

As demonstrated by the above table, the subscription price of the relevant Subscription Comparables ranged from (i) a premium of approximately 58.73% to a discount of approximately 6.56% to the respective closing price per share on the last trading day prior to/on the date of respective initial announcements/subscription agreements in relation to the respective subscription of shares (the “**Market Range**”); and a premium of approximately 56.25% to a discount of approximately 0.86% to the respective average closing price per share for the last five consecutive trading days immediately prior to the date of respective initial announcements/subscription agreements in relation to the respective subscription of shares (the “**5-Days Range**”). We noted that both (i) the premium of the Subscription Price to the closing price on the last trading day on the date of Subscription Agreements (i.e. 30.40%); and (ii) the premium of the Subscription Price to the last five trading days immediately prior to the date of the Subscription Agreements (i.e. 21.60%) are within the range and above the average of the Market Range and the 5-Days Range, respectively.

We also noted that the subscription prices of the relevant Subscription Comparables represented a premium of approximately 1,607.60% to a discount of approximately 38.21% to their respective total equity per share based on their respective latest annual/interim reports (the “**NAV/Share Range**”) prior to the the Subscription Comparables' announcements regarding their subscription of shares. The Subscription Price represented a premium of approximately 7,041.5% over the total equity per Share as at 30 June 2020, which is higher than the NAV/Share Range. Based on the above, we are of the view and concur with the Directors' view that the Subscription Price is fair and reasonable as compared to those of the Subscription Comparables.

### **3.2 Theoretical dilution effect**

With reference to the shareholding table in the section headed “Effects on the Shareholding Structure of the Company” of the Board Letter and based on the premium of the Subscription Price to the closing price on the last trading day on the date of Subscription Agreements (i.e. 30.40%), there would be no theoretical dilution effect (as defined in Rule 10.44A of the GEM Listing Rules) arised

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from the Subscriptions. Also taking into account the reasons for and benefits of the Loan Capitalisation as stated above in this section, we consider that the terms of the Subscription Agreements is fair and reasonable.

### ***3.3 Other terms of the Subscription Agreements***

We have reviewed other terms of the Subscription Agreements (including but not limited to conditions precedent, completion and warranties). In order to review whether the aforesaid other terms of the Subscription Agreements are reasonable or not, we compared it with (i) the terms of Subscription Comparables from their relevant published announcements; and (ii) other transactions which involved issue of shares that conducted by other companies listed on the Stock Exchange of our previous works, we are of the view that the remaining terms of the Subscription Agreements are the standard terms of normal subscription agreements which we have reviewed before. Accordingly, we consider and concur with the view of the Management that the terms of the Subscription Agreements are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned.

## **4. Possible financial effects of the Subscriptions**

### ***4.1 Earnings***

Save for the professional fees and all related expenses to be incurred in relation to the Subscriptions, there will not be any immediate material impact on the earnings of the Group in this regard.

### ***4.2 Gearing ratio***

Upon Completion, the Indebted Amounts are expected to set off against the Subscription amounts payable by Mr. Lam and East Asia, respectively without depleting the Group's existing financial resources. Therefore, assuming other factors remain constant, the gearing ratio of the Group is expected to decrease.

### ***4.3 Net asset value***

According to the Interim Report, the total equity of the Group as at 30 June 2020 was approximately HK\$7.40 million. Upon Completion, the Indebted Amounts are expected to set off against the Subscription amounts payable by Mr. Lam and East Asia, respectively without depleting the Group's existing financial resources. Therefore, assuming other factors remain constant, the total equity of the Group is expected to increase. Given that the Subscription Price is higher than the unaudited total equity per Share as at 30 June 2020, it is expected that the net asset value per Share of the Group will increase upon Completion.

