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

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 08011)

ANNOUNCEMENT IN RELATION TO
(1) FURTHER INFORMATION ABOUT THE DELAY IN PUBLICATION
OF ANNUAL RESULTS;
(2) PUBLICATION OF UNAUDITED MANAGEMENT ACCOUNTS
FOR THE YEAR ENDED 31 DECEMBER 2017; AND
(3) CONTINUED SUSPENSION OF TRADING

This announcement is made by Polyard Petroleum International Group Limited (the “**Company**”) pursuant to Rule 17.10 of the Rules Governing the Listing of Securities on GEM (the “**GEM Listing Rules**”) of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) and the provisions of inside information under Part XIVA of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the “**SFO**”).

References are made to the announcements of the Company dated 23 March 2018 and 3 April 2018 in relation to, among others, (i) the delay in publication of annual results of the Company and its subsidiaries (the “**Group**”) for the year ended 31 December 2017 (the “**Annual Results**”) and postponement of board meeting; and (ii) the suspension of trading in the shares of the Company on GEM of the Stock Exchange with effect from 9:00 a.m. on 3 April 2018 (collectively, the “**Announcements**”). Unless otherwise stated, capitalised terms used herein shall have the same meanings as those defined in the Announcements.

Further to the Announcements, the Board would like to provide more information about the delay in publication of the Annual Results to shareholders and investors.

FURTHER INFORMATION ON THE REASONS OF THE DELAY IN PUBLICATION OF THE ANNUAL RESULTS

It is set out in the Company’s announcement dated 23 March 2018 that the Company requires more time to provide all necessary information requested by the external auditor of the Company (the “**Auditor**”) to demonstrate that the Group has sufficient working capital for future operation, so that the Auditor can perform and complete its audit procedures in this respect. Details of the audit issues in this regard and the Company’s resolutions thereto are as follows:

1. The expected extension of two convertible bonds issued by the Company

References are made to the Company's announcements dated 10 July 2015, 21 July 2015, 21 December 2015 and 28 January 2016, respectively, in relation to, among others, (i) the convertible bond issued by the Company and subscribed by Haitong International Securities Company Limited (the "**Haitong Convertible Bond**"); and (ii) the convertible bond issued by the Company and subscribed by CCB International Overseas Limited (the "**CCB Convertible Bond**"), together with the Haitong Convertible Bond, the "**Convertible Bonds**").

Selected relevant principle terms and information of the Convertible Bonds

The Haitong Convertible Bond

Date of the subscription agreement:	10 July 2015
Parties:	The Company (as the issuer); Haitong International Securities Company Limited (as the subscriber); and Mr. Lam (as the guarantor)
Principal amount:	HK\$100,000,000
Date of issuance:	21 July 2015
Maturity date:	21 July 2017

The CCB Convertible Bond

Date of the subscription agreement:	21 December 2015
Parties:	The Company (as the issuer); CCB International Overseas Limited (as the subscriber); and Mr. Lam (as the guarantor under a separate deed of guarantee)
Principal amount:	HK\$50,000,000
Date of issuance:	28 January 2016
Maturity date:	29 January 2018

Progress of the extension of the Convertible Bonds

As disclosed above, the Haitong Convertible Bond and the CCB Convertible Bond have matured on 21 July 2017 and 29 January 2018, respectively. Before the respective maturity of the Convertible Bonds, the Company has already commenced negotiation in good faith and on an arm's length basis with Haitong International Securities Company Limited ("**Haitong**") and CCB International Overseas Limited ("**CCB**"), respectively, regarding extension of the Haitong Convertible Bond and the CCB Convertible Bond on materially the same terms and conditions.

The Board considers that the Company is in the final stage of negotiating terms and conditions with Haitong, and confirms that Haitong has agreed in principle with the extension of the Haitong Convertible Bond on materially the same terms and conditions with the original subscription agreement. Based on such, the Board expects the Company to enter into the formal agreement with Haitong in this regard no later than 27 April 2018.

