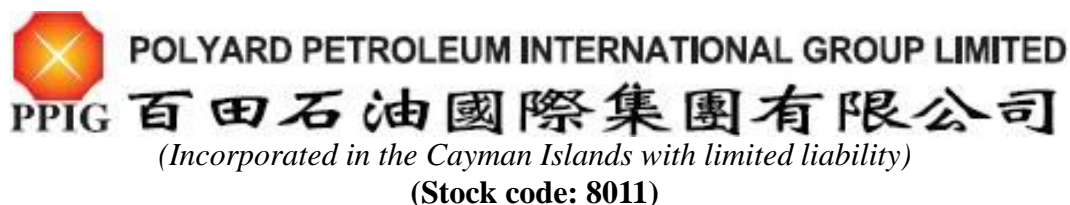


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**AUDITED ANNUAL RESULTS ANNOUNCEMENT
FOR THE YEAR ENDED 31 DECEMBER 2020**

**CHARACTERISTICS OF GEM OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE
“STOCK EXCHANGE”)**

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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This announcement, for which the directors (the “Directors”) of Polyard Petroleum International Group Limited (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 enquires, 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.

ANNUAL RESULTS

Reference is made to (i) the announcement of the Company dated 31 March 2021 (the “**2020 Unaudited Annual Results Announcement**”) in relation to, among others, the unaudited annual results of the Company and delay in publication of the audited annual results for the year ended 31 December 2020 (the “**2020 Audited Annual Results**”) and despatch of annual report of the Company for the year ended 31 December 2020 (the “**2020 Annual Report**”); (ii) the announcement of the Company dated 14 May 2021 in relation to the further delay in publication of 2020 Audited Annual Results and 2020 Annual Report; and (iii) the announcement of the Company dated 21 May 2021 in relation to the Stock Exchange’s grant of waiver from strict compliance with Rules 18.03, 18.48a and 18.50c of the GEM Listing Rules.

Shareholders of the Company (the “**Shareholders**”) and potential investors should be aware that this announcement of 2020 Audited Annual Results was made to replace the 2020 Unaudited Annual Results Announcement which has not been agreed with the auditor of the Company. As certain changes have been made to the unaudited annual results of the Group for the year ended 31 December 2020 as contained in the 2020 Unaudited Annual Results Announcement, the differences between the unaudited annual results set out in the 2020 Unaudited Annual Results Announcement and the audited annual results disclosed in this announcement are set out in the section headed “Reconciled Consolidated Statement of Financial Position” in this announcement.

The board of Directors (the “**Board**”) of the Company announces the audited consolidated results of the Group for the year ended 31 December 2020, together with the comparative audited figures for the previous year, as set out below:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2020

		2020	2019
	<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Turnover	5	—	—
Other income	5	470	596
Administrative and other operating expenses		(15,535)	(18,059)
Finance costs	6	(28,482)	(18,407)
Impairment losses recognised on deferred exploration expenditure		(34)	—
Share of results of a joint venture		20,817	(84,841)
Gain on disposal of subsidiaries	15	4,129	—
		<hr/>	<hr/>
Loss before tax	7	(18,635)	(120,711)
Taxation	8	—	—
		<hr/>	<hr/>
Loss for the year		(18,635)	(120,711)
		<hr/> <hr/>	<hr/> <hr/>
Attributable to:			
Owners of the Company		(25,069)	(88,611)
Non-controlling interests		6,434	(32,100)
		<hr/>	<hr/>
		(18,635)	(120,711)
		<hr/> <hr/>	<hr/> <hr/>
Loss per share	9		
— Basic		HK(0.80) cents	HK(3.02) cents
		<hr/> <hr/>	<hr/> <hr/>
— Diluted		HK(0.80) cents	HK(3.02) cents
		<hr/> <hr/>	<hr/> <hr/>

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2020

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Loss for the year	<u>(18,635)</u>	<u>(120,711)</u>
Other comprehensive expense		
Item that will not be reclassified to profit or loss:		
Release of exchange reserve upon disposal of subsidiaries	(181)	—
Item that may be reclassified subsequently to profit or loss:		
Exchange differences arising on translation of foreign operations	<u>(1,213)</u>	<u>(661)</u>
	<u>(1,394)</u>	<u>(661)</u>
Total comprehensive expense for the year	<u><u>(20,029)</u></u>	<u><u>(121,372)</u></u>
Attributable to:		
Owners of the Company	(26,175)	(88,834)
Non-controlling interests	<u>6,146</u>	<u>(32,538)</u>
	<u><u>(20,029)</u></u>	<u><u>(121,372)</u></u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2020

	<i>Notes</i>	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
NON-CURRENT ASSETS			
Property, plant and equipment		36	144
Interests in associates		—	—
Interests in a joint venture		289,980	270,685
Deferred exploration expenditure		—	—
		<u>290,016</u>	<u>270,829</u>
CURRENT ASSETS			
Amounts due from associates		—	—
Other receivables	<i>11</i>	43,978	45,001
Cash and cash equivalents		57	296
		<u>44,035</u>	<u>45,297</u>
CURRENT LIABILITIES			
Other payables	<i>12</i>	(71,053)	(63,151)
Amounts due to directors		(12,382)	(11,758)
Convertible bonds	<i>13</i>	(75,000)	(150,000)
Promissory note payable		(2,000)	(2,000)
		<u>(160,435)</u>	<u>(226,909)</u>
NET CURRENT LIABILITIES		<u>(116,400)</u>	<u>(181,612)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>173,616</u>	<u>89,217</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)*At 31 December 2020*

	2020	2019
	<i>HK\$'000</i>	<i>HK\$'000</i>
NON-CURRENT LIABILITY		
Amounts due to a shareholder	<u>(73,078)</u>	<u>(67,209)</u>
NET ASSETS	<u>100,538</u>	<u>22,008</u>
CAPITAL AND RESERVES		
Share capital	<i>14</i> 134,168	117,502
Reserves	<u>(57,735)</u>	<u>(113,453)</u>
Equity attributable to owners of the Company	76,433	4,049
Non-controlling interest	<u>24,105</u>	<u>17,959</u>
TOTAL EQUITY	<u>100,538</u>	<u>22,008</u>

