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## THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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

If you have sold or transferred all your shares in China Oil Gangran Energy Group Holdings Limited, you should at once hand this circular and the accompanying form of proxy to the purchaser or transferee, or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

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This circular is for information purposes only and does not constitute an invitation or offer to acquire, purchase or subscribe for the securities of China Oil Gangran Energy Group Holdings Limited.

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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

### CONNECTED TRANSACTION INVOLVING ISSUE OF NEW SHARES UNDER SPECIFIC MANDATE AND NOTICE OF EXTRAORDINARY GENERAL MEETING

Financial Adviser to the Company



BAOQIAO PARTNERS CAPITAL LIMITED

Independent Financial Adviser to the Independent Board Committee



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Capitalised terms used on this cover shall have the same meaning as those defined in this circular, unless the context requires otherwise.

A letter from the Board is set out on pages 4 to 16 of this circular. A letter from the Independent Board Committee containing its advice to the Independent Shareholders is set out on page 17 of this circular. A letter from the Independent Financial Adviser containing its advice to the Independent Board Committee and the Independent Shareholders is set out on pages 18 to 37 of this circular.

A notice convening the EGM to be held at Jade Room, 6/F., Marco Polo Hong Kong Hotel, Harbour City, 3 Canton Road, Tsim Sha Tsui, Kowloon, Hong Kong on Friday, 10 February 2017 at 10:00 a.m., is set out on pages 42 to 44 of this circular. Whether or not you propose to attend the EGM, you are advised to complete the form of proxy attached to the notice of the EGM in accordance with the instructions printed thereon and return the same to the Company's share registrar, Tricor Investor Services Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong as soon as possible and in any event not later than 48 hours before the time appointed for holding of EGM or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM should you so wish.

This circular will remain on the GEM website at [www.hkgem.com](http://www.hkgem.com) on the "Latest Company Announcements" page for at least 7 days from the date of its posting. This circular will also be posted on the website of the Company at <http://www.chinaoilgangran.com> and <http://chinaoilgangran.todayir.com>.

24 January 2017

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## CHARACTERISTICS OF GEM

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**GEM has been positioned as a market designed to accommodate 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. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.**

**Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board and no assurance is given that there will be a liquid market in the securities traded on GEM.**

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## DEFINITIONS

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

“associate(s)”	has the meaning ascribed to it under the GEM Listing Rules
“Board”	the board of Directors
“Business Day”	any day (excluding a Saturday and other general holidays in Hong Kong) on which banks are generally open for business in Hong Kong
“Company”	China Oil Gangran Energy Group Holdings Limited (中油港燃能源集團控股有限公司), a company incorporated in the Cayman Islands with limited liability, the issued Shares of which are listed on the GEM
“Completion”	completion of the Subscription
“Completion Date”	the date on which the Completion shall take place, which shall be three Business Days after the conditions precedent of the Subscription Agreement are fulfilled (or such other date as may be agreed by the Company and the Subscriber in writing)
“connected person(s)”	has the meaning ascribed to it under the GEM Listing Rules
“Director(s)”	director(s) of the Company
“EGM”	the extraordinary general meeting of the Company to be convened for the purpose of considering and, if thought fit, approving, among other things, the Subscription Agreement and the transactions contemplated thereunder, including the grant of Specific Mandate
“GEM”	the Growth Enterprise Market of the Stock Exchange

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## DEFINITIONS

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“GEM Listing Rules”	the Rules Governing the Listing of Securities on GEM
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Board Committee”	an independent board committee, comprising all the independent non-executive Directors, which has been formed to advise the Independent Shareholders in respect of the Subscription Agreement and the transactions contemplated thereunder
“Independent Financial Adviser” or “Donvex Capital”	Donvex Capital Limited, a licensed corporation to carry out business in Type 6 (advising on corporate finance) regulated activity under the SFO, being the independent financial adviser appointed by the Company to advise to the Independent Board Committee and the Independent Shareholders in respect of the Subscription Agreement and the transactions contemplated thereunder
“Independent Shareholders”	Shareholders other than those who are required under the GEM Listing Rules to abstain from voting on the relevant resolution(s) to be proposed at the EGM to approve the Subscription
“Latest Practicable Date”	20 January 2017, being the latest practicable date prior to the publication of this circular for the purpose of ascertaining certain information contained in this circular
“PRC”	The People’s Republic of China, which, for the purpose of this circular, excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Share(s)”	ordinary shares of HK\$0.0002 each in the capital of the Company
“Shareholder(s)”	holder(s) of the Share(s)

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## DEFINITIONS

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“Specific Mandate”	a specific mandate to allot, issue or otherwise deal in Shares to be sought from the Shareholders to satisfy the allotment and issue of the Subscription Shares to the Subscriber upon Completion
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscriber” or “Mr. Zou”	Mr. Zou Donghai, an executive Director and the chairman of the Board
“Subscription”	the subscription of the Subscription Shares by the Subscriber under the Subscription Agreement
“Subscription Agreement”	the conditional subscription agreement dated 4 January 2017 entered into by the Company and the Subscriber in relation to the Subscription
“Subscription Price”	a subscription price of HK\$0.101 per Share
“Subscription Share(s)”	700,000,000 new Shares
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“%”	per cent.

\* *In this circular, the English translation of certain Chinese names, entities and addresses is included for information purpose only and should not be regarded as official English translation of such Chinese names, entities and addresses.*

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## LETTER FROM THE BOARD

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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**

*Executive Directors:*

Mr. Zou Donghai (*Chairman*)  
Mr. Rong Changjun (*Vice Chairman*)  
Mr. Zhang Xueming  
Mr. Ho Chun Kit Gregory  
Mr. Zheng Jian Peng

*Independent Non-Executive Directors:*

Ms. Eugenia Yang  
Mr. Chan Ying Kay  
Mr. Lau Sung Tat, Vincent

*Registered Office:*

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

*Head office and principal place of  
business in Hong Kong:*

Suites 707-9, 7th Floor  
Prudential Tower, The Gateway  
Tsim Sha Tsui, Kowloon  
Hong Kong

24 January 2017

*To the Shareholders*

Dear Sir or Madam,

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

**INTRODUCTION**

The Company announced on 4 January 2017 (after trading hours of the Stock Exchange) that the Company and the Subscriber entered into the Subscription Agreement, pursuant to which the Company has conditionally agreed to allot and issue, and the Subscriber has conditionally agreed to subscribe for, the Subscription Shares at the Subscription Price of HK\$0.101 per Subscription Share.

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## LETTER FROM THE BOARD

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The purpose of this circular is to provide you with, amongst other information, (i) further information of the Subscription; (ii) the respective advice from the Independent Board Committee and the Independent Financial Adviser in respect of the Subscription Agreement and the transactions contemplated thereunder; and (iii) a notice of EGM at which resolution(s) will be proposed to consider and, if thought fit, to approve the Subscription Agreement and the transactions contemplated thereunder.

### THE SUBSCRIPTION AGREEMENT

Principal terms of the Subscription Agreement are set out below.

**Date:**

4 January 2017 (after trading hours of the Stock Exchange)

**Parties:**

- (i) the Company (as the issuer); and
- (ii) Mr. Zou (as the Subscriber).

Mr. Zou is the chairman of the Board and an executive Director. Accordingly, Mr. Zou is a connected person of the Company under the GEM Listing Rules.

### Subscription Shares

Pursuant to the Subscription Agreement, the Subscriber has conditionally agreed to subscribe for, and the Company has conditionally agreed to allot and issue, the Subscription Shares at the Subscription Price of HK\$0.101 per Subscription Share.

The Subscription Shares, being 700,000,000 new Shares, represent (i) approximately 13.25% of the existing issued share capital of the Company as at the Latest Practicable Date; and (ii) approximately 11.70% of the issued share capital of the Company immediately upon Completion (assuming there is no change to the issued share capital of the Company from the Latest Practicable Date and prior to Completion) as enlarged by the Subscription.

The aggregate nominal value of the Subscription Shares (with a par value of HK\$0.0002 each) is HK\$140,000.



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## LETTER FROM THE BOARD

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### Subscription Price

The Subscription Price is HK\$0.101 per Share, representing:

- (i) a discount of approximately 12.17% to the closing price of HK\$0.115 per Share as quoted on the Stock Exchange on 4 January 2017, being the date of the Subscription Agreement;
- (ii) a discount of approximately 9.01% to the average closing price of HK\$0.111 per Share as quoted on the Stock Exchange for the last five (5) consecutive trading days immediately preceding the date of the Subscription Agreement;
- (iii) a discount of approximately 11.40% to the average closing price of HK\$0.114 per Share as quoted on the Stock Exchange for the last ten (10) consecutive trading days immediately preceding the date of the Subscription Agreement;
- (iv) a premium of approximately 188.57% to the unaudited consolidated net asset value of approximately HK\$0.035 per Share as at the Latest Practicable Date (based on the unaudited consolidated net assets of the Group attributable to the Shareholders of approximately HK\$187,317,000 as at 30 September 2016 and the number of Shares in issue as at the Latest Practicable Date); and
- (v) a discount of approximately 12.17% to the closing price of HK\$0.115 per Share as quoted on the Stock Exchange on the Latest Practicable Date.

