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中油港燃能源集團控股有限公司

CHINA OIL GANGRAN ENERGY GROUP HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 8132

ISSUE OF CONVERTIBLE NOTES UNDER THE GENERAL MANDATE

THE SUBSCRIPTION AGREEMENTS

On 4 October 2018, the Company entered into the Subscription Agreements with the Subscribers pursuant to which the Company has conditionally agreed to issue, and the Subscribers have conditionally agreed to subscribe for, the Notes in the aggregate principal amount of HK\$15,000,000.

Under the terms and conditions of the Notes, the Notes will bear coupon interest at the rate of 1.5% per annum. The Notes are convertible into new Shares at a Conversion Price of HK\$0.2 per Share (subject to adjustments). The maturity of the Notes will be the date falling on the second anniversary of the date of issue of the Notes.

The Conversion Shares of 75,000,000 Shares represent (i) approximately 1.05% of the existing issued share capital of the Company at the date of this announcement; and (ii) approximately 1.04% of the issued share capital of the Company as enlarged by the issue of the Conversion Shares.

Shareholders and potential investors of the Company should note that completion of the Subscription is subject to the fulfilment of the conditions set out in the Subscription Agreements. The Subscription may or may not proceed. Shareholders and potential investors of the Company are therefore urged to exercise caution when dealing in the Shares and other securities of the Company.

PROPOSED SHARE CONSOLIDATION

Pursuant to Rule 17.76 of the GEM Listing Rules, where the market price of the securities of a listed issuer approaches the extremities of HK\$0.01 or HK\$9,995.00, the issuer may be required either to change the trading method or to proceed with a consolidation or splitting of its securities.

In view that the Shares had been traded at around or below HK\$0.10 at certain time in the past 12 months (based on the closing price per Share as quoted on the Stock Exchange), the Board is considering a Proposed Share Consolidation. Details of a proposal on the Proposed Share Consolidation will be announced as and when appropriate.

Should the Proposed Share Consolidation materialise, further announcement(s) will be made in respect of the terms and conditions of the Proposed Share Consolidation in accordance with the applicable requirements of the GEM Listing Rules as and when appropriate. Shareholders and potential investors of the Company are advised to exercise caution when dealing in the Shares.

On 4 October 2018, the Company entered into the Subscription Agreements with the Subscribers pursuant to which the Company has conditionally agreed to issue, and the Subscribers have conditionally agreed to subscribe for, the Notes in the aggregate principal amount of HK\$15,000,000. Details of the Subscription Agreements and the terms of the Notes, which are identical save for the identity of the Subscribers and the amount of Notes subscribed thereunder, are set out below:

THE SUBSCRIPTION AGREEMENTS

Date

4 October 2018

Parties

Issuer : the Company

Subscribers : 李超志 (Li Chaozhi*), 李瑞敏 (Li Ruimin*), Chan Lok Yu and Asiapac Strategic Investment Limited

Asiapac Strategic Investment Limited is a company incorporated in the British Virgin Islands with limited liability and is principally engaged in investment holding.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, each of the Subscribers and, where applicable, its ultimate beneficial owner(s) are Independent Third Parties.

Subscription

Pursuant to the Subscription Agreements, the Company has conditionally agreed to issue, and the Subscribers have conditionally agreed to subscribe, for the Notes in the aggregate principal amount of HK\$15,000,000, which may be converted into 75,000,000 Shares based on the initial Conversion Price of HK\$0.20 upon full conversion. The allotment and issue of the conversion shares will not be subject to shareholders' approval.

Terms of the Notes

The principal terms of the Notes are summarised below:

Issuer	:	The Company
Principal amount	:	The aggregate principal amount of HK\$15,000,000 (as to HK\$10,000,000 for Li Chaozhi, HK\$2,500,000 for Li Ruimin, HK\$2,000,000 for Chan Lok Yu and HK\$500,000 for Asiapac Strategic Investment Limited).
Conversion price	:	An initial conversion price of HK\$0.20 per new Share (subject to adjustment) at which the holders of the Notes may subscribe for the new Shares(s).
Conversion period	:	The period commencing on the date of issue of the Notes and expiring on the date falling on the Maturity Date.
Conversion rights	:	The Noteholder shall have the right to convert the Notes in whole of the outstanding principal amount of the Notes held by him/it on any Business Day during the conversion period.
Automatic Conversion	:	In the event that on the day falling five Business Days before the Maturity Date, the closing price per Share as quoted on the Stock Exchange is equal to or above HK\$0.20, the Noteholder must convert the Notes in whole of the outstanding principal amount of the Notes held by him/it at the Conversion Price.