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### RECOMMENDATION

Notwithstanding the entering into the Subscription Agreements are not in the ordinary and usual course of business of the Company, having considered the aforementioned principal factors and reasons, we are of the view that (i) the Subscriptions are in the interests of the Company and the Shareholders as a whole; (ii) the the terms of the Subscription Agreements and the transactions contemplated thereunder (including the allotment and issue of the Subscription Shares under the Specific Mandates) are on normal commercial terms and are fair and reasonable so far as the Company and the Independent Shareholders are concerned. Accordingly, we recommend the Independent Shareholders, and advise the Independent Board Committee to recommend the Independent Shareholders, to vote in favour of the resolution to be proposed at the EGM to approve the Subscription Agreements and the transactions contemplated thereunder (including the allotment and issue of the Subscription Shares under the Specific Mandates).

Yours faithfully,  
For and on behalf of  
**Nuada Limited**

**Kim Chan**  
*Director*

**Kevin Wong**  
*Vice President*

*Mr. Kim Chan is a person licensed under the SFO to carry out type 6 (advising on corporate finance) regulated activity, and is a responsible officer of Nuada Limited who has over 17 years of experience in the corporate finance industry.*

*Mr. Kevin Wong is a person licensed under the SFO to carry out type 6 (advising on corporate finance) regulated activity, and is a responsible officer of Nuada Limited who has over 13 years of experience in the corporate finance industry.*

## 1. RESPONSIBILITY STATEMENT

This circular, 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 circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

## 2. DISCLOSURE OF INTERESTS

### Directors' and chief executive's interests in the Company and associated corporations

As at the Latest Practicable Date, none of the Directors and chief executive of the Company had any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporation (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which were required to be notified to the Company and the Stock Exchange pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules relating to the securities transactions by Directors.

### Substantial Shareholders' and other persons' interests and short positions in the Company

As at the Latest Practicable Date, the interests and short positions of persons, other than Directors or chief executive of the Company, in the Shares and/or underlying Shares which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or, who is, directly or indirectly, interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other members of the Group, or substantial Shareholders as recorded in the register of substantial Shareholders required to be kept by the Company under Section 336 of the SFO were as follows:

Name of Shareholders	Capacity	Number of Shares held (Note 1)	Approximate percentage to the issued share capital of the Company
Silver Star Enterprises Holdings Inc.	Beneficial owner	1,876,875,931(L) (Note 2)	55.96%
Mr. Lam	Interest of a controlled corporation	1,876,875,931(L) (Note 2)	55.96%
	Beneficial owner	48,480,000(L)	1.45%



Name of Shareholders	Capacity	Number of Shares held <i>(Note 1)</i>	Approximate percentage to the issued share capital of the Company
Guoxiang Holdings (Hong Kong) Limited	Beneficial owner	444,000,000(L) <i>(Note 3)</i>	13.24%
Mr. He Rongguo	Interest of a controlled corporation	444,000,000(L) <i>(Note 3)</i>	13.24%

*Notes:*

1. The letter "L" denotes long positions in Shares or underlying Shares.
2. The entire issued share capital of Silver Star Enterprises Holdings Inc. is beneficially owned by Mr. Lam. Mr. Lam is deemed to be interested in 1,876,875,931 Shares held by Silver Star Enterprises Holdings Inc.
3. The entire issued share capital of Guoxiang Holdings (Hong Kong) Limited is beneficially owned by Mr. He Rongguo. Mr. He Rongguo is deemed to be interested in 444,000,000 Shares held by Guoxiang Holdings (Hong Kong) Limited.

Save as disclosed above, as at the Latest Practicable Date, the Directors were not aware of any other person who had an interest or short position in the Shares and/or underlying Shares which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or, who is, directly or indirectly, interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other members of the Group, or any other substantial Shareholders whose interests or short positions were recorded in the register required to be kept by the Company under Section 336 of the SFO.

### 3. DIRECTORS' SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had any existing or proposed service contracts with the Company or any member of the Group which does not expire or is not terminable by the Group within one year without payment of compensation, other than statutory compensation.

### 4. DISCLOSURE OF OTHER INTERESTS

#### (i) Interests in contract or arrangement

As at the Latest Practicable Date, there was no contract or arrangement entered into by any member of the Group, subsisting, in which any Director was materially interested and which was significant in relation to the business of the Group as a whole.