For the extension of the CCB Convertible Bond, the Board estimates that more time is needed for the negotiation of terms and conditions between the Company and CCB. Nonetheless, based on the information currently available to the Company, the Board considers that CCB will agree with the extension of the CCB Convertible Bond on materially the same terms and conditions with the original subscription agreement.

The Auditor's view

The Auditor has informed the Company that it was unable to obtain appropriate audit evidence about the extension of the Convertible Bonds. Consequently, it was unable to determine the appropriate accounting treatment in relation to the Convertible Bonds, and whether the Group will have sufficient working capital should the Company need to repay the aggregate outstanding principal amount of the Convertible Bonds.

Resolution

For the extension of the Haitong Convertible Bond, the Company will procure the entering into of the relevant formal agreement with Haitong within the expected timeframe, which can be an audit evidence in this regard. For the extension of the CCB Convertible Bond, the Company will also procure the gathering of audit evidence in a timely manner. The Auditor is of the view that its audit procedure in this regard can be completed within two to three weeks once the Company provides such evidence.

2. The production status of the Polyard Wells (as defined below)

References are made to the Company's announcements dated 11 December 2015, 17 November 2015, 25 August 2016, 28 December 2016 and 12 March 2018, respectively, in connection with, among others, (i) the second appraisal well, Polyard-1 Well (the "**Polyard-1 Well**"); (ii) the third appraisal well, Polyard-3 Well (the "**Polyard-3 Well**"); (iii) the fifth appraisal well,

Polyard-8 Well (the “**Polyard-8 Well**”); and (iv) the sixth appraisal well, Polyard-9 Well (the “**Polyard-9 Well**”) (collectively, the “**Polyard Wells**”) of Service Contract No.49 Block in the Philippines (“**SC49**”). Reference is also made to the Company’s announcement dated 13 March 2018 regarding the sales and purchase agreement entered into between China International Mining Petroleum Company Limited (“**CIMP**”), a subsidiary of the Company, and Tom’s Power Petroleum Distributor Inc. (“**TPPDI**”) on 12 March 2018 for the sale and purchase of crude oil in the Philippines (the “**SPA**”).

The Polyard-1 Well

The Polyard-1 Well commenced oil testing operation on 18 October 2015 and completed oil testing on 11 December 2015. The Polyard-1 Well has turned into a production well and the Board expects it to commence production in August 2018.

The Polyard-3 Well

The Polyard-3 Well commenced oil testing operation on 20 July 2016 and completed oil testing on 25 August 2016. The Polyard-3 Well has turned into a production well and the Board expects it to commence production in late May 2018.

The Polyard-8 Well

The Polyard-8 Well commenced oil testing operation on 15 December 2016 and completed oil testing on 28 December 2016. The Polyard-8 Well has commenced the production of crude oil on 4 April 2018.

The Polyard-9 Well

The Polyard-9 Well was spudded in on 24 February 2018 and completed drilling on 6 March 2018 at the final depth of 860 meters. The well logging was completed on 11 March 2018. The oil testing of Polyard-9 Well is undergoing and it will convert into a production well after the completion of the oil testing, which is expected to be in late April 2018.

The SPA

Pursuant to the SPA, CIMP has agreed to sell and TPPDI has agreed to purchase crude oil. It is contemplated that CIMP shall sell crude oil upon the demand of TPPDI, and TPPDI shall load the oil at least once a week.

The relevant audit issues

The Auditor was unable to obtain sufficient audit evidence about the future production levels of the Polyard Wells, and hence was unable to determine the Group's future revenue regarding the Polyard Wells and the SPA, which the Auditor considers to be a factor affecting the sufficiency of the Group's working capital.

Resolution

The Company has provided (i) daily production reports of the Polyard-8 Well from 4 April 2018 to 14 April 2018 to indicate its production levels; and (ii) oil testing reports of the Polyard-1 Well, Polyard-3 Well and Polyard-9 Well which contain relevant estimation on their future production levels. The Company expects to provide (i) the oil production forecast revised by the management of the Company based on the daily production reports of the Polyard-8 Well and the oil testing reports of the Polyard-1 Well, Polyard-3 Well and Polyard-9 Well; and (ii) the revenue and working capital forecast prepared by the management of the Company based on the revised oil production forecast, both by 27 April 2018. The Company will procure the timely provision of such forecasts as audit evidence sufficient to demonstrate the Group's future revenue regarding the Polyard Wells and the SPA and hence the Group's future working capital sufficiency. The Board currently expects that the audit procedure in this regard as agreed with the Auditor can be completed within two to three weeks once the Company provides such evidence.