The total Subscription Price for the Subscription shall be paid by the Subscriber to the Company in cash upon Completion.

The Subscription Price was arrived at after arm's length negotiations between the Company and the Subscriber with reference to the prevailing market price of the Shares.

### Conditions precedent of the Subscription Agreement

Completion of the Subscription Agreement is subject to the fulfillment of the following conditions:

- (i) all necessary consents and approvals required to be obtained by the Company in respect of the Subscription Agreement and the transactions contemplated thereunder having been obtained;

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## LETTER FROM THE BOARD

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- (ii) all necessary consents and approvals required to be obtained by the Subscriber in respect of the Subscription Agreement and the transactions contemplated thereunder having been obtained;
- (iii) the approval of the Subscription Agreement and the transactions contemplated thereunder (including but not limited to the execution, delivery and performance of the Subscription Agreement and the transactions contemplated thereunder and the granting of the Specific Mandate to the Directors for the allotment and issue of the Subscription Shares) by the Shareholders (other than those who are required to abstain from voting under the GEM Listing Rules) at the EGM;
- (iv) the Listing Committee of the Stock Exchange granting the approval for the listing of, and permission to deal in the Subscription Shares and such approval and permission not subsequently being revoked prior to Completion; and
- (v) the listing status of the Company has not been revoked and the Shares remain listed and traded on the GEM on or before the Completion Date.

The above conditions precedent cannot be waived by the Company and the Subscriber. In the event that any of the above conditions precedent of the Subscription is not fulfilled on or before 4 p.m. on 17 February 2017 (or such other time and date as may be agreed by both parties), the Subscription Agreement shall cease and determine and neither the Company nor the Subscriber shall have any obligations and liabilities under the Subscription Agreement, save for any antecedent breaches of the terms thereof.

### **Completion**

The Completion shall take place on the Completion Date in accordance with the terms of the Subscription Agreement.

### **Ranking**

The Subscription Shares, when issued and fully paid up, shall rank pari passu in all respects among themselves and with all other Shares in issue on the date of allotment and issue of the Subscription Shares.

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## LETTER FROM THE BOARD

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### **Mandate to allot and issue the Subscription Shares**

The Subscription Shares will be allotted and issued under the Specific Mandate to be sought at the forthcoming EGM.

### **Application for listing**

Application will be made by the Company to the Stock Exchange for the listing of, and permission to deal in, the Subscription Shares.

### **REASONS FOR THE SUBSCRIPTION AND USE OF PROCEEDS**

The Group is principally engaged in the development of digital applications, including but not limited to handheld electronic game consoles, mobile game applications, digital marketing solutions, development of liquefied natural gas, compressed natural gas and related clean energy business, and the manufacturing and trading of power and data cords for household electronic appliances, mobile phones and medical control services.

As mentioned in the interim report of the Company for the six months ended 30 September 2016 (the “**2016 Interim Report**”), it is the Group’s operational strategy to expand its market presence and profitability by broadening its revenue base and exploring new business opportunities. The Directors are of the view that the Subscription represents an opportunity for the Company to raise capital for the development and expansion of the Group’s existing business and to capture potential investment opportunities as and when such opportunities arise. The gross proceeds and the net proceeds (after deducting professional fees and other related expenses) from the Subscription will be approximately HK\$70.70 million and approximately HK\$70.28 million respectively. On such basis, the net price of each Subscription Share is approximately HK\$0.1004. It is intended that the net proceeds from the Subscription will be utilised as to (i) approximately HK\$48.00 million for development and expansion of the existing businesses of the Group, of which approximately HK\$30.00 million and HK\$18.00 million will be utilized for funding the sales and trading of chemicals and refined oil business and the development of natural gas and related clean energy business respectively; and (ii) the remaining balance of approximately HK\$22.28 for general working capital of the Group and/or for financing future investment opportunities.

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## LETTER FROM THE BOARD

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### Development of existing business

The Group commenced the sales of refined oil and chemicals trading business through its 51% owned subsidiary, namely Jiangxi China Oil Gangran Energy Technology Company Limited (江西中油港燃能源科技有限責任公司) (“**Jiangxi Energy**”, a company incorporated in the PRC with limited liability), during the financial year ended 31 March 2016. Jiangxi Energy was formed and owned as to 51% by the Company, 40% by Jiangxi Zhongyou Yingtai Natural Gas Limited Liability Company\* (江西中油鷹泰天然氣有限責任公司) and 9% by Zhongwaijian Engineering Construction Limited\* (中外建工程建設有限責任公司). The total capital contribution of RMB100 million was contributed by the parties in proportion to their respective equity interests in Jiangxi Energy as disclosed in the circular of the Company dated 28 February 2014.

The Group’s overall revenue for the year ended 31 March 2015 and for the six months ended 30 September 2016 increased significantly by approximately 144.63% and 173.66% respectively as compared to corresponding last year/period, mainly driven by the revenue growth from the sales of refined oil and chemicals trading business. The Directors are positive about the growth and prospects of the refined oil and chemical trading business in the PRC and take the view that investing in sales and trading of chemicals and refined oil business will continue to generate considerable revenues to the Group.

Given the capital intensive nature of refined oil and chemical trading, the Directors consider a strong cash position is essential to capture additional orders and enhance the revenue base of the refined oil and chemical trading business. With the additional cash from the Subscription, the Group will be in a better position to expand and grow its refined oil and chemical trading business.

In addition to sales of refined oil and chemical trading business, Jiangxi Energy invests in the business of liquefied natural gas and compressed natural gas in order to diversify the income stream of the Group. Jiangxi Energy owns a patented technology in relation to the conversion of traditional diesel utilization to LNG utilization and it continues to develop the operation of oil-to-gas conversion and LNG refueling facilities within the waterborne transportation industry. As disclosed in the 2016 Interim Report, despite the continuously low prices of crude oil slowing the current demand of the vessel operators for LNG, the Directors believe the demand for LNG will expand over the long run given the strong support on clean energy policies by the PRC government. With a view to refine and diversify its sales and revenue model, as disclosed in the 2016 Interim Report, the Group has tasked Jiangxi Energy to set up natural gas refilling stations in Yingtan City, Jiangxi Province, the PRC and invested in natural gas refilling facilities specifically for the inland transportation. The Directors are of the view that the Subscription represents an opportunity to raise additional funds for the Group to develop and operate natural gas refueling stations. The Directors are optimistic about the prospect of the natural gas industry in the PRC and believe that the investment in gas refilling stations will strengthen Jiangxi Energy’s position in clean energy business and to take advantage of the expected industry growth in further developing the Group’s natural gas and clean energy related business.

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## LETTER FROM THE BOARD

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Upon Completion, the net proceeds of approximately HK\$48.00 million will be advanced to Jiangxi Energy by the Company to develop its existing business. Such advance will be interest-free and repayable on demand.

### **General working capital**

The Group has been in loss-making position for an extended period of time and it continued to make loss as disclosed in the 2016 Interim Report. As at 30 September 2016, the Group's cash and bank balances were approximately HK\$47.9 million, which were principally maintained in the PRC to meet its working capital requirement in the PRC. Given the unsatisfactory financial performance of the Group and the existing cash reserve/funding required for the working capital of its existing business in the PRC, the Directors consider that additional funding of approximately HK\$22.28 million is required for the general working capital of the Group in Hong Kong for the upcoming twelve months and/or for financing future investment opportunities, of which approximately HK\$11.00 million and HK\$4.00 million will be used for settlement of directors remuneration and staff costs and rental expenses respectively and the remaining of approximately HK\$7.28 million will be used for the settlement of other operating expenses and/or financing future investment opportunities.

The Directors believe that the Subscription could strengthen the Company's cash resources and working capital position for the development of the Group's business and thus, to increase value for its Shareholders in the long run.