**(ii) Interests in competing business**

To the best knowledge of the Directors, as at the Latest Practicable Date, none of the Directors or their respective close associates had an interest in any business, which competes or is likely to compete, either directly or indirectly, with the business of the Group which would be required to be disclosed under Rule 8.10 of the GEM Listing Rules, as if the Directors were controlling Shareholders.

**(iii) Interests in assets**

As at the Latest Practicable Date, none of the Directors has any direct or indirect interests in any assets which have been acquired or disposed of by, or leased to, or which are proposed to be acquired or disposed of by, or leased to, the Company or any of its subsidiaries since 31 December 2019, the date to which the latest published audited consolidated financial statements of the Group were made up.

**5. CLAIMS AND LITIGATION**

As at the Latest Practicable Date, no member of the Group was engaged in any litigation, arbitration or claim of material importance and no litigation, arbitration or claim of material importance was known to the Directors to be pending or threatened against any member of the Group.

**6. MATERIAL ADVERSE CHANGE**

As disclosed in the 2020 Interim Report, the Group recorded net liabilities attributable to owners of the Company of approximately HK\$9.61 million as at 30 June 2020, while the Group recorded net assets attributable to the owners of the Company of approximately HK\$4.05 million as at 31 December 2019. Such change was owing to the total comprehensive expense attributable to the owners of the Company of approximately HK\$13.66 million recorded for the six months ended 30 June 2020.

As to SC49 (being a joint venture operated by the Group) project in southern Cebu, Philippines, as disclosed in the third quarterly report of the Company for the nine months ended 30 September 2020, due to the outbreak of novel coronavirus (“**COVID-19**”), the cities of Manila and Cebu had experienced lockdown, which has resulted in a postponement of the project’s drilling progress. The Department of Energy of the Philippines expressed an understanding that the drilling work cannot be resumed until the restriction on travel enforced by the government of the Philippines is revoked. As at the Latest Practicable Date, the drilling work has not been resumed as the restriction is still in force. Furthermore, as a result of COVID-19, oil sale of SC49 was affected as demands for power and fuel oil in the Philippines declined and oil prices dropped to historical low. Also, due to internal changes of Greater Alegria Oil Inc. (“**GAO**”) (an oil buyer), the sales and purchase agreement entered into between CIMP and GAO expired on 15 March 2020. Notwithstanding the above, it is expected that oil sales will go back to normal as the oil price has been climbing and the commercial activities in the Philippines are resuming. Moreover, CIMP entered into a five-year contract with Boom Oil Resources. (“**BOR**”) on 1 September 2020, pursuant to which BOR committed to buy 60 barrels of oil from the project a day within a year. Oil tankers arrived at the end of October 2020 and the onshore hauling of oil began.

Save as disclosed above, as at the Latest Practicable Date, the Directors are not aware of any other material adverse change in the financial or trading position of the Group since 31 December 2019 (being the date to which the latest published audited consolidated financial statements of the Group were made up).

## **7. EXPERT AND CONSENT**

The following is the qualification of the expert who had given opinion, letter or advice contained in this circular:

<b>Name</b>	<b>Qualification</b>
Nuada Limited	A corporation licensed to carry out business in Type 6 (advising on corporate finance) regulated activity under the SFO

As at the Latest Practicable Date, Nuada Limited has given and has not withdrawn its written consent to the issue of this circular with the inclusion herein of its letter, opinion and references to its name in the form and context in which they respectively appear.

As at the Latest Practicable Date, Nuada Limited did not have any shareholding interests in any member of the Group, or any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for any securities in any member of the Group.

As at the Latest Practicable Date, Nuada Limited did not have any interest, direct or indirect, in any assets which had been, since 31 December 2019 (being the date to which the latest published audited consolidated financial statements of the Group were made up), acquired or disposed of by or leased to any member of the Group, or were proposed to be acquired or disposed of by or leased to any member of the Group.

