

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.

This announcement is for information purpose only and does not constitute an invitation or offer to acquire, purchase or subscribe for the Shares or other securities in the Company.



International Standard Resources Holdings Limited

標準資源控股有限公司

(Incorporated in Hong Kong with limited liability)

(Stock Code: 91)

(Warrant Code: 1487)

RESTRUCTURING OF EXISTING CONVERTIBLE NOTES DUE 2018 AND ISSUE OF NEW CONVERTIBLE NOTES DUE 2021

On 2 February 2018 (after the trading hours), the Company has entered into the Convertible Notes Restructuring Agreement with the Noteholder, pursuant to which the Noteholder has agreed to a consensual restructuring of its rights and obligations under the Existing Convertible Notes, subject to and in accordance with the terms of the Convertible Notes Restructuring Agreement.

Completion of the Convertible Notes Restructuring Agreement is conditional upon the satisfaction of the following conditions:

- (i) the passing by the Shareholders of the resolution(s) at the EGM approving the specific mandate for (i) the issue of the New Convertible Notes and (ii) the issue of the Conversion Shares;
- (ii) the Listing Committee (either unconditionally or subject to conditions to which neither the Company nor the Noteholder shall reasonably object) granting approval for the listing of, and permission to deal in, the Conversion Shares; and
- (iii) the Stock Exchange having granted the approval for the Amended Conditions.

A circular setting out details of (i) the Restructuring and (ii) the specific mandate for the issue of the New Convertible Notes and the Conversion Shares, and containing a notice convening the EGM will be despatched to the Shareholders in due course.

I. THE RESTRUCTURING AND THE ISSUE OF NEW CONVERTIBLE NOTES

On 2 February 2018 (after the trading hours), the Company has entered into the Convertible Notes Restructuring Agreement with the Noteholder, pursuant to which the Noteholder has agreed to a consensual restructuring of its rights and obligations under the Existing Convertible Notes, subject to and in accordance with the terms of the Convertible Notes Restructuring Agreement.

As at the date of the Convertible Notes Restructuring Agreement, New Alexander was the holder of the Existing Convertible Notes in the aggregate outstanding principal amount of HK\$365,000,000.

Upon completion of the Convertible Notes Restructuring Agreement, certain terms and conditions of the Existing Convertible Notes will be amended and certificates representing the New Convertible Notes together with the Amended Conditions which are the same as those under the Existing Convertible Notes save and except the followings will be issued to the Noteholder.

	Existing Convertible Notes	New Convertible Notes
Maturity Date:	31 December 2018	31 December 2021
Conversion Price:	Initial conversion price of HK\$0.12 per Share; and the latest adjusted conversion price of HK\$0.17 per conversion share, which is subject to customary adjustments	The conversion price is HK\$0.050 per Conversion Share, which is subject to same customary adjustments

Conditions to the Convertible Notes Restructuring Agreement

Completion of the Convertible Notes Restructuring Agreement is conditional upon the satisfaction of the following conditions:

- (i) the passing by the Shareholders of the resolution(s) at the EGM approving the specific mandate for (i) the issue of the New Convertible Notes and (ii) the issue of the Conversion Shares;
- (ii) the Listing Committee (either unconditionally or subject to conditions to which neither the Company nor the Noteholder shall reasonably object) granting approval for the listing of, and permission to deal in, the Conversion Shares; and
- (iii) the Stock Exchange having granted the approval for the Amended Conditions.

If the above conditions are not fulfilled on or before 30 April 2018 or such later date as may be agreed between the Company and the Noteholder, the Convertible Notes Restructuring Agreement will lapse and become null and void and the Company and the Noteholder will be released from all obligations thereunder, save the liabilities for any antecedent breaches thereof.