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2020

Attributable to owners of the Company

	Share capital HK\$'000	Share premium HK\$'000	Share reserve HK\$'000	Capital reserve HK\$'000	Exchange reserve HK\$'000	Convertible bonds reserve HK\$'000	Accumulated losses HK\$'000	Total HK\$'000	Non-controlling interests HK\$'000	Total HK\$'000
At 1 January 2019	117,502	998,012	985	—	(822)	3,285	(1,026,079)	92,883	50,497	143,380
Loss for the year	—	—	—	—	—	—	(88,611)	(88,611)	(32,100)	(120,711)
Other comprehensive expense for the year	—	—	—	—	(223)	—	—	(223)	(438)	(661)
Total comprehensive expense for the year	—	—	—	—	(223)	—	(88,611)	(88,834)	(32,538)	(121,372)
At 1 January 2020	117,502	998,012	985	—	(1,045)	3,285	(1,114,690)	4,049	17,959	22,008
Profit(loss) for the year	—	—	—	—	—	—	(25,069)	(25,069)	6,434	(18,635)
Other comprehensive expense for the year	—	—	—	—	(1,106)	—	—	(1,106)	(288)	(1,394)
Total comprehensive income (expense) for the year	—	—	—	—	(1,106)	—	(25,069)	(26,175)	6,146	(20,029)
Redemption of convertible bonds equity reserve	—	—	—	—	—	(475)	475	—	—	—
Recognition of equity component of convertible bonds	—	—	—	—	—	5,725	—	5,725	—	5,725
Issue of shares upon conversion of convertible bonds	16,666	58,334	—	—	—	(5,725)	—	69,275	—	69,275
Contribution from a shareholder (Note 16)	—	—	—	23,559	—	—	—	23,559	—	23,559
At 31 December 2020	<u>134,168</u>	<u>1,056,346</u>	<u>985</u>	<u>23,559</u>	<u>(2,151)</u>	<u>2,810</u>	<u>(1,139,284)</u>	<u>76,433</u>	<u>24,105</u>	<u>100,538</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

1. GENERAL INFORMATION

Polyard Petroleum International Group Limited (the “Company”) is a public limited company incorporated in the Cayman Islands and its shares are listed on the GEM of The Stock Exchange of Hong Kong Limited. Its parent is Silver Star Enterprises Holdings Inc. (incorporated in the British Virgin Islands) and the ultimate controlling party is Mr. Lam Nam (“Mr. Lam”). The addresses of the registered office and principal place of business of the Company are disclosed in the corporate information section of the annual report.

The principal activity of the Company is investment holding and the principal activities of its subsidiaries are the exploration, exploitation and development of oil and natural gas and provision of technical services for oil and gas exploration and development.

The consolidated financial statements are presented in Hong Kong dollars (“HK\$”), which is also the functional currency of the Company.

2. BASIS OF PREPARATION FOR THE CONSOLIDATED FINANCIAL STATEMENTS

Going concern

The Group incurred a net loss attributable to owners of the Company of approximately HK\$25,069,000 for the year ended 31 December 2020 and, as of that date, the Group had net current liabilities of approximately HK\$116,400,000. These conditions indicate the existence of a material uncertainty which may cast significant doubt on the Group’s ability to continue as a going concern and therefore, the Group may not be able to realise its assets and discharge its liabilities in the normal course of business.

In order to ensure the Group’s ability to operate as a going concern, the directors of the Company have implemented measures as follow:

- (i) Subsequent to the reporting period, on 15 January 2021, the Company issued 222,222,223 subscription shares at subscription price of HK\$0.18 per subscription share to Mr. Lam pursuant to a subscription agreement (“Agreement A”) entered into between the Company and Mr. Lam on 27 November 2020. The subscription amount payable by Mr. Lam of HK\$40,000,000 under Agreement A was satisfied by capitalising an amount owned by the Company to Mr. Lam of HK\$40,000,000 (“Indebted Amount A”).

On 15 January 2021, the Company also issued 260,555,556 subscription shares at subscription price of HK\$0.18 per subscription share to East Asia Oil Engineering Group Limited (“East Asia”) pursuant to a subscription agreement (“Agreement B”) entered into between the Company and East Asia on 27 November 2020. The subscription amount payable by East Asia of HK\$46,900,000 under Agreement B had been satisfied by capitalising the amount of trade payables (arising from the turnkey drilling services provided by East Asia for the oil production projects in Philippines incurred in January 2021) due to East Asia of HK\$46,900,000 (“Indebted Amount B”).

Upon the completion of issue of subscription shares under Agreement A and Agreement B, the repayment obligations of Indebted Amount A and Indebted Amount B had been discharged.

- (ii) The Company has planned and is in negotiation with potential investors to raise sufficient funds through fund-raising arrangement.
- (iii) East Asia had undertaken to take over the outstanding convertible bond of HK\$25,000,000 from the original holder of convertible bond.

- (iv) The ultimate controlling party, Mr. Lam, has undertaken to provide adequate funds to enable the Group to meet its liabilities and to settle financial obligations to third parties as and when they fall due so that the Group can continue as a going concern and carry on its business without significant curtailment of operations for the twelve months from the date of approval of these consolidated financial statements. Mr. Lam was also undertaken not to demand the Company for repayment of his loans until all other liabilities of the Group have been satisfied. In addition, Mr. Lam has provided guarantees to the convertible bondholders for the repayment of the outstanding convertible bonds with aggregate principal amounts of HK\$75,000,000 and all accrued interest in the sum of HK\$40,471,000.
- (v) The directors of the Company will continue to implement measures aiming at improving the working capital and cash flows of the Group including closely monitoring general administrative expenses and operating costs.

The directors of the Company have carried out a detailed review of the cash flow forecast of the Group for the next twelve months from the reporting date taking into account the impact of the above measures, the directors of the Company believe that the Group will have sufficient cash resources to satisfy its future working capital and other financing requirements. Accordingly, the consolidated financial statements for the year ended 31 December 2020 have been prepared on a going concern basis.

Should the Group be unable to continue in business as a going concern, adjustments would have to be made to write down the value of assets to their recoverable amount, to provide for future liabilities which might arise and to reclassify non-current assets and liabilities to current assets and liabilities respectively. The effects of these potential adjustments have not been reflected in these consolidated financial statements.

3. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”)

Amendments to HKFRSs that are mandatorily effective for the current year

In the current year, the Group has applied the Amendments to References to the Conceptual Framework in HKFRS Standards and the following amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) for the first time, which are mandatorily effective for the annual period beginning on or after 1 January 2020 for the preparation of the consolidated financial statement.

Amendments to HKAS 1 and HKAS 8	Definition of Material
Amendments to HKFRS 3	Definition of a Business
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform – Phase 1

The application of the Amendments to References to the Conceptual Framework in HKFRS Standards and the amendments to HKFRSs in the current year had no material impact on the Group’s financial positions and performance for the current and prior years and/or on the disclosures set out in these consolidated financial statement.

3. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”) (Continued)

New and amendments to HKFRSs in issue but not yet effective

The Group has not early applied the following new and amendments to HKFRSs that have been issued but are not yet effective:

HKFRS 17	Insurance Contracts and the related Amendments ¹
Amendments to HKFRS 16	COVID-19 – Related Rent Concession ⁴
Amendments to HKFRS 3	Reference to the Conceptual Framework ²
Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	Interest Rate Benchmark Reform – Phase 2 ⁵
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ³
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020) ¹
Amendments to HKAS 16	Property, Plant and Equipment – Proceeds before Intended Use ²
Amendments to HKAS 37	Onerous Contracts – Cost of Fulfilling a Contract ²
Amendments to HKFRSs	Annual Improvements to HKFRSs 2018-2020 Cycle ²

¹ Effective for annual periods beginning on or after 1 January 2023.

² Effective for annual periods beginning on or after 1 January 2022.

³ Effective date to be determined.

⁴ Effective for annual periods beginning on or after 1 June 2020.

⁵ Effective for annual periods beginning on or after 1 January 2021.

The directors of the Company anticipate that the application of the above new and amendments to HKFRSs will have no material impact on the consolidated financial statements in the foreseeable future.

4. SEGMENT INFORMATION

The Group determines its operating segments based on the reports reviewed by the chief operating decision-makers that are used to make strategic decisions.

For the years ended 31 December 2020 and 2019, the Group has two reportable and operating segments — (1) exploration of oil and natural gas, and (2) provision of technical services for oil and gas exploration and development. These segments are managed separately as they belong to different industries and require different operating systems and strategies.

The Group accounts for inter-segment revenue and transfers as if the revenue or transfers were to third parties. All inter-segment revenue and transfers are eliminated on consolidation.

The accounting policies of the operating segments are the same as the Group's accounting policies. Segment profit or loss represents profit or loss reported by each segment without allocation of central administration costs including directors' emoluments, finance costs and income tax. This is the measure reported to the chief operating decision makers for the purposes of resource allocation and assessment of segment performance.

For the purposes of monitoring segment performance and allocating resources between segments:

- all assets are allocated to operating segments other than unallocated corporate assets.
- all liabilities are allocated to operating segments other than unallocated corporate liabilities.

An analysis of the Group's reportable segment revenues, results, assets, liabilities and other selected financial information is presented below.

(a) Reportable Segments**2020**

	Exploration of oil and natural gas <i>HK\$'000</i>	Provision of technical services <i>HK\$'000</i>	Elimination <i>HK\$'000</i>	Total <i>HK\$'000</i>
Revenue from external customer	—	—	—	—
Inter-segment revenue	—	969	(969)	—
Reportable segment revenue	—	969	(969)	—
Reportable segment loss before tax	(1,999)	(4,048)	—	(6,047)
Unallocated corporate expenses				(9,018)
Share of results of a joint venture	20,817			20,817
Impairment losses recognised on deferred exploration expenditure	(34)			(34)
Unallocated interest expenses				(28,482)
Gains on disposal of subsidiaries	4,129			4,129
Loss before tax				(18,635)

2019

	Exploration of oil and natural gas <i>HK\$'000</i>	Provision of technical services <i>HK\$'000</i>	Elimination <i>HK\$'000</i>	Total <i>HK\$'000</i>
Revenue from external customer	—	—	—	—
Inter-segment revenue	—	2,454	(2,454)	—
Reportable segment revenue	—	2,454	(2,454)	—
Reportable segment loss before tax	(3,020)	(6,071)	—	(9,091)
Unallocated corporate expenses				(8,372)
Share of results of a joint venture	(84,841)			(84,841)
Unallocated interest expenses				(18,407)
Loss before tax				(120,711)

2020	Exploration of oil and natural gas <i>HK\$'000</i>	Provision of technical services <i>HK\$'000</i>	Elimination <i>HK\$'000</i>	Total <i>HK\$'000</i>
Assets:				
Segment assets	43,430	309	—	43,739
Interests in a joint venture	289,980			289,980
Unallocated corporate assets				<u>332</u>
Total assets				<u><u>334,051</u></u>
Liabilities:				
Segment liabilities	575	12,836	—	13,411
Unallocated corporate liabilities				<u>220,102</u>
Total liabilities				<u><u>233,513</u></u>
2019	Exploration of oil and natural gas <i>HK\$'000</i>	Provision of technical services <i>HK\$'000</i>	Elimination <i>HK\$'000</i>	Total <i>HK\$'000</i>
Assets:				
Segment assets	43,334	923	—	44,257
Interests in a joint venture	270,685			270,685
Unallocated corporate assets				<u>1,184</u>
Total assets				<u><u>316,126</u></u>
Liabilities:				
Segment liabilities	3,830	10,815	—	14,645
Unallocated corporate liabilities				<u>279,473</u>
Total liabilities				<u><u>294,118</u></u>

Other segment information

2020	Exploration of oil and natural gas <i>HK\$'000</i>	Provision of technical services <i>HK\$'000</i>	Unallocated <i>HK\$'000</i>	Total <i>HK\$'000</i>
Depreciation	<u>70</u>	<u>19</u>	<u>5</u>	<u>94</u>
2019	Exploration of oil and natural gas <i>HK\$'000</i>	Provision of technical services <i>HK\$'000</i>	Unallocated <i>HK\$'000</i>	Total <i>HK\$'000</i>
Depreciation	98	21	123	242
Additions to non-current assets	<u>—</u>	<u>24</u>	<u>—</u>	<u>24</u>

(b) Geographical Information

The following table sets out information about the geographical location of (i) the Group's revenue from external customers and (ii) the Group's property, plant and equipment, interests in a joint venture ("Specified non-current assets"). The geographical location of customers is based on the location in which the services were provided or the goods delivered. The geographical location of the specified non-current assets is based on the physical location of the assets in the case of property, plant and equipment, and the location of operation in the case of interests in a joint venture.

	Revenue from external customers		Specified non-current assets	
	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Mainland China, including Hong Kong and Macau	—	—	36	78
Philippines	<u>—</u>	<u>—</u>	<u>289,980</u>	<u>270,751</u>
	<u>—</u>	<u>—</u>	<u>290,016</u>	<u>270,829</u>

5. TURNOVER AND OTHER INCOME

The Group did not have any turnover during the year (2019: Nil) and an analysis of the Group's other income for the year is as follows:

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Bank interest income	1	1
Administrative income	242	550
Other miscellaneous income	227	45
	<hr/> 470 <hr/>	<hr/> 45 <hr/>

6. FINANCE COSTS

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Interest expenses on bank overdraft	77	104
Late charges of interest expenses on convertible bonds	20,665	3,082
Interest expenses on convertible bonds	7,500	15,000
Interest expenses on promissory note payable	240	220
Finance lease charges	—	1
	<hr/> 28,482 <hr/>	<hr/> 18,407 <hr/>

7. LOSS BEFORE TAX

Loss before tax is arrived at after charging the following items:

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Staff costs (including directors' emoluments)		
— Salaries, allowances and benefits in kind	9,010	12,270
— Retirement scheme contributions	72	67
	9,082	12,337
Auditor's remuneration		
Audit service	600	600
Non-audit service	—	—
	600	600
Depreciation of property, plant and equipment	31	159
Impairment losses recognised on deferred exploration expenditure	34	—
Allowance for credit loss	1,951	—

8. TAXATION

Income tax expense recognised in profit or loss

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Current tax		
— Hong Kong Profits Tax	—	—
— PRC Enterprise Income Tax	—	—
— Other jurisdictions	—	—
Income tax expense for the year	—	—

No Hong Kong Profits Tax has been provided as the Group had no assessable profits in Hong Kong for the year (2019: Nil).