## **8. MISCELLANEOUS**

The English text of this circular and the accompanying form of proxy shall prevail over the Chinese text in the event of any inconsistency.

## **9. DOCUMENTS AVAILABLE FOR INSPECTION**

Copies of the following documents will be available for inspection at the principal place of business of the Company in Hong Kong at Room 801-802, 8th Floor, Shanghai Industrial Investment Building, 48-62 Hennessy Road, Wanchai, Hong Kong, during normal business hours up to and including the date of the EGM (being not less than 14 days):

- (a) the Subscription Agreements;
- (b) the letter from the Board, the text of which is set out on pages 5 to 17 of this circular;

- (c) the letter from the Independent Board Committee to the Independent Shareholders, the text of which is set out on pages 18 to 19 of this circular;
- (d) the letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders, the text of which is set out on pages 20 to 34 of this circular;
- (e) the written consent referred to in the paragraph headed “7. Expert and consent” in this appendix; and
- (f) this circular.

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## NOTICE OF EGM

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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)**

### NOTICE OF EXTRAORDINARY GENERAL MEETING

**NOTICE IS HEREBY GIVEN** that an extraordinary general meeting (the “**EGM**”) of Polyard Petroleum International Group Limited (the “**Company**”) will be held at Room 801-802, 8th Floor, Shanghai Industrial Investment Building, 48-62 Hennessy Road, Wanchai, Hong Kong, on Monday, 11 January 2021 at 11:30 a.m. (Hong Kong time) for the purpose of considering and, if thought fit, passing the following resolutions with or without amendments as ordinary resolutions of the Company:

#### ORDINARY RESOLUTIONS

**1. “THAT**

- (a) the subscription agreement dated 27 November 2020 entered into between the Company (as issuer) and Mr. Lam Nam (“**Mr. Lam**”) (as subscriber) (“**Mr. Lam Subscription Agreement**”) in relation to the allotment and issue of 222,222,223 new ordinary shares (“**Mr. Lam Subscription Shares**”) in the share capital of the Company at a subscription price of HK\$0.18 per share, credited as fully paid and which shall rank pari passu in all respects with the ordinary shares then in issue, by the Company to Mr. Lam and the transactions contemplated thereunder (including the allotment and issue of Mr. Lam Subscription Shares), be and are hereby approved, confirmed and ratified;
- (b) conditional upon the GEM Listing Committee of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) granting the listing of, and permission to deal in, Mr. Lam Subscription Shares to be allotted and issued pursuant to the terms and conditions of the Mr. Lam Subscription Agreement, the directors of the Company (the “**Directors**”) be and are hereby granted a specific mandate to exercise the powers of the Company to allot and issue Mr. Lam Subscription Shares credited as fully paid at the subscription price of HK\$0.18 per Mr. Lam Subscription Share to Mr. Lam, provided that the aforementioned specific mandate shall be in addition to and shall not prejudice nor revoke the existing general mandate which has been granted or may from time to time be granted to the Directors prior to the passing of this resolution; and
- (c) any one or more Directors be and is/are hereby authorised generally to take all necessary steps and do all such acts and things and to sign and execute all documents (including the affixation of the common seal of the Company where execution under seal is required) which he/she/they may consider necessary, appropriate, desirable or expedient for the purpose of or in connection with, the implementation of and giving effect to Mr. Lam Subscription Agreement and the allotment and issue of Mr. Lam Subscription Shares and all other matters incidental thereto or in connection therewith, and to agree to and make such variations, amendments or waivers of any of the matters relating thereto or in connection therewith.”