Before resorting to the Subscription, the Board has considered and compared feasibilities of other fund raising alternatives for the Group, such as placement of new Shares to independent investors, rights issue, open offer, debt financing and bank borrowings. The Directors considered that debt financing may incur interest burden on the Group and may be subject to lengthy due diligence and negotiations with the banks with reference to the Group's financial position and the then financial market condition. Given the unsatisfactory financial performance of the Company, the Board considers debt financing to be relatively uncertain and time-consuming. On the other hand, rights issue or open offer may also involve relatively substantial time and cost to complete as compared to the equity financing through the issue of new Shares. In the course of this fund raising exercise, the Company had approached a few securities firms for other fund raising opportunities. However, none of them showed interest in providing underwriting services nor any fund raising exercises of the Company. In view of the continuous loss-making position of the Group, the Directors consider that it may not be possible to procure underwriter(s) for pre-emptive issues on acceptable terms under the prevailing market conditions.

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## **LETTER FROM THE BOARD**

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Taking into account the benefits and cost of each of the alternatives, the Directors believe that the Subscription will allow the Company to raise the needed funds at a reasonable cost for support the Group's existing operations and further development of its existing and potential business opportunities and the Subscription is in the interests of the Company and the Shareholders as a whole.

Further, the Subscription also demonstrates the confidence of Mr. Zou (as the executive Director and the chairman of the Board) places in the Company and his strong support and confidence to the prevailing and further development of the business of the Group.

The Directors believe that the Subscription represents an opportunity for the Company to raise capital while strengthening the capital base of the Company. Having regard to the potential benefits of (i) enhancing the revenue growth in refined oil and chemical trading business; (ii) further developing the Group's natural gas business to both waterborne and inland transportation markets; and (iii) strengthening the working capital position of the Group, brought by the funds raised by the Subscription for enhancing the Group's position to achieve its business objectives, the Directors believe that the Subscription is in the interests of the Company and Shareholders as a whole.

### **EQUITY FUND RAISING ACTIVITIES OF THE COMPANY DURING THE PAST TWELVE MONTHS**

Set out below are the fund raising activities conducted by the Company in the past twelve (12) months immediately prior to the Latest Practicable Date.

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## LETTER FROM THE BOARD

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Date of announcement	Event	Net proceeds received	Intended use of proceeds	Actual use of proceeds
20 January 2016	Placing of Shares	Approximately HK\$24.44 million	General working capital of the Group and/or for financing future investment opportunities	Fully utilised as general working capital of the Group, which consists of directors fees and staff costs of approximately HK\$6.26 million, interest expenses of approximately HK\$7.2 million, professional fees of approximately HK\$5.68 million, rental expenses of approximately HK\$1.69 million, car mortgage expenses of approximately HK\$0.82 million and other miscellaneous expenses of approximately HK\$2.79 million;
19 August 2016	Placing of Shares	Approximately HK\$3.58 million	General working capital of the Group and/or for financing future investment opportunities	Fully utilised as general working capital of the Group, which consists of directors fees and staff costs of approximately HK\$2.00 million, rental expenses of approximately HK\$0.91 million, car mortgage expenses of approximately HK\$0.44 million and other miscellaneous expenses of approximately HK\$0.23 million;

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## LETTER FROM THE BOARD

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Date of announcement	Event	Net proceeds received	Intended use of proceeds	Actual use of proceeds
30 November 2016	Placing of Shares	Approximately HK\$19.39 million	General working capital of the Group and/or for financing future investment opportunities	<p>(i) Approximately HK\$9.39 million has been utilised as general working capital of the Group, which consists of directors fees and staff costs of approximately HK\$2.02 million, professional fees of approximately HK\$1.91 million, rental expenses of approximately HK\$0.62 million and other operating expenses of approximately HK\$4.84 million; and</p> <p>(ii) approximately HK\$10.00 million remained unused and was held by the Company for general working capital of the Group as at the Latest Practicable Date.</p>

Save as disclosed above, the Company did not raise any other funds by issue of equity securities during the twelve (12) months immediately preceding the Latest Practicable Date.



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## LETTER FROM THE BOARD

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### EFFECT ON SHAREHOLDING STRUCTURE OF THE COMPANY

The following table set out the shareholding structure of the Company (i) as at the Latest Practicable Date; and (ii) immediately upon Completion (assuming there is no change in the issued share capital of the Company from the date of Latest Practicable Date and up to Completion save for the issue of the Subscription Shares).

Name of Shareholders	As at the Latest Practicable Date		Immediately upon Completion (assuming that there is no change to the issued share capital of the Company from the Latest Practicable Date and up to Completion save for the issue of the Subscription Shares)	
	No. of Shares	%	No. of Shares	%
The Subscriber	–	–	700,000,000	11.70
Mr. Ho Chun Kit, Gregory (Note)	9,750,000	0.18	9,750,000	0.16
Public Shareholders	<u>5,274,306,372</u>	<u>99.82</u>	<u>5,274,306,372</u>	<u>88.14</u>
Total	<u>5,284,056,372</u>	<u>100.00</u>	<u>5,984,056,372</u>	<u>100.00</u>

Note: Mr. Ho Chun Kit, Gregory is an executive Director.

### IMPLICATIONS UNDER THE GEM LISTING RULES

As the Subscriber is the chairman of the Board and an executive Director, the Subscriber is a connected person of the Company. Therefore, the entering into of the Subscription Agreement and the Subscription thereunder constitutes a connected transaction for the Company under Chapter 20 of the GEM Listing Rules and is subject to the reporting, announcement and independent Shareholders' approval requirements under Chapter 20 of the GEM Listing Rules.

The Subscriber has abstained from voting on the resolutions of the Board for approving the Subscription Agreement and the transactions contemplated thereunder.

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## **LETTER FROM THE BOARD**

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### **EGM**

The EGM will be held at Jade Room, 6/F., Marco Polo Hong Kong Hotel, Harbour City, 3 Canton Road, Tsim Sha Tsui, Kowloon, Hong Kong on Friday, 10 February 2017 at 10:00 a.m. for the Independent Shareholders to consider and approve, if thought fit, the Subscription Agreement and the transactions contemplated thereunder including (but not limited to) the allotment and issue of the Subscription Shares under Specific Mandate in accordance with the terms of the Subscription Agreement.

The notice of the EGM is set out on pages 42 to 44 of this circular. A form of proxy for use at the EGM is enclosed with the Circular. Whether or not you are able to attend the meeting in person, you are requested to complete and return the accompanying form of proxy in accordance with the instructions printed thereon. The proxy form shall be lodged with the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited, Level 22 Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not less than 48 hours before the time scheduled for holding the EGM (or any adjourned meeting thereof). Completion and delivery of the form of proxy will not preclude you from attending and voting in person at the EGM or any adjournment if you so desire.

### **VOTING AT THE EGM**

Pursuant to Rule 17.47(4) of the GEM Listing Rules, any vote of shareholders at a general meeting must be taken by poll except where the chairman, in good faith, decides to allow a resolution which relates purely to a procedural or administrative matter to be voted on by a show of hands. As such, the resolution(s) set out in the notice of the EGM will be voted on by way of poll.

To the best of the Directors' knowledge, information and belief after having made all reasonable enquires, as at the Latest Practicable Date, the Subscriber did not hold any Shares. The Subscriber and his associates, who as at the date of EGM shall hold any Shares, are required to abstain from voting in favour of the resolution(s) regarding the Subscription Agreement and the transactions contemplated thereunder, including the grant of the Specific Mandate for the allotment and issue the Subscription Shares.

Save as disclosed above, to the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, no Shareholder will be required to abstain from voting on the resolutions to be proposed at the EGM.

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## LETTER FROM THE BOARD

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### RECOMMENDATION

Your attention is drawn to the letter from the Independent Board Committee as set out on page 17 of this circular which contains its recommendation to the Independent Shareholders as to the voting at the EGM regarding the Subscription and the transactions contemplated thereunder.

Your attention is also drawn to the letter from the Independent Financial Adviser as set out on pages 18 to 37 of this circular, which contains, among other things, its advice to the Independent Board Committee and the Independent Shareholders in relation to the Subscription and the transactions contemplated thereunder as well as the principal factors and reasons considered by it in concluding its advice.

The Independent Board Committee, having taken into account the advice of the Independent Financial Adviser, is of the opinion that the Subscription Agreement and transactions contemplated thereunder are fair and reasonable and on normal commercial terms so far as the Independent Shareholders are concerned. While the Subscription and the grant of Specific Mandate are not in the ordinary and usual course of business of the Group, they are in the interests of the Company and its Shareholders as a whole and accordingly recommends the Independent Shareholders to vote in favour of the resolution(s) relating to the Subscription Agreement and the transactions contemplated thereunder, including the grant of the Specific Mandate for the allotment and issue of the Subscription Shares to be proposed at the EGM.