- Maturity date : The second anniversary of the date of issue of the Notes (if that is not a Business Day, the first Business Day thereafter). Unless previously converted, the Company shall redeem the outstanding amount of the Notes (including any outstanding interests up to the date of redemption and any other outstanding amount due but unpaid under the Notes).
- Interest rate : The Notes shall carry coupon interest at the rate of 1.5% per annum payable on the Maturity Date in arrears.
- Transferability : The Notes may not be assigned or transferred to any person.
- Early redemption : The Company may not request to redeem the outstanding Notes prior to the Maturity Date.
- Status : The Notes constitute direct, guaranteed, unconditional, unsubordinated and unsecured obligations of the Company and shall at all times rank pari passu and without any preference among themselves. The payment obligations of the Company under the Notes shall, save for such exceptions as may be provided by applicable legislation, at all times rank at least equally with all its other present and future direct, unsecured, unsubordinated and unconditional obligations.
- Adjustments to the Conversion Price : The Conversion Price will be adjusted upon occurrence of, among others, any of the following events: (i) consolidation, subdivision or reclassification; (ii) capitalisation of profits or reserves; (iii) issue of Shares by way of a scrip dividend; (iv) capital distributions; (v) issue of rights or options or warrants for Shares at less than 80% of the market price; or (vi) issues of Shares at less than 80% of the market price.

The maximum number of Conversion Shares issuable upon conversion of the Notes shall be subject to such number of Shares which may be permissible to be issued under the General Mandate. If there is any adjustment event occurred which leads to the number of Conversion Shares issuable under the Notes to exceed the General Mandate, then the Noteholder shall be entitled to convert the Notes into such number of Conversion Shares subject to the General Mandate based on the adjusted Conversion Price and any outstanding principal amount of the Notes held by him/it shall be redeemed by the Company on the Maturity Date in accordance with the terms therein.

Number of Conversion Shares

The Conversion Shares of 75,000,000 Shares represent (i) approximately 1.05% of the existing issued share capital of the Company at the date of this announcement; and (ii) approximately 1.04% of the issued share capital of the Company as enlarged by the issue of the Conversion Shares.

Conversion Price

The Conversion Price of HK\$0.2 per Conversion Share represents:

- (1) a premium of approximately 669.23% over the closing price of HK\$0.026 per Share as quoted on the Stock Exchange on 4 October 2018, being the date of the Subscription Agreements; and
- (2) a premium of approximately 657.58% over the average closing price of approximately HK\$0.0264 per Share as quoted on the Stock Exchange for the last five consecutive trading days immediately prior to the date of the Subscription Agreements.

The Conversion Price was arrived at after arm's length negotiations between the Company and the Subscribers. The Directors consider that the Conversion Price and the terms and conditions of the Notes and the Subscription Agreements are fair and reasonable and are in the interests of the Company and the Shareholders as a whole.

Ranking of the Conversion Shares

The Conversion Shares when allotted and issued, will rank *pari passu* in all respects among themselves and with the Shares then in issue.

Voting rights

The Noteholders shall not be entitled to attend or vote at any general meetings of the Shareholders of the Company by reason only they being holders of the Notes.

Conditions of the Subscription

Completion is conditional upon the fulfillment of the following conditions:

- (i) the GEM Listing Committee of the Stock Exchange granting approval for the listing of, and permission to deal in, the Conversion Shares on the Stock Exchange and such approval and permission remaining in full force and effect;
- (ii) all necessary consents and approvals required to be obtained on the part of the Company in respect of the Subscription Agreement and the transactions contemplated thereunder having been obtained;
- (iii) all necessary consents and approvals required to be obtained on the part of the Subscriber in respect of the Subscription Agreement and the transactions contemplated thereunder having been obtained.

All other conditions above are incapable of being waived. If the conditions have not been satisfied on or before 19 October 2018 or such other date as may be agreed by the Company and the Subscriber in writing, the Subscription Agreement shall cease and neither the Company nor the Subscriber shall have any claim against the others under the Subscription Agreement.