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## NOTICE OF EGM

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### 2. “THAT

- (a) the subscription agreement dated 27 November 2020 entered into between the Company (as issuer) and East Asia Oil Engineering Group Limited (“**East Asia**”) (as subscriber) (“**East Asia Subscription Agreement**”) in relation to the allotment and issue of 260,555,556 new ordinary shares (“**East Asia Subscription Shares**”) in the share capital of the Company at a subscription price of HK\$0.18 per share, credited as fully paid and which shall rank pari passu in all respects with the ordinary shares then in issue, by the Company to East Asia and the transactions contemplated thereunder (including the allotment and issue of East Asia Subscription Shares), be and are hereby approved, confirmed and ratified;
- (b) conditional upon the GEM Listing Committee of the Stock Exchange granting the listing of, and permission to deal in, East Asia Subscription Shares to be allotted and issued pursuant to the terms and conditions of the East Asia Subscription Agreement, the Directors be and are hereby granted a specific mandate to exercise the powers of the Company to allot and issue East Asia Subscription Shares credited as fully paid at the subscription price of HK\$0.18 per East Asia Subscription Share to East Asia, provided that the aforementioned specific mandate shall be in addition to and shall not prejudice nor revoke the existing general mandate which has been granted or may from time to time be granted to the Directors prior to the passing of this resolution; and
- (c) any one or more Directors be and is/are hereby authorised generally to take all necessary steps and do all such acts and things and to sign and execute all documents (including the affixation of the common seal of the Company where execution under seal is required) which he/she/they may consider necessary, appropriate, desirable or expedient for the purpose of or in connection with, the implementation of and giving effect to East Asia Subscription Agreement and the allotment and issue of East Asia Subscription Shares and all other matters incidental thereto or in connection therewith, and to agree to and make such variations, amendments or waivers of any of the matters relating thereto or in connection therewith.”

For and on behalf of the Board  
**Polyard Petroleum International Group Limited**  
Lai Chun Liang  
*Executive Director and Chief Executive Officer*

Hong Kong, 21 December 2020

*Registered office:*

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

*Principal place of business in Hong Kong:*

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

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## NOTICE OF EGM

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*Notes:*

1. Any member entitled to attend and vote at the EGM is entitled to appoint one or more proxy (if such member is the holder of two or more shares) to attend and to vote instead of them. A proxy needs not be a member of the Company. If more than one proxy is so appointed, the appointment shall specify the number and class of Shares in respect of which each such proxy is so appointed.
2. To be valid, the form of proxy together with any power of attorney or other authority (if any) under which it is signed or a certified copy thereof, must be deposited at the Company's branch share registrar and transfer office in Hong Kong, Tricor Standard Limited at 54th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration not less than 48 hours before the time appointed for holding the EGM or any adjournment thereof.
3. For determining the entitlement to attend and vote at the EGM, the transfer books and register of members of the Company will be closed from Wednesday, 6 January 2021 to Monday, 11 January 2021, both days inclusive, during which period no share transfers can be registered. In order to qualify for attending and voting at the EGM, the non-registered shareholders must lodge all transfer documents, accompanied by the relevant share certificates with the Company's branch share registrar and transfer office in Hong Kong, Tricor Standard Limited at 54th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration not later than 4:30 p.m. on Tuesday, 5 January 2021.
4. Delivery of an instrument appointing a proxy should not preclude a member from attending and voting in person at the EGM or any adjournment thereof and in such event, the instrument appointing a proxy shall be deemed to be revoked.
5. Where there are joint holders of any share, any one of such joint holders may vote, either in person or by proxy, in respect of such share as if he/she was solely entitled thereto; but if more than one of such joint holders be present at the EGM, the vote of the senior who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the votes of the other joint holders. For this purpose, seniority shall be determined by the order in which the names stand in the register of members of the Company in respect of the joint holding.
6. If typhoon signal No. 8 or above, or a "black" rainstorm warning is hoisted on the date of the EGM, the EGM will be postponed. The Company will post an announcement on the GEM website at [www.hkgem.com](http://www.hkgem.com) and the Company's website at [www.ppig.com.hk](http://www.ppig.com.hk) to notify Shareholders of the date, time and place of the rescheduled meeting.
7. The translation into Chinese language of this notice is for reference only. In case of any inconsistency, the English version shall prevail.

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

*This notice, 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 notice is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this notice misleading.*

*This notice will remain on the GEM website at [www.hkgem.com](http://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](http://www.ppig.com.hk).*