Accordingly, the Directors (including the independent non-executive Directors) consider that the Subscription are fair and reasonable and are in the interests of the Company and the Shareholders as a whole. Therefore, the Directors (including the independent non-executive Directors) recommend the Independent Shareholders to vote in favour of the relevant resolution(s) to be proposed at the EGM.

### ADDITIONAL INFORMATION

Your attention is also drawn to the additional information set out in the Appendix to this circular.

Yours faithfully,

For and on behalf of the Board

**China Oil Gangran Energy Group Holdings Limited**

**Zou Donghai**

*Chairman*

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## LETTER FROM THE INDEPENDENT BOARD COMMITTEE

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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**

24 January 2017

*To the Independent Shareholders*

Dear Sir or Madam,

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

We refer to the circular of the Company dated 24 January 2017 (the “**Circular**”) of which this letter forms part. Unless the context otherwise requires, terms defined in the Circular shall have the same meanings when used herein.

We have been appointed by the Board to form the Independent Board Committee to advise you in connection with the Subscription are fair and reasonable, on normal commercial terms and in the interests of the Company and the Shareholders as a whole.

We wish to draw your attention to the letter from the Board, as set out on pages 4 to 16 of the Circular, and the letter of advice from the Independent Financial Adviser, as set out on pages 18 to 37 of the Circular. Having considered the terms of the Subscription Agreement and the advice given by the Independent Financial Adviser and the principal factors and reasons taken into consideration by it in arriving at its advice, we are of the opinion that the Subscription Agreement and the transactions contemplated thereunder, including the grant of Specific Mandate for the allotment and issue of the Subscription Shares are fair and reasonable, on normal commercial terms and are in the interests of the Company and the Shareholders as a whole as far as the Independent Shareholders are concerned. While the Subscription and the grant of Specific Mandate are not in the ordinary and usual course of business of the Group, they are in the interests of the Company and the Shareholders as a whole.

Accordingly, we recommend the Independent Shareholders to vote in favour of the resolution(s) to be proposed at the EGM to approve the Subscription.

Yours faithfully,

**Independent Board Committee**

**Ms. Eugenia Yang**

**Mr. Chan Ying Kay**

**Mr. Lau Sung Tat, Vincent**

*Independent non-executive Directors*

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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*The following is the full text of the letter from Donvex Capital Limited setting out their advice to the Independent Board Committee and the Independent Shareholders, which has been prepared for the purpose of inclusion in this circular.*



Unit 1305, 13th Floor,  
Carpo Commercial Building  
18-20 Lyndhurst Terrace  
Central  
Hong Kong

24 January 2017

*The Independent Board Committee and the Independent Shareholders of  
China Oil Gangran Energy Group Holdings Limited*

Dear Sirs,

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

#### **INTRODUCTION**

We refer to our engagement as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in respect to the Subscription Agreement and the transactions contemplated thereunder, details of which are set out in the Letter from the Board contained in the circular of the Company dated 24 January 2017 to the Shareholders (the “**Circular**”) of which this letter forms part. Capitalised terms used herein have the same meanings as defined elsewhere in the Circular unless the context requires otherwise.

Reference is made to the Company’s announcement dated 4 January 2017 in relation to the Subscription Agreement. On 4 January 2017, the Company and the Subscriber entered into the Subscription Agreement, pursuant to which the Company has conditionally agreed to allot and issue, and the Subscriber has conditionally agreed to subscribe for, the Subscription Shares at the Subscription Price of HK\$0.101 per Subscription Share.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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The Subscription Shares, being 700,000,000 new Shares, represent (i) approximately 13.25% of the existing issued share capital of the Company as at the Latest Practicable Date; and (ii) approximately 11.70% of the issued share capital of the Company immediately upon Completion (assuming there is no further changes to the issued share capital of the Company from the Latest Practicable Date and prior to Completion) as enlarged by the Subscription.

As the Subscriber is the chairman of the Board and an executive Director, the Subscriber is a connected person of the Company. Therefore, the entering into of the Subscription Agreement and the Subscription thereunder constitutes a connected transaction for the Company under Chapter 20 of the GEM Listing Rules and is subject to the reporting, announcement and independent Shareholders' approval requirements under Chapter 20 of the GEM Listing Rules. To the best of the Directors' knowledge, information and belief after having made all reasonable enquiries, as at Latest Practicable Date, the Subscriber did not hold any Shares. The Subscriber and his associates, who as at the date of EGM shall hold any Shares, are required to abstain from voting in favour of the resolution(s) regarding the Subscription Agreement and the transactions contemplated thereunder, including the grant of the Specific Mandate for the allotment and issue the Subscription Shares.

In view of the foregoing, the Company will convene an EGM to seek the approval of the Independent Shareholders on the Subscription Agreement. Ms. Eugenia Yang, Mr. Chan Ying Kay and Mr. Lau Sung Tat, Vincent, the independent non-executive Directors, have been appointed as members of the Independent Board Committee to advise the Independent Shareholders on the terms and conditions of the Subscription Agreement and the transactions contemplated thereunder. Being the Independent Financial Adviser approved and appointed by the Independent Board Committee, our role is to give an independent opinion to the Independent Board Committee and the Independent Shareholders in this regard.

We are independent from, and not connected with, the Company or any of its substantial shareholders, directors, chief executive, or any of their respective associates, and have sufficient expertise and resources to give an opinion on the transactions. As at the Latest Practicable Date, we did not have any relationship with or interest in the Company or any other parties that could reasonably be regarded as relevant to our independence. Apart from normal professional fees in connection with this appointment as the Independent Financial Adviser, no other arrangements exist whereby we had received or will receive any fees and/or benefits from the Company or any other parties that could reasonably be regarded as relevant to our independence.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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### BASIS OF OUR OPINION

In formulating our opinion to the Independent Board Committee and the Independent Shareholders, we have relied on the statements, information, opinions and representations contained in the Circular and the information and representations provided to us by the Directors and management of the Company. We have no reason to believe that any information and representations relied on by us in forming our opinion is untrue, inaccurate or misleading, nor are we aware of any material facts the omission of which would render the information provided and the representations made to us untrue, inaccurate or misleading. We have assumed that all statements, information, opinions and representations contained or referred to in the Circular, which have been provided by the Directors and management of the Company and for which they are solely and wholly responsible, were true and accurate at the time they were made and continue to be true up to the Latest Practicable Date.

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

We consider that we have reviewed sufficient information to reach an informed view, to justify reliance on the accuracy of the information contained in the Circular and to provide a reasonable basis for our recommendation. We have not, however, for the purpose of this exercise, conducted any form of independent in-depth investigation or audit into the businesses or affairs or future prospects of the Company, the Subscriber and their respective associates, nor have we carried out independent verification on the information supplied. Our opinion is necessarily based on the financial, economic, market and other conditions in effect and the information made available to us as at the Latest Practicable Date. Independent Shareholders should note that subsequent developments, including any material change in market and economic conditions, may affect or change our opinion and we have no obligation to update this opinion to take into account events occurring after the Latest Practicable Date or to update, revise or reaffirm our opinion. Nothing contained in this letter should be construed as a recommendation to hold, sell or buy any Shares or any other securities of the Company.

This letter is issued for the information for the Independent Board Committee and the Independent Shareholders solely in connection with their consideration of the Subscription Agreement and except for its inclusion in the Circular, is not to be quoted or referred to, in whole or in part, nor shall this letter be used for any other purposes, without our prior written consent.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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### PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving our opinion in respect of the Subscription, we have taken into consideration the following principal factors and reasons:

#### 1. Background information of the Group

The Group is principally engaged in the development of digital applications, including but not limited to handheld electronic game consoles, mobile game applications, digital marketing solutions, development of liquefied natural gas, compressed natural gas and related clean energy business, and the manufacturing and trading of power and data cords for household electronic appliances, mobile phones and medical control services. The Group's refined oil and natural gas business is based in the PRC.

Set out below is a summary of the Group's operating results and financial position extracted from the Company's annual report for the year ended 31 March 2016 and interim report for the six months ended 30 September 2016 ("**2016 Interim Report**").