Under the law of the PRC on Enterprises Income Tax (the “EIT Law”) and Implementation Regulation of the EIT Law, the tax rate of the Group’s PRC subsidiaries is 25% for both years.

Taxation arising in other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.

No deferred tax asset has been recognised in respect of such tax losses due to unpredictability stream of future taxable profits that will be available against which the tax losses can be utilised.

There was no material unprovided deferred tax liabilities as at the end of the year (2019: Nil).

9. LOSS PER SHARE

Basic and diluted loss per share

The calculations of the basic and diluted loss per share are based on the following data:

	2020 <i>HK\$ '000</i>	2019 <i>HK\$ '000</i>
Loss for the year attributable to the owners of the Company	<u>(25,069)</u>	<u>(88,611)</u>
	2020 <i>'000</i>	2019 <i>'000</i>
Weighted average number of ordinary shares	<u>3,132,210</u>	<u>2,937,538</u>

During the years ended 31 December 2020 and 2019, the computation of diluted loss per share does not assume the conversion of the outstanding convertible bonds since it would result in a decrease in loss per share, and is regarded as anti-dilutive. Accordingly, the diluted loss per share is same as the basic loss per share.

10. DIVIDENDS

No dividend has been paid, declared or proposed during the year, nor has any dividend been proposed since the end of reporting period (2019: Nil).

11. OTHER RECEIVABLES

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Prepayments	1,488	1,446
Deposits and other debtors	1,104	1,426
Amounts due from parties to a joint venture (<i>Note a</i>)	38,899	38,697
Amounts due from a joint venture (<i>Note b</i>)	4,438	3,432
	<u>45,929</u>	<u>45,001</u>
Less: Allowance for credit losses	(1,951)	—
	<u>43,978</u>	<u>45,001</u>

Notes:

- a. The amounts due from parties to a joint venture represent the expenditure for the joint venture to be recovered from parties to a joint venture. The amounts are interest-free, repayable on demand and could be recovered from the parties to a joint venture through their participating interests and profit sharing in the joint venture.
- b. The amounts due from a joint venture are interest-free, unsecured and repayable on demand. The recoverability of the amounts has been taken into account in the recoverable amount of interests in the joint venture.

12. OTHER PAYABLES

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Accrued charges	29,575	26,307
Interest payables	40,931	36,086
Other payables	547	758
	<u>71,053</u>	<u>63,151</u>

13. CONVERTIBLE BONDS

	Convertible Bonds A <i>HK\$'000</i>	Convertible Bonds B <i>HK\$'000</i>	Convertible Bonds C <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1 January 2019	100,000	50,000	—	150,000
Interest charged	10,000	5,000	—	15,000
Interest paid/payable	<u>(10,000)</u>	<u>(5,000)</u>	<u>—</u>	<u>(15,000)</u>
At 31 December 2019 and 1 January 2020	100,000	50,000	—	150,000
Issue of convertible bonds	—	—	69,275	69,275
Conversion of convertible bonds	—	—	(69,275)	(69,275)
Redemption of convertible bonds	(75,000)	—	—	(75,000)
Interest charged	2,500	5,000	—	7,500
Interest paid/payable	<u>(2,500)</u>	<u>(5,000)</u>	<u>—</u>	<u>(7,500)</u>
At 31 December 2020	<u>25,000</u>	<u>50,000</u>	<u>—</u>	<u>75,000</u>
			2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Carrying amount repayable:				
Overdue			<u>75,000</u>	<u>150,000</u>

The details of convertible bonds issued by the Company are as follows:

	Convertible Bonds A ("CB A")	Convertible Bonds B ("CB B")	Convertible Bonds C ("CB C")
Principal amount:	HK\$100,000,000 in HKD settlement	HK\$50,000,000 in HKD settlement	HK\$75,000,000 in HKD settlement
Interest:	10% p.a. payable quarterly	10% p.a. payable semi-annually	Nil
Issue date:	21 July 2015	28 January 2016	13 July 2020
Maturity date:	21 July 2017 (<i>Note a</i>)	28 January 2018 (<i>Note b</i>)	6 July 2021 (<i>Note c</i>)
Conversion price per share:	HK\$0.40	HK\$0.414 (<i>Note b</i>)	HK\$0.18
Particulars of guarantee:	Personal guarantee given by Mr. Lam Nam, the controlling shareholder of the Company	Personal guarantee given by Mr. Lam Nam, the controlling shareholder of the Company	Nil
Survival of conversion right:	Exercisable until fully settled	Exercisable until fully settled	Exercisable until fully settled

13. CONVERTIBLE BONDS (Continued)

Notes:

- (a) On 31 May 2018, the Company, its holding Company, Silver Star Enterprises Holdings Inc. (“Silver Star”), and Mr. Lam Nam, the ultimate controlling party of the Company (“Personal Guarantor”) and the holder of CB A entered into the Deed of Undertaking; and the Company, the Personal Guarantor and the holder of CB A entered into the Supplemental Deed, together with the Deed of Undertaking, (the “Extension Arrangement”) pursuant to which the parties agreed that the maturity date of CB A to be extended from 21 July 2017 to 21 May 2019.

On 3 January 2020, the original holder of CB A (“Original Holder”) had completed transfer of part of CB A with principal amount of HK\$75,000,000 to East Asia. On 13 July 2020, this portion of CB A had been fully redeemed by the subscription and issuance of convertible bonds set out in paragraph (c).

Pursuant to the subscription agreement entered into between the Company and East Asia on 28 June 2020 and the amended and restated subscription agreement on 6 July 2020, East Asia had undertaken to take over the remaining principal balance of HK\$25,000,000 of CB A (“Remaining CB A”) from Original Holder and registered in the name of East Asia within one year from 13 July 2020.

As at the end of the reporting period, the Remaining CB A not yet transferred to East Asia were still registered in the name of the Original Holder and is guaranteed by Mr. Lam, the ultimate controlling party of the Company, until its disposal. In view of the above arrangement, the Directors anticipate that the Remaining CB A will not be called for repayment in the foreseeable future.