Completion of the Subscription

Completion shall take place on the third Business Day after the conditions of the Subscription are fulfilled (or such other date as may be agreed between the Company and the Subscriber).

General Mandate to issue the Conversion Shares

The Conversion Shares will be allotted and issued pursuant to the General Mandate. The maximum number of Shares that can be issued under the General Mandate is 1,428,491,274 Shares. As at the date of this announcement, (i) no Shares were allotted and issued pursuant to the General Mandate; and (ii) the General Mandate is sufficient for the allotment and issue of the Conversion Shares.

Application for listing

The Company will apply to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Conversion Shares. No listing of the Notes will be sought on the Stock Exchange or any other stock exchanges.

REASONS FOR THE SUBSCRIPTION AND USE OF PROCEEDS

The Group is principally engaged in the oil and chemicals trading businesses.

The Directors are of the view that the Subscription represents a good opportunity to raise additional funds for the Company. The Subscription will provide immediate funding without immediate dilution of the shareholding of the existing Shareholders, and, on exercise of the conversion rights attaching to the Notes, benefit the long-term development of the Company by broadening the capital base of the Company.

The gross proceeds from the issue of the Notes will be HK\$15,000,000 and the net proceeds, after deduction of all relevant expenses incidental to the Subscription, are estimated to be approximately HK\$14,800,000. Based on the estimated net proceeds from the issue of the Notes and a total of 75,000,000 new Shares to be issued at the initial conversion price upon exercise of the conversion rights of the Notes in full, the net subscription price per new Share would be approximately HK\$0.197.

The Company intends to apply the net proceeds from the issue of the Notes as to approximately HK\$5 million for the repayment on interest of promissory notes due in the financial year ending 31 March 2019, HK\$2.25 million for the repayment of interests on bonds and the remaining balance of approximately HK\$7.55 million as general working capital of the Group.

Based on the above, the Directors consider that the terms and conditions of the Subscription Agreement as well as the terms of the Notes are fair and reasonable, on normal commercial terms, and in the interests of the Group and the Shareholders as a whole.

FUND RAISING EXERCISE BY THE COMPANY IN THE PAST TWELVE MONTHS

Set out below are the fund raising activity conducted by the Company in the past 12 months immediately prior to the date of this announcement:

Date of initial announcement	Event	Net proceeds (approximately)	Intended use of net proceeds	Actual use of net proceeds (adjusted to actual net proceeds)
22 June 2018	Placing of 1,000,000,000 Shares	Estimated net proceeds: HK\$39.65 million Actual net proceeds: HK\$39.75 million	(i) as to approximately HK\$28.9 million for the repayment of promissory notes due in the financial year ending 31 March 2019; (ii) as to approximately HK\$2.25 million for the repayment of interests on bonds; and (iii) as to approximately HK\$8.5 million as general working capital of the Group.	(i) as to approximately HK\$27.35 million for the repayment of promissory notes due in the financial year ending 31 March 2019 and the balance to be utilised as intended; (ii) to be utilised as intended; and (iii) as to approximately HK\$4.68 million as general working capital of the Group and the balance to be utilised as intended.

Save as disclosed above, the Company has not conducted any other equity fund raising activities in the past 12 months immediately prior to the date of this announcement.

EFFECT ON SHAREHOLDING STRUCTURE

Set out below is the shareholding structure of the Company (i) as at the date of this announcement; and (ii) immediately after the conversion of the Notes in full.

Shareholders	As at the date of this announcement		Immediately after conversion of the Notes in full	
	<i>Number of Shares</i>	<i>Approx.%</i>	<i>Number of Shares</i>	<i>Approx.%</i>
Mr. Zou Donghai	700,000,000	9.80%	700,000,000	9.70%
Dr. Ho Chun Kit Gregory	62,550,000	0.88%	62,550,000	0.87%
Dr. Zheng Jian Peng	52,800,000	0.74%	52,800,000	0.73%
Public Shareholders				
Subscribers	–	–	75,000,000	1.04%
Other public Shareholders	6,327,106,372	88.58%	6,327,106,372	87.66%
Total	<u>7,142,456,372</u>	<u>100.00%</u>	<u>7,217,456,372</u>	<u>100.00%</u>

Shareholders and potential investors of the Company should note that completion of the Subscription is subject to the fulfilment of the conditions set out in the Subscription Agreement. The Subscription may or may not proceed. Shareholders and potential investors of the Company are therefore urged to exercise caution when dealing in the Shares and other securities of the Company

PROPOSED SHARE CONSOLIDATION

Pursuant to Rule 17.76 of the GEM Listing Rules, where the market price of the securities of a listed issuer approaches the extremities of HK\$0.01 or HK\$9,995.00, the issuer may be required either to change the trading method or to proceed with a consolidation or splitting of its securities.

