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Chinese Energy Holdings Limited
華夏能源控股有限公司
(Incorporated in Hong Kong with limited liability)
(Stock code: 8009)

EASYKNIT INTERNATIONAL HOLDINGS LIMITED
永義國際集團有限公司*
(incorporated in Bermuda with limited liability)
(Stock Code: 1218)

**ISSUE OF CONVERTIBLE
NOTE UNDER
GENERAL MANDATE**

**DISCLOSEABLE
TRANSACTION SUBSCRIPTION
OF CONVERTIBLE NOTE**

On 25 September 2015, Chinese Energy and the Subscriber, a wholly-owned subsidiary of Easyknit International, entered into the Subscription Agreement in respect of the issue of and subscription for the Convertible Note in an aggregate principal amount of HK\$60,480,000.

Assuming full conversion of the Convertible Note at the initial Conversion Price of HK\$0.14 per CE Share, a total of 432,000,000 new CE Shares will be allotted and issued, representing (i) approximately 20% of the issued share capital of Chinese Energy as at the date of this announcement; and (ii) approximately 16.67% of the issued share capital of Chinese Energy as enlarged by the allotment and issue of the Conversion Shares.

Chinese Energy intends to apply the net proceeds from the Subscription for general working capital of the CE Group.

* for identification only

The Conversion Shares will be allotted and issued under the General Mandate and no additional CE Shareholder's approval is required for the allotment and issue of the Conversion Shares.

LISTING RULES IMPLICATIONS TO EASYKNIT INTERNATIONAL

As one of the applicable percentage ratios calculated with reference to Rule 14.07 of the Listing Rules in respect of the Subscription is more than 5% but less than 25%, the Subscription constitutes a discloseable transaction to Easyknit International and is subject to reporting and announcement under Chapter 14 of the Listing Rules.

As completion of the Subscription is subject to the satisfaction of a number of conditions precedent and the termination rights of the Subscriber, the Subscription may or may not proceed. CE Shareholders, EI Shareholders and potential investors are advised to exercise caution when dealing in the CE Shares and EI Shares.

On 25 September 2015, Chinese Energy and the Subscriber, a wholly-owned subsidiary of Easyknit International, entered into the Subscription Agreement in respect of the issue of and subscription for the Convertible Note in an aggregate principal amount of HK\$60,480,000. Details of the Subscription Agreement and the principal terms of the Convertible Note are set out below.

THE SUBSCRIPTION AGREEMENT

Date

25 September 2015

Parties

- (a) Chinese Energy Holdings Limited, as issuer;
- (b) Arrowfield Investment Limited, as subscriber.

The Subscriber is an investment holding company established in the British Virgin Islands with limited liability and is a wholly-owned subsidiary of Easyknit International. To the best of the CE Directors' knowledge, information and belief and having made all reasonable enquiries, the Subscriber and its ultimate beneficial owner are third parties independent of the CE Group and its connected persons.

Subject matter

Pursuant to the Subscription Agreement, Chinese Energy has conditionally agreed to issue and the Subscriber has conditionally agreed to subscribe for the Convertible Note.

Conditions Precedent

The Completion is subject to the satisfaction of the following conditions, among others,

- (a) there shall have been delivered to the Subscriber copies of the necessary resolution(s) passed by the board of directors of Chinese Energy approving the Subscription Agreement, the transactions contemplated hereunder, including the creation and the issue of the Convertible Note, and the issuance of the CE Shares upon conversion of the Convertible Note, each in accordance with the articles of association of Chinese Energy and the requirements of the Listing Rules;
- (b) the granting of the approval by the Stock Exchange the listing of, and the permission to deal in, the Conversion Shares and such approval not having been revoked;
- (c) the warranties of Chinese Energy remaining true and accurate in all material respects and not misleading in any material respect as of the date of the Completion by reference to the facts and circumstances subsisting as at the date of the Completion; and
- (d) at the date of the Completion there shall not have occurred any change, or any development or event reasonably likely to involve a prospective change, in the financial condition, operations, business or properties of Chinese Energy and its subsidiaries as a whole (including as revealed in the audited consolidated financial statements of the CE Group for the year ended 31 March 2015), which is reasonably expected to be material and adverse.

Chinese Energy undertakes to the Subscriber to use its best endeavours to procure that the conditions precedent above are fulfilled by not later than 16 October 2015 (or such other date as Easyknit Enterprises and the Subscriber may agree in writing) (the “Long Stop Date”), except that the conditions precedent (c) and (d) shall be fulfilled simultaneously upon Completion. The Subscriber may at any time waive in writing the conditions precedent (c) and (d).

If the above conditions precedent have not been fulfilled (or waived by the Subscriber in whole or in part) on or before 16 October 2015 (or such other date as may be agreed between Chinese Energy and the Subscriber in writing), except that the conditions precedent (c) and (d) shall be fulfilled simultaneously upon Completion, this Subscription Agreement will lapse and become null and void and the parties will be released from all obligations hereunder, save for liabilities for any antecedent breaches thereof.

Completion

The Completion shall take place on or before the second Business Day after the date on which all the conditions precedent have been fulfilled (or, where applicable, waived) or such other date as may be agreed by Chinese Energy and the Subscriber.

The principal amount of the Convertible Note will be financed by the internal resources of Easyknit International and be payable to Chinese Energy upon the Completion.