Principal terms of the New Convertible Notes

The New Convertible Notes will have the following principal terms:

Issuer	:	The Company
Aggregate Principal Amount of the New Convertible Notes	:	HK\$365,000,000
Issue Price	:	100% of the principal of the New Convertible Notes
Maturity Date	:	31 December 2021
Denomination	:	HK\$5,000,000
Status	:	The New Convertible Notes constitute general and unsecured obligations of the Company and rank equally among themselves and pari passu with all other present and future unsecured and unsubordinated obligations of the Company except for obligations accorded preference by mandatory provisions of applicable law
Interest and Default Interest	:	The New Convertible Notes bear interest from and including the date of issue until and including the Maturity Date at the rate of 2% per annum, payable semi-annually in arrears on 30 June and 31 December of each calendar year and the actual interest payment shall be made within 3 Business Days from the interest payable date

If the Company failed to pay any sum in respect of the New Convertible Notes when the same becomes due and payable, interest shall accrue on the overdue sum at the rate of 2% per annum from (and including) the due date to (and including) the date of actual payment

- Conversion Price : The conversion price is HK\$0.050 per Conversion Share, representing a premium of approximately 25% to the closing price of HK\$0.040 per Share as quoted on the Stock Exchange on 2 February 2018
- The Conversion Price is subject to adjustment upon the occurrence of certain prescribed events, namely, consolidation and subdivision or reclassification of the Shares, capitalisation of profits or reserves, capital distributions, rights issues of Shares or issues of other securities and issues at less than current market price
- Conversion Right : A conversion right may only be exercised in the minimum amount of HK\$5,000,000. In the event that at any time prior to the Maturity Date, the New Convertible Notes carry an aggregate outstanding amount of less than HK\$5,000,000, the holder of the New Convertible Notes can exercise the conversion right to convert all (but not part) of such remainder amount into the Conversion Shares
- Conversion Period : Subject to the terms and conditions of the New Convertible Notes, a holder of the New Convertible Notes has the right to convert any New Convertible Notes into Conversion Shares at any time (subject to any applicable fiscal or other laws or regulations as provided in the Amended Conditions) from the date of issue of the New Convertible Notes up to (but excluding) the period of 3 Business Days ending on the due date of the New Convertible Notes
- Ranking of Conversion Shares : The Conversion Shares will rank pari passu in all respects with the Shares then in issue on the relevant conversion date
- Redemption at the Option of the Company : The New Convertible Notes are not redeemable at the option of its holder. The Company shall have the right to redeem any portion of the New Convertible Notes outstanding at an amount equals to the principal amount of the New Convertible Notes in its sole and absolute discretion at any time and from time to time prior to the Maturity Date

Unless previously converted or redeemed as provided in the Amended Conditions, the Company shall redeem the New Convertible Note(s) at its principal amount on the Maturity Date, whereupon the Company shall pay an aggregate redemption price that is equal to the sum of (i) 100% of the principal amount of the New Convertible Notes then outstanding; and (ii) all interest accrued thereon and unpaid as at the Maturity Date

- Events of Default : All New Convertible Notes contain an event of default provision which provides that on the occurrence of certain events of default (e.g. repayment overdue, insolvency, liquidation and suspension of trading on the Stock Exchange for a continuous period of 14 trading days due to the default of the Company) specified in the New Convertible Notes, the holder of the New Convertible Notes shall be entitled to demand for immediate repayment of the principal amount outstanding under the relevant New Convertible Notes
- Voting Rights : Prior to the conversion of the New Convertible Notes, holder of the New Convertible Notes will not be entitled to attend or vote in any general meeting of the Company by virtue of it being holder of the New Convertible Notes
- Transferability : The New Convertible Notes are freely transferable (subject to the Amended Conditions) at a minimum amount of HK\$5,000,000 of its principal amount outstanding at the time of transfer. In the event that at any time prior to maturity, the New Convertible Notes carry an aggregate outstanding amount of less than HK\$5,000,000, only all (but not part) of the remainder amount of the New Convertible Notes can be transferred

Effects on shareholding structure

The following table summarises the shareholding structure of the Company as at the date of this announcement and as a result of the full conversion of the New Convertible Notes:

Shareholders	As at the date of this announcement		Assuming the New Convertible Notes are fully converted into Conversion Shares at the Conversion Price <i>(Note 3 & 4)</i>	
	<i>No. of Shares</i>	<i>%</i>	<i>No. of Shares</i>	<i>%</i>
Che Weng Kei	964,406,250	20.13%	964,406,250	7.97%
Styland Holdings Limited <i>(Note 1)</i>	563,187,440	11.76%	563,187,440	4.66%
New Alexander <i>(Note 2)</i>	–	–	7,300,000,000	60.38%
Subtotal	1,527,593,690	31.89%	8,827,593,690	73.01%
Public				
Shareholders	3,263,229,730	68.11%	3,263,229,730	26.99%
Total	4,790,823,420	100.00%	12,090,823,420	100.00%