- (b) On 15 October 2018, the Company and holder of CB B entered into an amendment deed pursuant to which both parties agreed that the maturity date of CB B be extended from 28 January 2018 to 31 March 2019. Up to the date of this report, the Company and the holder of CB B are still in the process of negotiation regarding the settlement arrangement of CB B.

Subsequent to the reporting period, as a result of issuance of subscription shares on 20 January 2021, the conversion price of CB B has been adjusted from HK\$0.414 per share to HK\$0.18 per share with effect from 20 January 2021. For details please refer to the announcement of the Company dated 20 January 2021.

- (c) On 28 June 2020, the Company and East Asia entered into a subscription agreement for issuing convertible bonds with the principal amount up to HK\$100,000,000 by the Company to East Asia. The convertible bonds shall accrue no interest and shall mature on 6 July 2021. East Asia shall have the right at any time during the conversion period to convert the whole or part of the principal amount outstanding under the convertible bonds at the conversion price of HK\$0.18 per share into conversion shares. On 13 July 2020, all the conditions in respect of the issuance and subscription of convertible bonds in an aggregate principal amount of HK\$75,000,000 had been fulfilled and the Company issued the convertible bonds in aggregate principal amount of HK\$75,000,000 to East Asia (“CB C”). On 14 July 2020, East Asia converted CB C into 416,666,667 ordinary shares at the conversion price of HK\$0.18 per share.

14. SHARE CAPITAL

	Number of shares		Amount	
	2020 '000	2019 '000	2020 HK\$'000	2019 HK\$'000
Authorised:				
Ordinary shares of HK\$0.04 each	<u>5,000,000</u>	<u>5,000,000</u>	<u>200,000</u>	<u>200,000</u>
Issued and fully paid:				
Ordinary shares of HK\$0.04 each	<u>3,354,204</u>	<u>2,937,538</u>	<u>134,168</u>	<u>117,502</u>
			Number of ordinary shares in issue '000	Issued capital HK\$'000
At 1 January 2019, 31 December 2019 and 1 January 2020			2,937,538	117,502
Conversion of convertible bonds (Note a)			<u>416,666</u>	<u>16,666</u>
At 31 December 2020			<u>3,354,204</u>	<u>134,168</u>

Note a:

During the year, the Company issued 416,666,667 ordinary shares of HK\$0.04 each at conversion price of HK\$0.18 per share for full conversion of CB C with principal amount of HK\$75,000,000. Upon conversion, the liability component of HK\$69,275,000 and equity component of HK\$5,725,000 of CB C were transferred to the issued capital of approximately HK\$16,666,000 and the share premium amount of approximately HK\$58,334,000.

All the new shares issued rank pari passu with the existing ordinary shares of the Company in all respects.

15. GAIN ON DISPOSALS OF SUBSIDIARIES

On 19 June 2020, the Group disposed of its entire equity interest in Modern Lucky International Limited and its subsidiaries which held 89% equity interest in Gas Project to an independent third party for a consideration of HK\$1, resulting in a gain on disposal of HK\$4,129,000.

The aggregate net liabilities of the subsidiaries at the date of disposal were as follows:

	HK\$'000
Net liabilities disposed of:	
Property, plant and equipment	14
Other receivables	127
Cash and cash equivalents	46
Other payables	(3,641)
Amount due to a director	(494)
	<hr/>
	(3,948)
Release of exchange reserve	(181)
	<hr/>
Total consideration	—
	<hr/>
Net gain on disposal	<u>(4,129)</u>

An analysis of net outflows of cash and cash equivalents in respect of the disposal of subsidiaries is as follows:

	HK\$'000
Net cash outflow arising on disposal:	
Cash consideration received	—
Cash and cash equivalents disposed of	(46)
	<hr/>
	<u>(46)</u>

16. MAJOR NON-CASH TRANSACTIONS

- (a) On 13 July 2020, CB C with principal amount of HK\$75,000,000 was issued to East Asia for the redemption of a portion amounting to HK\$75M of CB A.
- (b) On 13 July 2020, upon fulfillment of the conditions in subscription agreement of CB C, East Asia had agreed to waive all accrued interest on the portion amounting to HK\$75M of CB A. The controlling shareholder of East Asia, Ms Li, is a shareholder of the Company, the waiver of interest expense on the portion amounting to HK\$75M of CB A in the amount of approximately HK\$23,559,000 was, therefore, recognised as capital reserve under equity.

RECONCILED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

Taking into account that the financial information contained in the 2020 Unaudited Annual Results Announcement was unaudited as at the date of its publication and subsequent adjustments have been made to such information, the Shareholders and potential investors of the Company are advised to pay attention to the differences between the unaudited annual results set out in the 2020 Unaudited Annual Results Announcement and the audited annual results disclosed in this announcement, the principal details and reasons are set out below:

At 31 December 2020

	Audited <i>HK\$'000</i>	Unaudited <i>HK\$'000</i>	Difference <i>HK\$'000</i>	<i>Note</i>
NON-CURRENT ASSETS	290,016	269,352	20,664	<i>1</i>
CURRENT ASSETS	44,035	45,976	(1,941)	<i>2</i>
Total assets	334,051	315,328	18,723	
CURRENT LIABILITIES				
Other payables	(71,053)	(62,903)	(8,150)	<i>3</i>
Amounts due to directors	(12,382)	(12,382)	—	
Convertible bonds	(75,000)	(75,000)	—	
Promissory note payable	(2,000)	(2,000)	—	
	(160,435)	(152,285)	(8,150)	
NON-CURRENT LIABILITIES				
Amounts due to a shareholder	(73,078)	(73,078)	—	
	(73,078)	(73,078)	—	
Total liabilities	(233,513)	(225,363)	(8,150)	
NET CURRENT LIABILITIES	(116,400)	(106,309)	(10,091)	
TOTAL ASSETS LESS				
CURRENT LIABILITIES	173,616	163,043	10,573	
NET ASSETS	100,538	89,965	10,573	

Notes:

1. The difference mainly represented recognition of reversal of impairment losses in respect of interests in a joint venture.
2. The difference mainly represented the recognition of allowance for credit losses on other receivables.
3. The difference represented an understatement of the late charges of interest expenses calculated on convertible bonds.

EXTRACTS FROM INDEPENDENT AUDITOR'S REPORT

The following is an extract of the independent auditor's report on the Group's consolidated financial statements for the year ended 31 December 2020.