	Six months ended		Year ended 31 March	
	30 September 2016	2015	2016	2015
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	(unaudited)	(unaudited)	(audited)	(audited)
Revenue				
Sales of power and data cords and inlet sockets	40,671	36,182	70,002	78,627
Sales of refined oil and chemicals	142,720	30,831	124,788	–
Share of income from mobile commerce	–	–	–	1,000
	<u>183,391</u>	<u>67,013</u>	<u>194,790</u>	<u>79,627</u>
Gross profit	18,368	6,810	19,757	16,131
Loss for the period/year	(35,792)	(43,915)	(112,165)	(219,789)



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**LETTER FROM THE INDEPENDENT FINANCIAL ADVISER**

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	<b>As at</b>	<b>As at 31 March</b>	
	<b>30 September</b>	<b>2016</b>	<b>2015</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	(unaudited)	(audited)	(audited)
Non-current assets	157,135	168,853	230,455
Current assets	226,819	257,024	219,491
– Cash and cash equivalents	47,878	38,169	100,035
<b>Total assets</b>	<b><u>383,954</u></b>	<b><u>425,877</u></b>	<b><u>449,946</u></b>
Non-current liabilities	54,920	58,934	102,644
Current liabilities	141,717	150,945	84,859
<b>Total liabilities</b>	<b><u>196,637</u></b>	<b><u>209,879</u></b>	<b><u>187,503</u></b>
<b>Net assets</b>	<b><u>187,317</u></b>	<b><u>215,998</u></b>	<b><u>262,443</u></b>

***For the six months ended 30 September 2016***

The revenue of the Group increased by approximately 173.7% from approximately HK\$67.0 million for the six months ended 30 September 2015 to approximately HK\$183.4 million for the six months ended 30 September 2016. The increase was mainly attributable to the increase in revenues from the sales of refined oil and the trading of chemicals. As such, the net loss of the Group decreased by approximately 18.5% from approximately HK\$43.9 million for the six months ended 30 September 2015 to approximately HK\$35.8 million for the six months ended 30 September 2016.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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### *For the year ended 31 March 2016*

The revenue of the Group increased by approximately 144.6% from approximately HK\$79.6 million for the year ended 31 March 2015 to approximately HK\$194.8 million for the year ended 31 March 2016, which was mainly attributable to the increase in revenues from the sales of refined oil and the trading of chemicals of HK\$124.8 million. The net loss of the Group decreased by approximately 49.0% from approximately HK\$219.8 million for the year ended 31 March 2015 to approximately HK\$112.2 million for the six months ended 30 September 2016 which was mainly due to (i) the increase in revenue; and (ii) the decrease in administrative expenses by approximately HK\$135.5 million as the Group paid significant one-off professional fee to a market solution company in seeking business opportunities and formulating public relation strategies during the year ended 31 March 2015.

## 2. Industry overview of refined oil and natural gas industry in the PRC

Set out below the data in relation to the refined oil and natural gas industry in the PRC for the eleven months ended 30 November 2016 published by the National Development and Reform Commission on 29 December 2016.

	<b>Refined oil production volume</b>	<b>Refined oil consumption volume</b>
Tons ( <i>million</i> )	294.3	263.2
Growth rate as compared to the corresponding period in 2015 (%)	7.4	4.0

	<b>Natural gas production volume</b>	<b>Natural gas import volume</b>	<b>Natural gas consumption volume</b>
Cubic meter ( <i>billion</i> )	121.1	63.4	176.4
Growth rate as compared to the corresponding period in 2015 (%)	1.7	16.5	7.0

As illustrated above, the refined oil and natural gas industry in the PRC recorded positive growth and the potential demand for the domestic production of natural gas is strong. With reference to the 13th Five-Year Plan, the PRC government aims to shift the nations' energy consumption to a cleaner energy structure which has ensured a growing demand for natural gas in the PRC in the future. As such, we are of the view that growth in the refined oil and natural gas industry in the PRC is positive.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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### 3. Reasons for and benefits of entering into the Subscription Agreement

As stated in the Letter from the Board, it is intended that the net proceeds of HK\$70.28 million from the Subscription will be utilized as to (i) approximately HK\$48.00 million for development and expansion of the existing business of the Group, of which approximately HK\$30.00 million and HK\$18.00 million will be utilized for funding the sales and trading of chemicals and refined oil business and the development of natural gas and related clean energy business respectively; and (ii) the remaining balance of approximately HK\$22.28 million for general working capital of the Group and/or for financing future investment opportunities.

In arriving our opinion on the reasons for and benefits of the Subscription, we have considered the following factors in relation to (i) development of existing business; and (ii) necessity of additional general working capital:

#### *(i) Development of existing business*

As discussed under the section headed “Industry overview of the refined oil and natural gas industry in the PRC” above, the growth in the refined oil and natural gas industry in the PRC is positive. The Group has intention to further develop the existing business by advancing net proceeds of approximately HK\$48.00 million to Jiangxi Energy for additional working capital in (a) the sales and trading of chemicals and refined oil business; and (b) the development of natural gas and related clean energy business as discussed below.

#### *(a) Sales and trading of chemicals and refined oil business*

As advised by the management of the Company, the Group may lose the opportunities in capturing additional sales orders in the event the Group does not have sufficient cash and bank balances on hand to meet the relatively high working capital requirement for the refined oil and chemicals business.

In order to increase the working capital for the refined oil and chemicals business, the Company raised net proceeds of approximately HK\$47.4 million from placing of new Shares to independent third parties in January, August and November 2016, respectively. As the net proceeds of approximately HK\$23.0 million from placement was received after 30 August 2016, the revenue in the Company’s interim financial results for the six months ended 30 September 2016 has not fully reflected the impact as a result of the increase in working capital. Despite the partial net proceeds from placement has been allocated to settling administrative expenses, the increase in working capital had contributed to the Group’s revenue from sales of refined oil and chemicals, which increased by approximately HK\$111.5 million from approximately HK\$30.8 million for the six months ended 30 September 2015 to approximately HK\$142.3 million for the six months ended 30 September 2016.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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Taking into account the above and the growth in the refined oil industry in the PRC is positive, we are of the view that investing in sales and trading of chemicals and refined oil business may continue to generate revenue to the Group.

*(b) Development of natural gas and related clean energy business*

As disclosed in the 2016 Interim Report, alongside PetroChina Company, Sinopec and CNOOC, the three major state-owned oil enterprises, Jiangxi Energy holds the exclusive franchise to operating six refueling vessels, in Yangtze River, Gan River and Poyang Lake. In addition, it is the Group's operational strategy to expand its market presence and profitability by broadening its revenue base and exploring new business opportunities. The Directors are of the view that the Subscription represents an opportunity for the Company to raise capital for the development and expansion of the Group's existing business and to capture potential investment opportunities as and when such opportunities arise.

In order to capture the continuous growth of the natural gas industry in the PRC and refine and diversify the sales and revenue model, the Group has tasked Jiangxi Energy to set up natural gas refilling stations in Yingtan City, Jiangxi Province, the PRC and invested in LNG refilling facilities specifically for the inland transportation. With the favourable national policies on clean energy and continuous growth of the natural gas industry in the PRC as discussed under the section headed "Industry overview of refined oil and natural gas industry in the PRC", we consider that the investment in refilling stations may strengthen Jiangxi Energy's position and take advantage of the expected industry growth in further developing the Group's natural gas and clean energy related business.

Based on the above, the net proceeds from the Subscription may provide funding for (a) the expansion in the existing sales and trading of chemicals and refined oil business; and (b) the investment in the natural gas refilling station as mentioned above. As such, we are of the view that such funding may further position the Group as a credible clean energy provider in both waterborne and inland transportation markets in the PRC and generate revenue to the Group, which is in the interests of the Company and the Shareholders as a whole.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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*(ii) Necessity of additional general working capital*

As disclosed in the 2016 Interim Report, the Group's bank and cash balances were approximately HK\$47.9 million as at 30 September 2016, which were principally maintained in the PRC to meet the working capital requirement for (a) the existing refined oil and natural gas business, notwithstanding the net proceeds of HK\$48.00 million for further expansion as discussed above; and (b) the existing manufacturing and trading of power and data cords business in the PRC. As such, additional funding of approximately HK\$22.28 million is required for the general working capital of the Group in Hong Kong for the upcoming twelve months and/or for financing future investment opportunities, of which approximately HK\$11.00 million and HK\$4.00 million will be used for settlement of directors remuneration and staff costs and rental expenses respectively and the remaining approximately HK\$7.28 million will be used for the settlement of other operating expenses and/or financing future investment opportunities.

We have discussed with the management of the Company and understand that, based on the latest cashflow trend of the Company, the existing working capital maintained in Hong Kong may not be sufficient for settlement of the above operating expenses in the upcoming twelve months.

Based on the above, we are of the view that there is a necessity of additional working capital for the Group's existing operations.

Having taking into account

- (I) (i) the opportunity to capture the continuous growth in the refined oil and natural gas industry in the PRC; and (ii) the necessity of additional general working capital for the Group's existing operations;
- (II) the continuous growth and the prospect in the refined oil and natural gas industry in the PRC is positive as discussed under the section headed "Industry overview of refined oil and natural gas industry in the PRC" above,

we consider that the reasons for the Subscription is justifiable and the Subscription is in the interests of the Company and the Shareholders as a whole.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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### 4. Financing alternatives of the Group

Based on our discussion with the Company, other than the Subscription, the Board has also considered the feasibilities of various fund raising methods such as (i) debt financing; (ii) placement of new Shares to independent investors; and (iii) other form of equity financing with the following reasons.