Notes:

- (1) Included 346,609,940 Shares held through its wholly-owned subsidiary, namely Styland (International) Limited; and 216,577,500 Shares held through its non-wholly-owned subsidiary, Brighten Management Limited.
- (2) New Alexander is interested in the Existing Convertible Notes in an aggregate outstanding principal amount of HK\$365,000,000.
- (3) The holder(s) of the New Convertible Notes shall not exercise the conversion rights attached to the New Convertible Notes if (i) such exercise would render the holder(s) and parties acting in concert (as defined in the Takeovers Code) with it holding or controlling 30% or more of the voting rights of the Company; and (ii) such exercise would render less than 25% of the issued share capital of the Company being held in public hands.
- (4) The holder(s) of the New Convertible Notes together with parties acting in concert (as defined in the Takeovers Code) shall not become a controlling shareholder (as defined in the Takeovers Code) or will not directly or indirectly, control or be interested in 30% or more of the voting rights of the Company which the holder(s) of the New Convertible Notes will be obliged to make a general offer under the Takeovers Code in force from time to time.

None of the Noteholder will become a substantial shareholder of the Company upon full conversion of the New Convertible Notes. As such, there will not be any change in the board composition of the Company as a result of the issue of the New Convertible Notes.

Reason for the Restructuring

The Restructuring is a commercial bargain struck between the Company and the Noteholder.

As at the date of this announcement, the Company did not maintain sufficient cash resources to redeem the outstanding Existing Convertible Notes. In the absence of the issue of the New Convertible Notes, the Company will need to seek alternative financing for the redemption of the outstanding Existing Convertible Notes and maintaining a suitable level of working capital for the operation of the Group, including possible equity financing or debts financing (which are expected to be at a higher rate than the interest rate of the New Convertible Notes).

The Board considers that the issue of the New Convertible Notes will provide flexibility to the Group's deployment of its financial resources to fund its operation and development as well as to plan its working capital requirements. Accordingly, the Board considers that the issue of the New Convertible Notes is in the interests of the Company and the Shareholders as a whole.

The Board considers that the terms of the Convertible Notes Restructuring Agreement entered into with the Noteholder and the Amended Conditions are fair and reasonable, on normal commercial terms and are in the interest of the Company and the Shareholders as a whole. In particular, (i) the issue of the New Convertible Notes will lessen the cash flow pressure on the Company by extending the maturity term of a substantial amount that would otherwise be owed to the Noteholder on 31 December 2018 and encourage conversion of the New Convertible Notes into Conversion Shares (with the conversion price at HK\$0.050 per Share which is almost the average closing price of approximately HK\$0.042 per Share for the last thirty consecutive trading days as quoted on the Stock Exchange up to the date of this announcement); and (ii) any interest and premium payable by the Company on the New Convertible Notes would at least be comparable to the overall funding costs that the Company would incur in respect of funding from other independent non-bank financial institutions which are not connected to the Company.

EGM

The issue of the New Convertible Notes and the Conversion Shares are subject to approval by the Shareholders. Accordingly, an EGM will be convened to consider and, if thought fit, pass the Shareholders' resolutions to approve the specific mandate for the issues of the New Convertible Notes and the Conversion Shares.

A circular containing, among other things, information regarding details of (i) the Restructuring and (ii) the specific mandate for the issue of the New Convertible Notes and the Conversion Shares, and a notice convening the EGM, will be despatched to the Shareholders as soon as practicable.

Use of Proceeds

Since the issue of the New Convertible Notes is made pursuant to the Restructuring, the issue of the New Convertible Notes will not raise any new funds for the Company.

Fund raising in the past 12 months

Save as disclosed below, the Company has not conducted any other equity fund-raising activities during the past twelve months immediately preceding the date of this announcement.