3. The Group's capital commitments under SC49

References are made to the Company's announcements dated 20 December 2017 and 14 March 2018, respectively, which set out that CIMP has been granted the approval of the plan of development for oil for SC49 and a 25 years production license for the production of crude oil therein from the Department of Energy of the Government of the Republic of the Philippines (the "DOE"). CIMP submitted the annual work program and a firm budget of US\$8,563,000 for calendar year 2018, which has been approved by the DOE on 31 March 2018.

The relevant audit issues

In connection with the previous sub-section headed "The production status of the Polyard Wells", the Auditor was unable to determine whether the Group's future revenue and working capital would be sufficient for CIMP to fulfill its required capital commitments for calendar year 2018 under SC49.

Resolution

As discussed in the previous sub-section headed "The production status of the Polyard Wells", the Company will submit to the Auditor, among others, the revenue and working capital forecast prepared based on the revised oil production forecast. The Company has also obtained and

provided to the Auditor a legal opinion which provides that the DOE, in performance of the constitutionally-mandated principle of due process, will give CIMP enough time and leeway to comply with its commitments. The Board has also explained to the Auditor that the Company can request revision of the approved annual work program and budget should there be changes in circumstances. As a condition of the approved plan of development for oil for SC49, a revised timetable, annual work program and budget will be submitted to the DOE in calendar year 2018 to facilitate CIMP's fulfillment of its capital commitments. Based on the current discussion with the Auditor, the Board expects that the audit procedure in this regard as agreed with the Auditor can be completed within two to three weeks once the Company provides such evidence.

4. Means of fund raising activities available to the Group

The Company has been considering to engage fund raising activities with investors to ensure the Group's working capital sufficiency, and the Board is of the view that there exist certain options available to the choice of the Company. As and when necessary, the Company will procure the entering into of suitable fund raising agreement(s) with investors in a timely manner to ensure the Group's working capital sufficiency. The Auditor currently concurs with the Board's aforesaid view.

DELAY IN PUBLICATION OF THE ANNUAL RESULTS

The Board acknowledges that the delay in publication of the Annual Results and the 2017 Annual Report within three months after the end of the financial year ended 31 December 2017 as required under Rules 18.49 and 18.48A of the GEM Listing Rules will constitute a non-compliance of the GEM Listing Rules.

As discussed previously, the Company is in the process of gathering or preparing audit evidence to demonstrate the sufficiency of the Group's working capital. Based on the current process, the Board currently estimates that the Annual Results, as agreed with the Auditor, will be published no later than 21 May 2018.

PUBLICATION OF UNAUDITED MANAGEMENT ACCOUNTS FOR THE YEAR ENDED 31 DECEMBER 2017

In order to keep the shareholders of the Company (the "**Shareholders**") and the public informed of the Group's business operation and financial position to better assess the most recent financial performance of the Group, the Board would like to provide the Shareholders and the public with the preliminary unaudited financial information of the Group for the year ended 31 December 2017, together with the comparative figures for the same period in 2016, as set out below.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2017

	Unaudited 2017 HK\$'000	Audited 2016 HK\$'000
Turnover	–	–
Other income	17	143
Administrative and other operating expenses	(28,634)	(37,013)
Finance costs	(19,033)	(18,737)
Impairment losses recognised on deferred exploration expenditure	–	(25,548)
Impairment losses recognised on amounts due from associates	(20)	(16,287)
Share of results of associates	–	(27,436)
Share of results of a joint venture	<u>21,289</u>	<u>102,376</u>
Loss before income tax	(26,381)	(22,502)
Income tax credit	<u>631</u>	<u>663</u>
Loss for the year	<u>(25,750)</u>	<u>(21,839)</u>
Attributable to:		
Owners of the Company	(32,674)	(51,694)
Non-controlling interests	<u>6,924</u>	<u>29,855</u>
	<u>(25,750)</u>	<u>(21,839)</u>