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2020, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Material Uncertainty Related to Going Concern

The accompanying consolidated financial statements for the year ended 31 December 2020 have been prepared assuming that the Group will continue as a going concern. We draw attention to note 2 to the consolidated financial statements which indicates that the Group incurred a net loss attributable to owners of the Company of approximately HK\$25,069,000 for the year ended 31 December 2020 and, as of that date, the Group had net current liabilities of approximately HK\$116,400,000. These conditions indicate the existence of a material uncertainty that may cast significant doubt on the Group's ability to continue as a going concern. Management's arrangements to address the going concern issue are also described in note 2 to the consolidated financial statements. The consolidated financial statements do not include any adjustments that might result from the outcome of this uncertainty. Our opinion is not modified in respect of this matter.

FINANCIAL REVIEW

The Group did not generate any turnover for the year ended 31 December 2020 (2019: Nil). The Group recorded a net loss attributable to owners of the Company of approximately HK\$25,069,000 for the year ended 31 December 2020 (2019: approximately HK\$88,611,000).

Loss for the year included a share of results of a joint venture of approximately HK\$20,817,000 income on the oil and gas project in South Cebu, the Philippines (2019: approximately HK\$84,841,000 loss) primarily as a result of changes in oil prices.

Administrative and other operating expenses for the year ended 31 December 2020 amounted to approximately HK\$15,535,000 representing a decrease of approximately HK\$2,524,000 or 14%, as compared with the corresponding period last year. The decrease was mainly attributable to decrease in various business expenses such as employee costs, travel and entertainment expenses.

Finance costs for the year ended 31 December 2020 amounted to approximately HK\$28,482,000 (2019: approximately HK\$18,407,000). The increase in interest costs was mainly resulted from the late charges of interest expenses on convertible bonds.

LIQUIDITY, FINANCIAL RESOURCES, CAPITAL AND GEARING

As at 31 December 2020, the Group had net assets amounted to approximately HK\$100.5 million (2019: approximately HK\$22 million) and net current liabilities amounted to approximately HK\$116.4 million (2019: approximately HK\$181.6 million). The current ratio was 27% (2019: 20%). The gearing ratio of the Group based on the net debt to the total equity was 232% (2019: 1,335%).

Operations of the Group are mainly conducted in Renminbi (“RMB”), Hong Kong Dollars (“HKD”), United States Dollars (“USD”) and Philippine Pesos (“PHP”) and its revenue, expenses, assets and liabilities and borrowings are principally denominated in RMB, HKD, USD and PHP, which do not pose significant foreign currency risk at present. The Group currently does not have a foreign currency hedging policy. However, the management monitors closely foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

On 31 May 2018, the Company, its holding company Silver Star Enterprises Holdings Inc. (“Silver Star”), and Mr. Lam Nam, the ultimate controlling party of the Company (“Personal Guarantor”) and the holder (“Original Holder”) of the convertible bonds with outstanding principal amount of HK\$100,000,000 issued by the Company on 21 July 2015 (“CB A”) entered into the Deed of Undertaking; and the Company, the Personal Guarantor and the Original Holder of CB A entered into the Supplemental Deed (together with the Deed of Undertaking, the “Extension Arrangement”), pursuant to which the parties agreed that the maturity date of CB A to be extended from 21 July 2017 to 21 May 2019.

On 3 January 2020, the Company had entered into a legally binding memorandum of understanding (“MOU”) with East Asia Oil Engineering Group Limited (“East Asia”) where East Asia had undertaken to take over CB A, by tranches, from the Original Holder. On the same date, the Original Holder of CB A had completed transfer of convertible bond with principal amount of HK\$75,000,000 (“\$75M CB A1”) to East Asia. Pursuant to the same MOU between the Company and East Asia, East Asia promised not to require the Company to repay CB A within 30 months from the date of signing MOU.

The remaining principal balance of HK\$25,000,000 of CB A not yet transferred to East Asia (“\$25M CB A2”) are still registered in the name of the Original Holder and is guaranteed by Mr. Lam Nam, the ultimate controlling party of the Company, until its disposal. Up to the date of this report, the \$25M CB A2 is still outstanding and had not been called for repayment. The Company and the Original Holder are in the process of negotiation regarding the settlement arrangement of \$25M CB A2.

On 15 October 2018, the Company and holder of the convertible bonds in principal amount of HK\$50,000,000 (“CB B”) also entered into an amendment deed pursuant to which both parties had agreed that the maturity date of CB B to be extended from 28 January 2018 to 31 March 2019.

On 28 June 2020, the Company and East Asia entered into a subscription agreement pursuant to which the Company agreed to issue and the subscriber agreed to subscribe for, by tranches, the convertible bonds with the principal amount of HK\$100,000,000. The convertible bonds shall accrue no interest and shall mature on 6 July 2021. East Asia shall have the right at any time during the conversion period to convert the whole or part of the principal amount outstanding under the convertible bonds at the conversion price into conversion shares. Upon full conversion of the convertible bonds at the initial conversion price of HK\$0.18 per conversion share, an aggregate of 555,555,556 conversion shares will be allotted and issued. The Company intends to allocate the gross proceeds from the subscription of HK\$100,000,000 for the redemption of CB A. As the convertible bonds consideration and the redemption amount shall be set-off against each other, the Group will use its internal resources to settle the related expenses payable in connection with the issuance of the convertible bonds.

On 13 July 2020, all the conditions in respect of the issuance and subscription of convertible bonds in an aggregate principal amount of HK\$75,000,000 had been fulfilled. Upon closing, the Company has issued the convertible bonds in aggregate principal amount of HK\$75,000,000 to East Asia for the redemption of \$75M CB A1.

On 14 July 2020, East Asia converted the convertible bonds in the amount of HK\$75,000,000 registered in its name at the conversion price of HK\$0.18 per share, and had been allotted and issued 416,666,667 conversion shares, representing (i) approximately 14.18% of the existing issued share capital of the Company before conversion; and (ii) approximately 12.42% of the issued share capital of the Company as enlarged by the allotment and issue of the conversion shares.

The unsubscribed convertible bonds in the principal amount of HK\$25,000,000 under the subscription agreement, once allotted, can be converted at the conversion price of HK\$0.18 per share to 138,888,889 conversion shares.

Details were disclosed in the announcements of the Company dated 31 May 2018, 15 October 2018, 5 January 2020, 28 June 2020, 6 July 2020 and 13 July 2020.

On 27 November 2020, the Company as the issuer entered into two respective subscription agreements with Mr. Lam Nam, the controlling shareholder of the Company and East Asia, a substantial Shareholder. Pursuant to the subscription agreements, the Company conditionally agreed to allot and issue, and Mr. Lam and East Asia conditionally agreed to subscribe for, 222,222,223 and 260,555,556 subscription shares, respectively, 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 shall be satisfied by capitalising part of the amount due to Mr. Lam upon completion. The subscription amount payable by East Asia of HK\$46,900,000 under the subscription agreement shall be satisfied by capitalising part of the outstanding trade payables (arising from the said drilling services under the SC49 project) due to East Asia upon completion. The subscriptions had been completed on 15 January 2021, please refer to the paragraph headed “Business Review and Prospects - Subsequent Event” below.