Date of announcement	Fund-raising activity	Net proceeds raised (approximately)	Intended use of proceeds	Actual use of proceeds
7 March 2017	Issue of 958,158,684 bonus warrants to the Shareholders on the basis of one (1) warrant for every five (5) Shares held on record date. Each warrant will entitle the holder thereof to subscribe for one new Share at an initial subscription price of HK\$0.093	No issue price was received by the Company upon issue of the bonus warrants. Full exercise of the subscription rights attached to the warrants would result in the issue of 958,158,684 new Shares, and the total subscription monies received would be approximately HK\$89.11 million.	(i) approximately 40% as general working capital to enhance the existing coalbed methane businesses of the Group; (ii) approximately 30% for repayment of debts; and (iii) the remaining approximately 30% as general working capital of the Group.	As at the date of this announcement, HK\$2,790 has been received. Together with the remaining proceeds to be received, the subscription monies will be used as intended.

II. GENERAL

The New Convertible Notes will not be listed on any stock exchange. The Shares are listed on the Stock Exchange and an application will be made to the Stock Exchange for the listing of, and permission to deal in, the Conversion Shares.

As at the date of this announcement, to the best of the Directors' knowledge, information and belief, (a) the Noteholder and its associates (as such term is defined in the Listing Rules) are Independent Third Party and (b) there are no arrangement that the Company is aware of to transfer the New Convertible Notes to connected person(s) (as such term is defined in the Listing Rules) of the Company.

DEFINITIONS

In this announcement, the following expressions have the meanings set out below unless the context requires otherwise.

“Amended Conditions”	the amended terms and conditions of the Existing Convertible Notes attached to the New Convertible Notes
“Board”	the board of Directors
“Business Day(s)”	a day on which licensed banks in Hong Kong are open for business throughout their normal business hours, excluding a Saturday
“Company”	International Standard Resources Holdings Limited, a company incorporated in Hong Kong with limited liability, the Shares of which are listed on the Main Board of the Stock Exchange
“Conversion Price”	being HK\$0.050 per Conversion Share
“Conversion Share(s)”	the Share(s) issuable upon the conversion of the New Convertible Notes
“Convertible Notes Restructuring Agreement”	the convertible notes restructuring agreement dated 2 February 2018 entered into between the Company and the Noteholder in connection with the Restructuring
“Director(s)”	the director(s) of the Company

“EGM”	the extraordinary general meeting of the Company to be convened and held for the Shareholders to consider and, if thought fit, approve the specific mandate for (i) the issue of the New Convertible Notes and (ii) the issue of the Conversion Shares
“Existing Convertible Notes”	the existing convertible notes due 31 December 2018 in the outstanding principal amount of HK\$365,000,000 issued by the Company, details of which are set out in the circular of the Company dated 18 February 2015
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Independent Third Party”	independent third party who, to the best of knowledge, information and belief having made all reasonable enquiry by the Directors, are not connected with the Company and its connected persons (as defined in the Listing Rules)
“Listing Committee”	the Listing Committee of the Stock Exchange
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Maturity Date”	being 31 December 2021
“New Alexander”	New Alexander Limited, being the holder of an aggregate outstanding principal amount of HK\$365,000,000 Existing Convertible Notes and upon completion of the Restructuring will be the holder of an aggregate principal amount of HK\$365,000,000 New Convertible Notes and is an Independent Third Party
“New Convertible Notes”	the new HK\$365,000,000 2 per cent convertible notes due 2021 to be issued by the Company to the Noteholder upon completion of the Convertible Notes Restructuring Agreement
“Noteholder”	being New Alexander

“Restructuring”	the restructuring of the Existing Convertible Notes pursuant to the terms and conditions of the Convertible Notes Restructuring Agreement
“Share(s)”	ordinary share(s) in the share capital of the Company
“Shareholder(s)”	holder(s) of the Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Takeover Code”	the Codes on Takeovers and Mergers and Share Buy-backs
“HK\$”	Hong Kong dollar(s), the lawful currency of Hong Kong
“%”	per cent

By order of the Board
International Standard Resources Holdings Limited
Tam Tak Wah
Executive Director

Hong Kong, 2 February 2018

As at the date of this announcement, the executive directors of the Company are Mr. Cheng Wai Keung, Mr. Tam Tak Wah and Ms. Tsang Ching Man and the independent non-executive directors of the Company are Mr. Chan Tsz Kit, Mr. Chan Yim Por Bonnie, Mr. Albert Saychuan Cheok (Chairman) and Mr. Wang Li.