In view that the Shares had been traded at around or below HK\$0.10 at certain time in the past 12 months (based on the closing price per Share as quoted on the Stock Exchange), the Board is considering a Proposed Share Consolidation. Details of a proposal on the Proposed Share Consolidation will be announced as and when appropriate.

Should the Proposed Share Consolidation materialise, further announcement(s) will be made in respect of the terms and conditions of the Proposed Share Consolidation in accordance with the applicable requirements of the GEM Listing Rules as and when appropriate. Shareholders and potential investors of the Company are advised to exercise caution when dealing in the Shares.

DEFINITIONS

In this announcement, unless the context otherwise requires, the following expressions shall have the following meanings when used herein:

“Board”	the board of Directors
“Business Day”	a day (excluding Saturday, Sunday or public holiday) on which licensed banks in Hong Kong are generally open for business throughout their normal business hours
“Closing Date”	The date on which completion of the issue of and the subscription for the Notes occurs
“Company”	China Oil Gangran Energy Group Holdings Limited, a company incorporated in the Cayman Islands with limited liability whose issued Shares are listed on GEM
“Completion”	completion of the Subscription
“Conversion Price”	an initial conversion price of HK\$0.2 per new Share (subject to adjustment) at which the holders of the Notes may subscribe for the new Share(s)
“Conversion Shares”	Shares to be issued upon the exercise of the conversion rights attaching to the Notes
“Director(s)”	director(s) of the Company
“GEM”	GEM operated by the Stock Exchange
“GEM Listing Rules”	the Rules Governing the Listing of Securities on GEM
“General Mandate”	the general mandate granted to the Directors by the Shareholders at the annual general meeting of the Company held on 31 August 2018
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China

“Independent Third Party”	any person(s) or company(ies) and their respective ultimate beneficial owner(s) whom, to the best of the Directors’ knowledge, information and belief having made all reasonable enquiries, are third parties independent of the Company and connected persons (as defined under the GEM Listing Rules) of the Company
“Noteholder(s)”	the persons/entity(ies) who are for the time being the holder(s) of the Notes
“Notes”	the 1.5% coupon convertible notes due 2020 in the aggregate principal amount of HK\$15,000,000 to be issued by the Company to the Subscribers pursuant to the Subscription Agreements
“Proposed Share Consolidation”	a proposed consolidation of the share capital of the Company
“Subscribers”	李超志 (Li Chaozhi*), 李瑞敏 (Li Ruimin*), Chan Lok Yu and Asiapac Strategic Investment Limited, being the subscribers to the Subscription Agreements
“Subscription”	the subscription of the Notes by the Subscribers pursuant to the Subscription Agreements
“Subscription Agreements”	the subscription agreements dated 4 October 2018 and entered into between the Company and each of the Subscribers in relation to the Subscription
“Share(s)”	ordinary share(s) of HK\$0.005 each in the share capital of the Company
“Shareholder(s)”	the holder(s) of the Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“%”	per cent.

By order of the Board
China Oil Gangran Energy Group Holdings Limited
Zou Donghai
Chairman

Hong Kong, 4 October 2018

As at the date of this announcement, the executive Directors are Mr. Zou Donghai, Mr. Rong Changjun, Dr. Ho Chun Kit Gregory and Dr. Zheng Jian Peng; and the independent non-executive Director are Mr. Lau Sung Tat, Vincent and Mr. Tam Kim Fung.

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 not misleading or deceptive, and there are no other matters the commission of which would make any statement herein or this announcement misleading.

This announcement will remain on the “Latest Company Announcements” page of the GEM website at <http://www.hkgem.com> for at least 7 days from the date of its posting and on the websites of the Company at www.chinaoilgran.com and <http://chinaoilgran.todayir.com>.