EMPLOYEE INFORMATION

As at 31 December 2020, the Group had a total number of staff of 40 (2019: 46). Remuneration packages are reviewed on a periodical basis. Bonus is awarded to employees according to the assessment of individual performance. Staff cost (including directors' emoluments) was approximately HK\$9.1 million for the year ended 31 December 2020 (2019: approximately HK\$12.3 million).

BUSINESS REVIEW AND PROSPECTS

Philippines South Cebu Oil and Gas Project (“SC49”)

SC49 is situated in the southern part of Cebu, central Philippines, where hydrocarbon had been discovered in previous drillings. China International Mining and Petroleum Company Limited (“CIMP”) acquired 80% participating interest of SC49 and became the operator of SC49 project in July 2009. The Group indirectly acquired 51% of CIMP's issued share capital in October 2012 and an additional 12% in April 2014, bringing the effective interest in SC49 project to 50.4% after the latest acquisition.

During the year of 2020, due to the COVID-19 pandemic, the Philippine government had imposed various preventive measures, amongst others, lock-down policy and quarantine measures across cities and provinces as well as the travel restriction banning foreigner nationals from entering the country since March 2020. Manila and Cebu were under General Community Quarantine, and the travel restriction has still been in force up to the date of this announcement. CIMP had already sent relevant personnel to the country under the endorsement of Department of Foreign Affairs, and replaced the expatriates who had long been stationing there. As a result of COVID-19 pandemic, the drilling progress of SC49 project postponed. The drilling work is expected to resume upon the Philippine government's lifting of the foreigner-entry restrictions.

As a result of COVID-19 pandemic, the demand of oil from the customers under SC49 project had decreased. Nonetheless, CIMP has been actively identifying for prospective oil buyers. In September 2020, CIMP signed a five-year sales and purchase agreement with a local oil trading company, Boom Oil Inc., which committed to purchasing 60 barrels of crude oil a day from CIMP. The oil hauling and sales activities attributable to this customer started in the last quarter of 2020. Apart from Tom's Power Petroleum Distributor Inc. which has been purchasing oil from CIMP on an irregular basis since 2016, CIMP started business relationship with Havohej Trading Inc. in 2020 for the supply of oil. It is expected that CIMP will sign a long-term contract with another oil buyer in 2021.

In order to meet the market demands, CIMP plans to drill more production wells and expand the oil production in 2021, upon the ease of COVID-19 pandemic and the Philippine government's lifting of the foreigner-entry restrictions. Meanwhile, CIMP's Cebu team is strenuously performing paraffin-removing work for well facilities. In addition, CIMP is drafting an engineering plan to work over the production wells with a view to enhancing production yield. Upon finalization of drafting work, the plan will be presented to Department of Energy (“DOE”) for approval.

On 26 May 2020, DOE approved CIMP's application for expanding retention area (the “Retention Area”) under SC49. The Retention Area covers around 32,712 hectares, being 12.3% of the original contract area. In the coming five years, CIMP expects to invest US\$ 3.1 million on the geological, seismic and drilling work in the Retention Area.

Philippines San Miguel Coal Mine Project

San Miguel Coal Mine Project has progressed into the development phase. Phase-2 Road Construction was launched to have vehicles accessing to the initial mining area, but was pending for the governmental agencies overseeing environmental protection to issue a tree-cutting permit. The construction can be resumed any time after the issuance of tree-cutting permit. However, due to the COVID-19 pandemic, the operation of San Miguel Coal Mine Project could not commence. The operation company, Great Wall Mining and Power Corporation, has filed a moratorium for temporary suspension of operation.

Philippines Central Luzon Gas Project

Central Luzon Gas Project's original 2012 work program was for re-entering Victoria-3 and drilling a new well. However, the work program was delayed due to rig availability. Instead, the project management conducted a further support study for new drilling plan. As a result of the above-described delay, the project was granted by the DOE to extend the expiry of the current exploration sub-phase to 9 November 2019. On 31 December 2019, a wholly-owned subsidiary of the Company entered into a legally binding memorandum of understanding ("MOU") with an independent third party pursuant to which the subsidiary of the Company has agreed to dispose the entire interest in Modern Lucky International Limited and its subsidiaries which held 89% equity interest in the Central Luzon Gas Project ("Disposal Transaction") at the consideration of HK\$1. As the relevant applicable percentage ratios (as defined under Rule 19.07 of the GEM Listing Rules) as calculated were all less than 5%, the Disposal Transaction did not constitute a notifiable transaction under Chapter 19 of the GEM Listing Rules. The Disposal Transaction had been completed on 19 June 2020.

Prospect and Outlook

Given the uncertainties in the oil and gas industry and the macroeconomic environment, the Group remains cautious about the economic outlook. However, the Company will continue to evaluate commercial feasibility of potential projects, in particular in respect of small to medium-sized oil fields, and continue its efforts in seeking operating funds from the financial market. In the meantime, the Group will continue to concentrate our exploration efforts in its major operation area, i.e. SC49 project, and ensure smooth development and production for maintaining stable healthy cash flow.

Summary of Expenditure Incurred for Projects

A summary of expenditure incurred for the above projects by the Group for the year ended 31 December 2020 is as follows:

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Philippines South Cebu Oil and Gas Project	—	7,591

Significant Investments, Acquisitions and Disposals

Save as disclosed in the paragraph headed "Business Review and Prospects – Philippines Central Luzon Gas Project" above, there were no significant investments held, acquisitions or disposals of subsidiaries and affiliated companies by our Group throughout the year ended 31 December 2020. The Group did not have other plans for significant investments, acquisitions and disposal of subsidiaries as at 31 December 2020.

Charges on Assets

As at 31 December 2020, the Group did not charge any of its assets (31 December 2019: nil) as securities for any facilities granted to the Group.

Contingent Liabilities

The Group did not have any other material contingent liabilities as at 31 December 2020.

Subsequent Events

On 15 January 2021, the Company completed a connected transaction in respect of loan capitalisation involving the issue of shares of the Company to two subscribers under specific mandate. A total of 222,222,223 shares of the Company and 260,555,556 shares of the Company, at the subscription price of HK\$0.18 per subscription share, were allotted and issued by the Company to Mr. Lam Nam and East Asia, respectively. Please refer to the announcements of the Company dated 27 November 2020, 30 November 2020 and 15 January 2021 and the circular of the Company dated 21 December 2020 for details.