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2017

	Unaudited 2017 HK\$'000	Audited 2016 HK\$'000
Loss for the year	(25,750)	(21,839)
Other comprehensive income/(expense)		
Items that may be reclassified subsequently to profit or loss:		
Exchange differences on translation of foreign operations	<u>2,104</u>	<u>(1,511)</u>
Total comprehensive expense for the year	<u>(23,646)</u>	<u>(23,350)</u>
Attributable to:		
Owners of the Company	(31,123)	(53,231)
Non-controlling interests	<u>7,477</u>	<u>29,881</u>
Total comprehensive expense for the year	<u>(23,646)</u>	<u>(23,350)</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2017

	Unaudited 2017 HK\$'000	Audited 2016 HK\$'000
NON-CURRENT ASSETS		
Property, plant and equipment	637	912
Interests in associates	–	–
Interests in a joint venture	356,619	330,768
Deferred exploration expenditure	–	–
	<u>357,256</u>	<u>331,680</u>
CURRENT ASSETS		
Amounts due from associates	–	–
Other receivables	38,704	35,520
Cash and cash equivalents	4,894	4,698
	<u>43,598</u>	<u>40,218</u>
CURRENT LIABILITIES		
Other payables	(19,536)	(16,153)
Amounts due to directors	(6,065)	(735)
Amounts due to a shareholder	(40,870)	(9)
Convertible bonds	(149,781)	(98,874)
Obligations under finance leases – current portion	(171)	(163)
	<u>(216,423)</u>	<u>(115,934)</u>
NET CURRENT LIABILITIES	<u>(172,825)</u>	<u>(75,716)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES	<u>184,431</u>	<u>255,964</u>
NON-CURRENT LIABILITIES		
Convertible bonds	–	(47,086)
Deferred tax liabilities	(36)	(667)
Obligations under finance leases – non-current portion	(44)	(214)
	<u>(80)</u>	<u>(47,967)</u>
NET ASSETS	<u>184,351</u>	<u>207,997</u>
CAPITAL AND RESERVES		
Share capital	117,502	117,502
Reserves	16,206	47,329
	<u>133,708</u>	<u>164,831</u>
Equity attributable to owners of the Company	133,708	164,831
Non-controlling interests	50,643	43,166
TOTAL EQUITY	<u>184,351</u>	<u>207,997</u>

Shareholders and potential investors are reminded that the financial information of the Group for the year ended 31 December 2017 contained in this announcement is not based on data or information that has been audited. The relevant financial information is pending for further review by the Auditor, the audit committee and will be subject to changes resulting from, among others, further review by the Company and any adjustments that might be proposed by the Auditor.

CONTINUED SUSPENSION OF TRADING

Trading in the shares of the Company on GEM has been suspended since 9:00 a.m. on 3 April 2018 and will continue to be suspended until further notice. The Company will keep Shareholders and the public informed of the latest developments by making further announcement(s) as and when appropriate. **Shareholders and potential investors of the Company should exercise caution when dealing in the shares of the Company.**

For and on behalf of the Board
POLYARD PETROLEUM INTERNATIONAL GROUP LIMITED
Lai Chun Liang
Executive Director and Chief Executive Officer

Hong Kong, 20 April 2018

At the date of this announcement, the Board is comprised of Mr. Zhao Zhiyong, Mr. Kuai Wei, Mr. Lai Chun Liang and Mr. Lin Zhang as executive directors, and Mr. Pai Hsi-Ping, Ms. Xie Qun and Mr. Kwan King Chi George as independent non-executive directors.

This announcement, for which the directors of the Company collectively and individually accept full responsibility, includes particulars given in compliance with the GEM Listing Rules for the purpose of giving information with regard to the Company. The directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief: (1) the information contained in this announcement is accurate and complete in all material respects and not misleading; (2) there are no other matters the omission of which would make any statement in this announcement misleading; and (3) all opinions expressed in this announcement have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.

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