#### *(i) Debt financing*

The Directors considered that debt financing may incur interest burden on the Group and may be subject to lengthy due diligence and negotiations with the banks with reference to the Group's financial position and the then financial market condition. As the Group has recorded consecutive losses in the last several years, it may not be practicable for the Company to obtain debt financing in a cost-effective manner and additional finance charges may be incurred.

#### *(ii) Placement of new Shares to independent investors*

Given (i) the thin trading volume of the Shares during the Review Period as discussed under the section under "Trading liquidity of the Shares"; and (ii) the Company had already conducted fund raising activities three times by placing of new Shares to independent third parties during the past twelve month prior to the Subscription Agreement, the Directors consider that it is difficult for the placing agent to seek independent third parties to subscribe new shares without a large discount as compared with the Subscriber.

#### *(iii) Other form of equity financing*

We are advised by the Directors that both open offer and rights issue would allow the Shareholders to participate in the subscription on new Shares to be issued by the Company and maintain their respective pro-rata shareholdings in the Company. However, the Company would have difficulties for sourcing underwriter with reasonable underwriting fee and subscription price of reasonable discount given the thin trading volume of the Shares as discussed under the section headed "Trading liquidity of the Shares". We have discussed with the management of the Company and understand that the Company had approached a few securities firms for other fund raising opportunities. However, none of them showed interest in providing underwriting services nor any fund raising exercises of the Company due to the continuous loss-making position of the Group.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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The Company has even considered to invite the Subscriber to act as the underwriter in an open offer or rights issue proposal. However, the Subscriber is only willing to contribute approximately HK\$70.7 million, representing the gross proceed of the Subscription, to the Group, instead of acting as an underwriter in any open offer or rights issue proposal.

Taking into account of the above and in particular:

- (a) (i) the opportunity to capture the continuous growth in the refined oil and natural gas industry in the PRC; and (ii) the necessity of additional general working capital for the Group's existing operations as discussed under the section headed "Reasons for and benefits of entering into the Subscription Agreement" above;
- (b) the Company had already conducted fund raising activities three times by placing of new Shares to independent third parties in 2016. After considering the factors of other fund raising methods above, the Directors considered that they had already exhausted fund raising options; and
- (c) the Subscriber is willing to contribute approximately HK\$70.7 million to the Group,

we consider that the Group has no option but to conduct equity financing by way of Subscription which involves issuance of new Shares to the Subscriber.

Based on the above and as the level of dilution to the shareholding interests of the existing public Shareholders upon completion of the Subscription is acceptable as further discussed under the section headed "Potential dilution effect on the interests of the Shareholders" below, we consider the Subscription is in the interest of the Company and the Shareholders as a whole.

### **5. Principal terms of the Subscription Agreement**

Pursuant to the Subscription Agreement, the Company has conditionally agreed to allot and issue, and the Subscriber has conditionally agreed to subscribe for, the 700,000,000 Subscriptions Shares at the Subscription Price of HK\$0.101 per Subscription Share.

The Subscription Shares represent (i) approximately 13.25% of the existing issued share capital of the Company as at the Latest Practicable Date; and (ii) approximately 11.70% of the issued share capital of the Company immediately upon Completion (assuming there is no change to the issued share capital of the Company from the Latest Practicable Date and prior to Completion) as enlarged by the Subscription.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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### *The Subscription Price*

The Subscription Price of HK\$0.101 per Subscription Share represents:

- (i) a discount of approximately 12.17% to the closing price of HK\$0.115 per Share as quoted on the Stock Exchange on the Latest Practicable Date;
- (ii) a discount of approximately 12.17% to the closing price of HK\$0.115 per Share as quoted on the Stock Exchange on 4 January 2017, being the date of the Subscription Agreement;
- (iii) a discount of approximately 9.01% to the average closing price of HK\$0.111 per Share as quoted on the Stock Exchange for the last five (5) consecutive trading days immediately preceding the date of the Subscription Agreement; and
- (iv) a discount of approximately 11.40% to the average closing price of HK\$0.114 per Share as quoted on the Stock Exchange for the last ten (10) consecutive trading days immediately preceding the date of the Subscription Agreement.

As stated in the Letter from the Board, the Subscription Price was arrived at after arm's length negotiations between the Company and the Subscriber with the prevailing market price of the Shares.

#### *(a) Review on Share price performance*

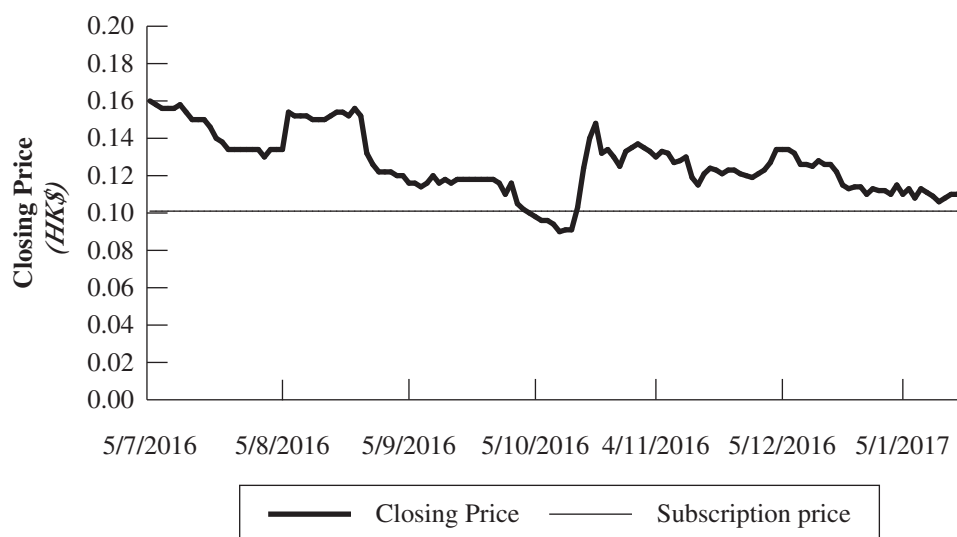
In order to assess the fairness and reasonableness of the Subscription Price, we have reviewed the daily closing prices of the Shares as quoted on the Stock Exchange during the last six months preceding the date of the Subscription Agreement and up to the Latest Practicable Date (the "**Review Period**"), for the purpose of illustrating the trend of the share price performance of the Shares. The chart below illustrates the daily closing price of the Shares versus the Subscription Price of HK\$0.101 during the Review Period.



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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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*Source: Website of the Stock Exchange*

As shown in the above chart, we noted that there was a general downward trend of closing price of the Shares since July 2016. During the Review Period, the lowest closing price was HK\$0.090 per share on 12 October 2016 and the highest closing price was HK\$0.160 per Share on 5 July 2016, with an average closing price of HK\$0.126. The discount of 19.84% of the Subscription Price to the average closing price of the Shares of HK\$0.126 during the Review Period is within the range of the discount of the Comparables (as further defined and discussed under the section headed “Market comparable analysis” below). As such, we consider the discount of the Subscription Price to the average closing price of the Shares during the Review Period is justifiable.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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*(b) Trading liquidity of Shares*

The following table sets out the trading volume of the Shares during the Review Period:

	<b>Total trading volume for the month/period</b>	<b>Average daily trading volume for the month/period</b>	<b>Percentage of average daily trading volume to number of Shares in issue as at the end of relevant month/period</b>
	<i>(Shares)</i>	<i>(Shares)</i>	
		<i>(Note 2)</i>	<i>(Note 1)</i>
<b>2016</b>			
July (beginning from 5 July 2016)	332,226,143	17,485,586	0.17%
August <i>(Note 1)</i>	876,080,100	39,821,823	0.39%
September <i>(Note 1)</i>	263,270,000	12,536,667	0.25%
October	302,960,000	15,945,263	0.31%
November	107,920,700	4,905,486	0.10%
December <i>(Note 1)</i>	103,020,000	5,151,000	0.10%
<b>2017</b>			
January (up to the Latest Practicable Date)	29,442,000	2,103,000	0.04%

*Source: Website of the Stock Exchange*

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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*Notes:*

1. The Company completed the placing of a number of new Shares in August and December 2016 where the number of issued Shares increased accordingly during the relevant month. Details of the placing of Shares are set out under the section headed “Equity fund raising activities of the Company during the past twelve months” in the Letter from the Board. On 30 September 2016, the Shares were consolidated on the basis that every two issued and unissued Shares of nominal value of HK\$0.0001 each in the share capital of the Company into one Share of nominal value of HK\$0.0002 in the share capital of the Company. As such, the number of issued Shares was consolidated from 10,168,112,744 Shares to 5,084,056,372 Shares on 30 September 2016.