As a result of the above issue of shares of the Company at the subscription price of HK\$0.18 per subscription share, the Company adjusted the conversion price of CB B from HK\$0.414 per share to HK\$0.18 per share in accordance with the terms and conditions of CB B, with effect from 20 January 2021. Please refer to the announcement of the Company dated 20 January 2021 for details.

In March 2021, a wholly-owned subsidiary of the Company entered into an agreement with a joint investor (which is an independent third party) pursuant to which the subsidiary of the Company agreed to acquire from the joint investor the 30% equity interest in Sinotech Polyard Petroleum Exploration & Development Research Institute Limited (being a non wholly-owned indirect subsidiary of the Company prior to the acquisition) which held 25% equity interest in Sinotech Polyard (Beijing) Resource Science and Technology Limited (being a non wholly-owned indirect subsidiary of the Company prior to the acquisition) (“Acquisition Transaction”) at the consideration of HK\$1. As the relevant applicable percentage ratios (as defined under Rule 19.07 of the GEM Listing Rules) calculated were all less than 5%, the Acquisition Transaction did not constitute a notifiable transaction under Chapter 19 of the GEM Listing Rules. The Acquisition Transaction was completed on 30 March 2021. Prior to the Acquisition Transaction, the Company indirectly held 70% equity interest in Sinotech Polyard Petroleum Exploration & Development Research Institute Limited and 92.5% effective equity interest in Sinotech Polyard (Beijing) Resource Science and Technology Limited. Subsequent to the Acquisition Transaction, the Company indirectly owns 100% equity interest in the above two subsidiaries.

RISK FACTORS

The Group’s business and financial performance may be affected by risks and uncertainties as set out below. Such risks are by no means exhaustive and there may be other risks which are not known to the Group.

1. Price Fluctuation of Crude Oil Risk

The Group is engaged in the exploration and development of oil and natural gas and trading of petroleum-related products. The prices of crude oil, natural gas and refined products in the international market are affected by various factors such as changes in demand and supply of oil and gas and the general state of the global economy, which could adversely affect the valuation of the projects and financial results of the Group.

2. Overseas Investment Risk

As the Group’s principal investment projects are all located in the Philippines, it is subject to the influences of the stability of the local political environment, taxation policies and other legal and regulatory requirements. The Group will continue to mitigate the concentration investment risk by exploring other investment opportunities in other countries.

3. Operational Risk

Oil and gas exploration and development involve hazard risks such as accidents, personal injuries or death, property and environment damages, natural disasters such as typhoon and tsunami etc., which may cause stoppage and losses to the operations. The Group has implemented a HSE (Health, Safety and Environment) management system which requires strict compliance by the employees, contractors, sub-contractors, suppliers and third party personnel working on the Group's project sites or facilities.

4. Financial and Capital Risk

The Group also faces financial risks including foreign currency risk, interest rate risk, credit risk and liquidity risk as well as capital risk.

ENVIRONMENTAL POLICIES AND PERFORMANCE

The Group's operations are subject to the environmental laws and regulations in relation to the oil and gas exploration and development in the Philippines. An independent environmental consultant is engaged by the Group to conduct environmental impact assessments at all of the projects, which are submitted to the Department of Environment and Natural Resources (DENR) for approval. After satisfying the requirements in the application, and with the recommendation of the Environmental Management Bureau (EMB), the DENR will grant the Environmental Compliance Certificate (ECC) to the project. With the issue of the ECC, the Group will need to implement measures to protect and mitigate the project's adverse impacts on community health, welfare and the environment throughout all phases of the project. The Group is required to secure all necessary permits in areas such as hazardous waste materials and wastewater management and control, transportation of oil, drainage systems and road networks etc. The environmental consultant and Company team will ensure the compliance of the project with the requirements of the ECC conditions. The Group has also put in place a strict HSE management system in the protection of health, safety and environment. The Group is in compliance in all material aspects with the applicable environmental laws and regulations in the Philippines.

CODE OF CONDUCT REGARDING SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted a code of conduct regarding securities transactions by Directors on terms no less exacting than the required standard of dealings set out in Rules 5.48 to 5.67 of the GEM Listing Rules. Upon the Company's specific enquiry, all Directors confirmed that they have fully complied with the code of conduct and the required standard of dealings regarding securities transactions throughout the year ended 31 December 2020.

COMPETING INTERESTS

None of the Directors or the management shareholders of the Company (as defined in the GEM Listing Rules) had any interest in a business which competes or may compete with the business of the Group.

CODE ON CORPORATE GOVERNANCE PRACTICES

Throughout the year, the Company has complied with the requirements of the code provisions set out in the Code on Corporate Governance Practices contained in Appendix 15 of the GEM Listing Rules.

PURCHASE, SALE OR REDEMPTION OF SECURITIES

During the year ended 31 December 2020, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

AUDIT COMMITTEE

The Company has established the Audit Committee with written terms of reference in compliance with Rules 5.28 and 5.33 of the GEM Listing Rules. The primary duties of the Audit Committee include reviewing the Company's annual report, half-year report and quarterly financial reports and providing advice and comments thereon to the Board. The Audit Committee is also responsible for reviewing the Company's financial controls, risk management and internal control systems. It is also responsible for making recommendations to the Board on the appointment, re-appointment and removal of external auditor, approving the remuneration and terms of engagement of the external auditor, reviewing and monitoring the external auditor's independence and objectivity, and meeting the external auditor at least twice a year regarding the review of the financial reports and accounts.

The Audit Committee comprises three independent non-executive Directors, namely Mr. Pai Hsi-ping, Ms. Xie Qun and Mr. Kwan King Chi George. Mr. Kwan King Chi George is the Chairman of the Audit Committee.

The Group's unaudited quarterly and interim results and audited annual results for the year ended 31 December 2020 have been reviewed by the Audit Committee, which was of the opinion that the preparation of such results complied with the applicable accounting standards, the Stock Exchange and legal requirements, and that adequate disclosure have been made.

SCOPE OF WORK OF CONFUCIUS INTERNATIONAL CPA LIMITED

The figures in respect of the preliminary announcement of the Group's results for the year ended 31 December 2020 have been agreed by the Group's auditor, Confucius International CPA Limited, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by Confucius International CPA Limited in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Confucius International CPA Limited on the preliminary announcement.

PUBLICATION OF 2020 ANNUAL REPORT

The 2020 Annual Report containing all the information required by the GEM Listing Rules will be despatched to the Shareholders and will also be published on the website of the Company at www.ppig.com.hk and the website of HKEXnews at www.hkexnews.hk in due course on or before 3 June 2021.

For and on behalf of the Board
Polyard Petroleum International Group Limited
Zhao Zhiyong
Chairman

Hong Kong, 25 May 2021

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

This announcement, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the GEM Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this announcement is accurate and complete in all material respects and is not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this announcement misleading.

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