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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 SUBSCRIPTION OF NEW SHARES UNDER SPECIFIC MANDATE

Financial adviser to the Company



BAOQIAO PARTNERS CAPITAL LIMITED

SUBSCRIPTION OF NEW SHARES UNDER SPECIFIC MANDATE

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

The Subscription Shares represent (i) approximately 13.25% of the existing issued share capital of the Company as at the date of this announcement; 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 date of this announcement and prior to Completion) as enlarged by the Subscription.

The gross proceeds and 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. 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, including funding the sales and trading of chemicals and refined oil business and the development of natural gas and related clean energy business; and (ii) the remaining balance of approximately HK\$22.28 for general working capital of the Group and/or for financing future investment opportunities.

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

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. To the best of the Directors' knowledge, information and belief after having made all reasonable enquires, as at the date of this announcement, 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.

GENERAL

EGM

An EGM will be convened by the Company to consider, and if thought fit, to approve, among other things, the Subscription Agreement and the transactions contemplated thereunder, including the grant of the Specific Mandate for the allotment and issue of the Subscription Shares.

Circular

A circular containing, amongst other information, (i) further information on the Subscription Agreement and the transactions contemplated thereunder; (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 and a form of proxy, will be despatched to the Shareholders within fifteen (15) Business Days (i.e. 25 January 2017) after the date of this announcement in accordance with the Listing Rules.

WARNING

Shareholders and potential investors should note that the Subscription is subject to the fulfillment of the conditions precedent under the Subscription Agreement and the Subscription may or may not proceed. Shareholders and potential investors are reminded to exercise caution when dealing in the Shares.

SUBSCRIPTION OF NEW SHARES UNDER SPECIFIC MANDATE

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

SUBSCRIPTION AGREEMENT

Set out below is a summary of the principal terms of the Subscription Agreement:

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 date of this announcement; 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 date of this announcement 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.

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; and
- (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.

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. The Directors (other than the independent non-executive Directors who will give their opinion after considering the advice from the Independent Financial Adviser) consider that the Subscription Price is fair and reasonable and is in the interests of the Company and the Shareholders as a whole.

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;

- (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.

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, 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, including funding the sales and trading of chemicals and refined oil business and the development of natural gas and related clean energy business; and (ii) the remaining balance of approximately HK\$22.28 for general working capital of the Group and/or for financing future investment opportunities.

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. Taking into account the benefits and cost of each of the alternatives, the Board considers that the Subscription is in the interests of the Company and the Shareholders as a whole as it would not impose any interest burden or finance costs to the Group and increase the gearing level of the Group.

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 the support to the development of the business of the Group, which is conducive to enhancing the market image of the Company. 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 brought by the funds raised by the Subscription for enhancing the Group's position to achieve its business objectives, the Directors (excluding the independent non-executive Directors who will form their view after considering the advice of the Independent Financial Adviser with regard to the Subscription) 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 date of this announcement.

| 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 as disclosed in the announcement of the Company dated 2 December 2016 |
| 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 as disclosed in the announcement of the Company dated 2 December 2016 |
| 30 November 2016 | Placing of Shares | Approximately HK\$19.39 million | General working capital of the Group and/or for financing future investment opportunities | 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 |

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 date of this announcement.

EFFECT ON SHAREHOLDING STRUCTURE OF THE COMPANY

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

| Name of Shareholders | As at the date of this announcement | | Immediately upon Completion (assuming that there is no change to the issued share capital of the Company from the date of this announcement and up to Completion save for the issue of the Subscription Shares) | |
|--|--|---------------|---|---------------|
| | <i>No. of Shares</i> | <i>%</i> | <i>No. of Shares</i> | <i>%</i> |
| The Subscriber | – | – | 700,000,000 | 11.70 |
| Mr. Ho Chun Kit, Gregory (<i>Note</i>) | 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. To the best of the Directors' knowledge, information and belief after having made all reasonable enquires, as at the date of this announcement, 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.

The Subscriber has abstained from voting in the resolution(s) of the Board for approving the Subscription Agreement and the transactions contemplated thereunder.

GENERAL

EGM

An EGM will be convened by the Company to consider, and if thought fit, to approve, among other things, the Subscription Agreement and the transactions contemplated thereunder, including the grant of the Specific Mandate for the allotment and issue of the Subscription Shares.

Independent Board Committee

The Company has established the Independent Board Committee and Donvex Capital Limited has been appointed as the Independent Financial Adviser in respect of the Subscription Agreement and the transactions contemplated thereunder.

Circular

A circular containing, amongst other information, (i) further information on the Subscription; (ii) the respective advice from the Independent Board Committee and the Independent Financial Adviser on the terms of the Subscription Agreement and the transactions contemplated thereunder; and (iii) a notice of EGM and a form of proxy, will be despatched to the Shareholders within fifteen (15) Business Days (i.e. 25 January 2017) after the date of this announcement in accordance with the GEM Listing Rules.

WARNING

Shareholders and potential investors should note that the Subscription is subject to the fulfillment of the conditions precedent under the Subscription Agreement and the Subscription may or may not proceed. Shareholders and potential investors are reminded to exercise caution when dealing in the Shares.

DEFINITIONS

In this announcement, unless the context otherwise requires, the following words and expressions shall 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 (other than 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 (3) 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 |
| “GEM Listing Rules” | the Rules Governing the Listing of Securities on GEM |

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|---------------------------------|---|
| “Group” | the Company and its subsidiaries |
| “Hong Kong” | the Hong Kong Special Administrative Region of the People’s Republic of China |
| “Independent Board Committee” | an independent board committee, comprising all the independent non-executive Directors, which has been formed in respect of the Subscription Agreement and the transactions contemplated thereunder |
| “Independent Financial Adviser” | Donvex Capital Limited, a licensed corporation to carry out business in type 6 (advising on corporate finance) regulated activity under the Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong), being the independent financial adviser appointed by the Company in respect of the Subscription Agreement and the transactions contemplated thereunder |
| “Share(s)” | ordinary shares of HK\$0.0002 each in the capital of the Company |
| “Shareholder(s)” | holder(s) of the Share(s) |
| “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, the executive Director and 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. |

By order of the Board
China Oil Gangran Energy Group Holdings Limited
Zheng Jian Peng
Company Secretary and Executive Director

Hong Kong, 4 January 2017

As at the date of this announcement, the executive Directors are Mr. Zou Donghai, Mr. Rong Changjun, Mr. Zhang Xueming, Mr. Ho Chun Kit Gregory and Mr. Zheng Jian Peng; and the independent non-executive Directors are Ms. Eugenia Yang, Mr. Chan Ying Kay and Mr. Lau Sung Tat, Vincent.

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 omission 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 <http://www.chinaoilgangran.com> and <http://chinaoilgangran.todayir.com>.