The percentage of average daily trading volume to number of Shares in issue as at the end of relevant month/period is calculated based on (i) 10,120,112,744 Shares as at the month end of July 2016; (ii) 10,168,112,744 Shares as at the month end of August 2016; (iii) 5,084,056,372 Shares as at the month end during September 2016 to November 2016; and (iv) 5,284,056,372 as at the month end of December 2016 and the Latest Practicable Date.

2. Average daily trading volume is calculated by dividing the total trading volume for the month/period by the number of trading days during the month/period which exclude any trading day on which trading of the Shares on the Stock Exchange was suspended for the whole trading day.

As illustrated in the above table, the average daily trading volume during the Review Period was thin, with a range of approximately 2,103,000 Shares to 39,821,823 Shares, representing approximately 0.04% to 0.39% of the number of Shares in issue as at the end of relevant month/period. In view of the above, we consider that the liquidity of the Shares was low during the Review Period.

*(c) Market comparable analysis*

In assessing the fairness and reasonableness of the Subscription, we have identified 27 transactions involving issue of new shares under specific mandate (the “**Comparables**”) announced by companies listed on the Stock Exchange (excluding companies under prolonged suspension) during the six months period preceding the date of the Subscription Agreement for comparison purpose.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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We noted that the business activities of the Comparables are not directly comparable to those carried out by the Group and the terms of the Comparables may vary from companies with different business nature, financial performance, future prospects and funding requirements. Nevertheless, based on (i) the Comparables are the most recent transactions involving issue of new shares under specific mandate announced to the public; (ii) the terms of the Comparables were determined under similar market condition and sentiment and they might be able to reflect the recent trend of transactions involving issue of new shares under specific mandate in the Hong Kong stock market; and (iii) the size of Comparables is adequate with sufficient number of samples for the purpose of comparison, we consider that the Comparables are fair and representative samples to illustrate the recent trend and terms of the transactions involving issue of new shares under specific mandate under common market practice. Details regarding the Comparables are set out below:

Date of announcement	Company	Stock code	Premium/(discount) of the subscription price to the closing price of the shares on the last trading day or the date of the corresponding agreement (%)	Premium/(discount) of the subscription price to the closing price of the shares for the last five consecutive trading days immediately prior the last trading day (%)
3/1/2017	Eminence Enterprise Limited	616	(8.00)	(0.50)
2/1/2017	Northeast Electric Development Co., Ltd	42	(9.96)	(11.39)
30/12/2016	HNA Infrastructure Company Limited	357	15.86	16.02
22/12/2016	See Corporation Limited	491	(10.38)	(11.87)
21/12/2016	A8 New Media Group Limited	800	(12.77)	(13.14)
16/12/2016	Bank of Jinzhou Co., Ltd.	416	(11.20)	(9.00)
14/12/2016	Winshine Science Company Limited	209	(10.90)	(25.30)
28/11/2016	Daitang International Power Generation Co., Ltd	991	1.92	2.51
25/11/2016	Beijing Capital Juda Limited	1329	(23.91)	(23.91)
16/11/2016	Ozner Water International Holding Limited	2014	2.40	7.55

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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Date of announcement	Company	Stock code	Premium/(discount) of the subscription price to the closing price of the shares on the last trading day or the date of the corresponding agreement (%)	Premium/(discount) of the subscription price to the closing price of the shares for the last five consecutive trading days immediately prior the last trading day (%)
11/11/2016	Yue Da Mining Holdings Limited	629	31.03	35.23
28/10/2016	Vitop Group Limited	1178	(17.43)	(16.59)
28/10/2016	Kiu Hung International Holdings Limited	381	(13.39)	(18.52)
27/10/2016	Shanghai Dasheng Agriculture Finance Technology Co., Ltd	1103	(7.14)	(8.19)
24/10/2016	Sandmartin International Holdings Limited	482	(47.14)	(46.67)
17/10/2016	DX.com Holdings Limited	8086	(5.88)	(1.39)
17/10/2016	Global Mastermind Capital Limited	905	(4.26)	1.81
30/9/2016	Ngai Shun Holdings Limited	1246	6.95	5.82
26/9/2016	Sunac China Holdings Limited	1918	6.55	3.34
21/9/2016	United Photovoltaics Group Limited	686	(20.36)	(18.80)
5/9/2016	Digital China Holdings Limited	861	(16.59)	(18.99)
31/8/2016	China City Railway Transportation Technology	1522	(9.40)	(8.54)
25/8/2016	Asian Citrus Holdings Limited	73	(19.35)	(21.14)
5/8/2016	Ground Properties Company Limited	989	(18.03)	(17.08)
18/7/2016	Luxey International (Holdings) Limited	8041	(45.95)	(45.53)
13/7/2016	Sino Golf Holdings Limited	361	(63.23)	(59.86)

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13/7/2016	China Grand Pharmaceutical and Healthcare Holdings Limited	512	(1.41)	0.00
		Maximum	31.03	35.23
		Minimum	(63.23)	(59.86)
		Average	(11.55)	(11.26)
4/1/2017	The Company		(12.17)	(9.01)

*Source: Website of the Stock Exchange*

As illustrated in the table above, the subscription/offer price of all the Comparable ranged from a premium of approximately 31.03% to a discount of 63.23% with an average discount of approximately 11.55%. The discount of the Subscription Price is within the range of the Comparables.

Taking into account (i) the discount of the Subscription Price is within the range of the Comparables; (ii) the downward trend of the closing price of the Shares since July 2016; and (iii) the thin trading volume of the Shares as discussed above, we consider that the Subscription Price is fair and reasonable so far as the Shareholders are concerned.

### **6. Potential dilution effect on the interests of the Shareholders**

As depicted by the table under the section headed “Effects on shareholding structure of the Company” in the Letter from the Board, upon Completion, the shareholding interests of the existing public Shareholders would be diluted by approximately 11.68%. Nonetheless, in view of (i) the reasons for and the possible benefits of the Subscription to support the expansion of refined oil and natural gas business of the Company, details of which are set out under the section under “Reasons and benefits for entering into the Subscription Agreement” of this letter; and (ii) the terms of the Subscription Agreement being fair and reasonable, we are of the view that the aforementioned level of dilution to the shareholding interests of the existing public Shareholders is acceptable.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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### 7. Financial effects of the Subscription to the Group

#### *(i) Cashflow*

As stated under the section headed “Background information on the Group” above, the Group had cash and cash equivalents of approximately HK\$47.88 million as at 30 September 2016. Upon the Completion, the liquidity and cash position of the Group will be improved as the Subscription will facilitate the Company to raise net proceeds to approximately HK\$70.28 million. Accordingly, the cash position, net current assets and current ratio of the Company are expected to be improved upon the Completion.

#### *(ii) Earnings*

Save for the expenses relating to the Subscription, the Completion will not have any immediate material impact to the earnings of the Company.

#### *(iii) Net asset value*

As stated under the section headed “Background information on the Group” above, the net asset value of the Group as at 30 September 2016 was approximately HK\$187.32 million. Upon Completion, the net asset value of the company will be improved as the Subscription would increase the share capital of the Company. Accordingly, the Subscription will have a positive impact on the net asset value of the Group.

As at the Latest Practicable Date, the number of Shares in issue was 5,284,056,372 Shares. The net asset value per Share based on the net asset value of the Group as at 30 September 2016 was approximately HK\$0.035 per Share. Assuming no other changes to the issued share capital of the Company and Group’s net asset value as at 30 September 2016 other than the Subscription, upon completion, the number of Shares in issue will be increased to 5,984,056,372 Shares and the net asset value will be increased by approximately HK\$70.3 million from the net proceeds of Subscription to approximately HK\$257.6 million, representing a net asset value per Share of approximately HK\$0.043 per Share. As such, the net asset value per Share may increase by approximately HK\$0.009 per Share or 25.7% upon Completion.

Based on the above, the Subscription may have an overall positive effect on the Group’s financial position. We consider that the Subscription is in the interests of the Company and the Shareholders as a whole.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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### RECOMMENDATION

Having considered the abovementioned principal factors and reasons, we are of the view that (i) the terms of the Subscription Agreement are fair and reasonable so far as the Shareholders are concerned; and (ii) the Subscription are in the interests of the Company and the Shareholders as a whole. Accordingly, we advise the Independent Board Committee to recommend the Independent Shareholders, and we also recommend the Independent Shareholders, to vote in favour of the ordinary resolution(s) to be proposed at the EGM to approve the Subscription Agreement.

Yours faithfully,  
For and on behalf of  
**Donvex Capital Limited**  
**Vily Leung**  
*Director*



## 1. RESPONSIBILITY STATEMENT

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

## 2. DISCLOSURE OF INTERESTS

### (a) Directors' and chief executives' interest in shares, underlying shares and debentures

As at the Latest Practicable Date, the Directors and chief executives of the Company were, or were taken or deemed to have any interest or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of the SFO) which were required (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); or (b) pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (c) pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules, to be notified to the Company and the Stock Exchange were as follows:

#### *Long Position in Shares and underlying Shares*

Name of Director	Capacity	Number of Shares held	Number of underlying Shares held	Total	Approximate percentage of total issued Shares
Mr. Ho Chun Kit, Gregory ("Mr. Ho")	Beneficial owner	9,750,000	21,587,000 (Note)	31,337,000	0.62%

*Note:* This represents the interests in the share options of the Company held by Mr. Ho.

Save as disclosed above, as at the Latest Practicable Date, none of the Director or chief executives of the Company has an interest or short position in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of the SFO) were required (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); or (b) pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (c) pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules, to be notified to the Company and the Stock Exchange.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors was a director or employee of a company which had an interest or short position in the shares or underlying shares of the Company which disclosure to the Company and the Stock Exchange under the provisions of Division 2 and 3 of Part XV of the SFO is required.

**(b) Substantial Shareholders' and other Shareholders' interests and short positions in Shares and underlying Shares**

As at the Latest Practicable Date, so far as known to the Directors, there was no person who had an interest and/or a short position in the Shares and/or underlying Shares of the Company which would fall to be disclosed to the Company and the Stock Exchange pursuant to the provisions of Divisions 2 and 3 of Part XV of the SFO and/or required to be entered in the register maintained by the Company pursuant to Section 336 of the SFO and/or was directly or indirectly interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meeting of any other members of the Group, or any options in respect of such capital.

**3. SERVICE CONTRACTS**

As at the Latest Practicable Date, none of the Directors had entered into, or proposed to enter into, a service contract with any member of the Group excluding contracts expiring or determinable by such member of the Group within one year without payment of compensation (other than statutory compensation).

**4. COMPETING INTEREST**

As at the Latest Practicable Date, so far as the Directors are aware, none of the Directors or their respective associates were considered to have interest in any business which competes or may compete, either directly or indirectly, with the business of the Group or have or may have any other conflicts of interest with the Group pursuant to the GEM Listing Rules.

**5. OTHER INTEREST OF DIRECTORS**

As at the Latest Practicable Date,

- (i) none of the Directors had any interest, directly or indirectly, in any assets which have been acquired or disposed of by or leased to, or proposed to be acquired or disposed of by or leased to, any member of the Group since 31 March 2016, the date to which the latest published audited financial statements of the Group were made up; and
- (ii) none of the Directors was materially interested in any contract or arrangement entered into by any member of the Group which was subsisting as at the Latest Practicable Date and was significant to the business of the Group.

**6. MATERIAL ADVERSE CHANGE**

As at the Latest Practicable Date, the Directors were not aware of any material adverse change in the financial or trading position of the Group since 31 March 2016, being the date to which the latest published audited consolidated financial statements of the Company were made up.

**7. EXPERT AND CONSENT**

The following is the qualification of the expert who has given opinion and/or advice, which is contained in this circular:

<b>Name</b>	<b>Qualification</b>
Donvex Capital	a corporation licensed under the SFO to conduct Type 6 (advising on corporate finance) regulated activity under the SFO

Donvex Capital has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its letter and/or opinion (as the case may be) and all references to its name in the form and context in which it appears.

As at the Latest Practicable Date, Donvex Capital did not have any shareholding, direct or indirect in any member of the Group or any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group. Donvex Capital did not have any interest, either direct or indirect, in any assets which have been acquired, disposed of by or leased to or are proposed to be acquired or disposed of by or leased to any member of the Group since 31 March 2016, being the date to which the latest published audited consolidated financial statements of the Group were made up.

#### **8. DOCUMENT AVAILABLE FOR INSPECTION**

Copy of the Subscription Agreement will be available for inspection during normal office hours from Monday to Friday (other than public holidays) at the principal place of business of the Company in Hong Kong at Suites 707-9, 7th Floor, Prudential Tower, The Gateway, Tsim Sha Tsui, Kowloon, Hong Kong from the date of this circular and up to the date of the EGM (both dates inclusive).

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## NOTICE OF EGM

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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**

**NOTICE IS HEREBY GIVEN** that an extraordinary general meeting (the “**EGM**”) of China Oil Gangran Energy Group Holdings Limited (the “**Company**”) will be held at Jade Room, 6/F., Marco Polo Hong Kong Hotel, Harbour City, 3 Canton Road, Tsim Sha Tsui, Kowloon, Hong Kong on Friday, 10 February 2017 at 10:00 a.m. for the purpose of considering and, if thought fit, passing, with or without modifications, the following resolution as an ordinary resolution of the Company:

### **ORDINARY RESOLUTION**

**“THAT:**

- (a) the conditional subscription agreement dated 4 January 2017 (the “**Subscription Agreement**”), a copy of which has been produced to the meeting and marked “A” and initialed by the chairman of the EGM for the purpose of identification, and entered into between the Company as issuer and Mr. Zou Donghai (the “**Subscriber**”) as subscriber in relation to the subscription of 700,000,000 new ordinary shares (each a “**Subscription Share**”) of HK\$0.0002 each in the share capital of the Company at the subscription price of HK\$0.101 per Subscription Share and the transactions contemplated thereunder, be and are hereby confirmed, approved and ratified;
- (b) subject to the fulfilment of the conditions precedent of the Subscription Agreement, any one director (each a “**Director**”) of the Company be and is hereby authorised to exercise all the powers of the Company and to take all steps as might in his/her opinion be desirable or necessary in connection with the Subscription Agreement to, including and without limitation, execute, deliver and perform the Subscription Agreement and the transactions contemplated thereunder and allot and issue the Subscription Shares in favour of the Subscriber in accordance with the terms and conditions of the Subscription Agreement;

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## NOTICE OF EGM

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- (c) the board (the “**Board**”) of directors of the Company be and is hereby granted with a specific mandate to allot and issue the Subscription Shares in accordance with the terms and conditions of the Subscription Agreement; and
- (d) any Director be and is hereby authorised to do such acts and things, to sign and execute all such further documents and to take such steps as he/she may consider necessary, appropriate, desirable or expedient to give effect to or in connection with the Subscription Agreement or any transactions contemplated thereunder and all other matters incidental thereto or in connection therewith, and to agree to and make such variations, amendments or waivers of any of the matters relating thereto or in connection therewith.”

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

Hong Kong, 24 January 2017

*Registered office:*

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

*Principal place of business in Hong Kong:*

Suites 707-9, 7th Floor  
Prudential Tower, The Gateway  
Harbour City, Tsim Sha Tsui  
Kowloon, Hong Kong

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## NOTICE OF EGM

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*Notes:*

1. Any member of the Company entitled to attend and vote at the EGM shall be entitled to appoint another person (who must be an individual) as his proxy to attend and vote instead of him and a proxy so appointed shall have the same right as the member to speak at the EGM. A proxy need not be a member of the Company. A member may appoint any number of proxies to attend in his stead at the EGM.
2. A form of proxy for use at the EGM is enclosed. To be valid, the form of proxy must be duly completed in accordance with the instructions printed thereon and deposited, together with the power of attorney or other authority (if any) under which it is signed or a notarially certified copy of such power of attorney or authority, at the Company's Hong Kong branch share registrar, Tricor Investor Services Limited of Level 22, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not less than 48 hours before the time appointed for holding the EGM or adjourned meeting.
3. Completion and delivery of the form of proxy will not preclude a member of the Company from attending and voting in person at the EGM or any adjournment thereof should such member so wishes, and in such event, the instrument appointing a proxy shall be deemed revoked.
4. Where there are joint holders of any share of the Company, any one of such joint holders may vote, either in person or by proxy, in respect of such share as if he were solely entitled to vote, but if more than one of such joint holders are present at the EGM, the most senior holder shall alone be entitled to vote, whether in person or by proxy. For this purpose, seniority shall be determined by reference to the order in which the names of the joint holders stand first on the register of members of the Company in respect of the joint holding.
5. In compliance with the Rules Governing the Listing of Securities on the Growth Enterprise Market on The Stock Exchange of Hong Kong Limited, all resolution(s) to be proposed at the EGM convened by this notice will be voted on by way of poll.