PRINCIPAL TERMS OF THE CONVERTIBLE NOTE

The principal terms of the Convertible Note are summarized below:

Principal amount: HK\$60,480,000

Denomination: HK\$1,000,000 each

Issue price: 100% of the principal amount

Interest: 8% per annum payable on quarterly

Maturity Date:	the date falling on the third anniversary of the Issue Date
Conversion Price:	The initial Conversion Price is HK\$0.14 per Conversion Share, which is subject to adjustment provisions as summarized in the sub-paragraph headed “Conversion Price adjustments” below.
Conversion Price adjustments:	<p>The Conversion Price will from time to time be adjusted upon the occurrence of certain events, including the following:</p> <ul style="list-style-type: none">(i) consolidation, sub-division or re-classification of the CE Shares;(ii) capitalisation of profits or reserves;(iii) capital distribution to holders of CE Shares;(iv) offer to CE Shareholders new CE Shares for subscription by way of rights, or grant to CE Shareholders any options, warrants or other rights to subscribe for any new CE Shares at a price which is less than 80% of the market price as at the date of the announcement of the terms of the offer or grant;(v) issue wholly for cash any securities which by their terms are convertible into or exchangeable for or carry rights of subscription for new CE Shares, and the total effective consideration per CE Share initially receivable for such securities is less than 80% of the market price as at the date of the announcement of the terms of issue of such securities;

- (vi) when the rights of conversion or exchange or subscription attached to any such securities as are mentioned in (v) above are modified so that the total effective consideration per CE Share initially receivable for such securities will be less than 80% of the market price as at the date of the announcement of such proposal;
- (vii) when Chinese Energy issue wholly for cash any CE Shares at a price per CE Share which is less than 80% of the market price as at the date of the announcement of the terms of such issue; and
- (viii) when Chinese Energy issue CE Shares for the acquisition of assets at a total effective consideration per CE Share which is less than 80% of the market price at the date of the announcement of the terms of such issue.

Conversion Shares:

Assuming full conversion of the Convertible Note at the initial Conversion Price, a total of 432,000,000 new CE Shares will be allotted and issued, representing (i) approximately 20% of the issued share capital of Chinese Energy as at the date of this announcement; and (ii) approximately 16.67% of the issued share capital of Chinese Energy as enlarged by the allotment and issue of the Conversion Shares.

Conversion Rights:

The Noteholder will have the right, on any Business Day during the Conversion Period, to convert the whole or part of such principal amount of the Convertible Note set out therein into the Conversion Shares at the Conversion Price (subject to adjustments).

No exercise of the Conversion Rights attaching to the Convertible Note shall be allowed if (i) immediately following the conversion, Chinese Energy will be unable to meet the public float requirement under Rule 8.08 of the Listing Rules; or (ii) such conversion is prohibited under the Takeovers Code.

Redemption at Maturity:

Unless previously redeemed, converted or purchased and cancelled, the Convertible Note are to be redeemed on maturity at 100% of the outstanding principal amount together with accrued and unpaid interest thereon on the maturity date.

Early Redemption:

At the option of Chinese Energy, the Convertible Note may be redeemed in amounts of HK\$1,000,000 or integral multiples thereof on any Business Day prior to the maturity date at 100% of the principal amount outstanding under the Convertible Note together with all interest accrued thereon up to and including the date of redemption.

At the option of the Subscriber, the Convertible Note may be redeemed in amounts of HK\$1,000,000 or integral multiples thereof at any time three months after the date of issue of the Convertible Note at 100% of the principal amount outstanding under the Convertible Note together with all interest accrued thereon up to and including the date of redemption.

**Ranking of
Conversion Shares:**

The Conversion Shares shall rank pari passu in all respects with all other CE Shares in issue as at the date of conversion and be entitled to all dividends, bonus and other distributions, the record date of which falls on a date on or after the date of conversion.

Transferability:	The Convertible Note may, upon obtaining the written approval of Chinese Energy, be assigned and transferred (whether in whole or in part(s)) provided that no assignment or transfer shall be made to a connected person (within the meaning ascribed thereto in the Listing Rules) of Chinese Energy without the prior approval of Chinese Energy and provided further that the principal amount to be assigned or transferred is at least HK\$1,000,000 and in integral multiples of HK\$1,000,000 unless the amount of the outstanding Convertible Note is less than HK\$1,000,000 in which case the whole (but not part only) of that amount may be assigned and transferred.
Status:	The obligations of Chinese Energy arising under the Convertible Note constitute direct, unconditional, unsecured and unsubordinated obligations of Chinese Energy and rank pari passu and rateably without preference (with the exception of obligations in respect of taxes and certain other statutory exceptions) equally with all other present and future unsecured and unsubordinated obligations of Chinese Energy.
	No application will be made for a listing of the Convertible Note on the Stock Exchange or any stock or securities exchange.
Voting:	The Noteholder will not be entitled to attend or vote at any meetings of Chinese Energy by reason only of it being the Noteholder.

In light of the possible adjustment of the Conversion Price, if the total number of the Conversion Shares exceeds the restriction cap of the general mandate of Chinese Energy (i.e. 432,004,300 CE Shares), Chinese Energy will settle the amount of Conversion Shares exceeding the limit of general mandate by cash and the Subscriber has no objection in such arrangement.

THE CONVERSION PRICE AND EXERCISE PRICE

The Conversion Price of HK\$0.14 per Conversion Share represents:

- (i) a discount of approximately 16.18% to the closing price of HK\$0.167 per CE Share as quoted on the Stock Exchange on the date of the Subscription Agreement; and
- (ii) a discount of approximately 19.54% to the average of the closing prices of HK\$0.174 per CE Share as quoted on the Stock Exchange for the last five consecutive trading days prior to the date of the Subscription Agreement; and
- (iii) a discount of approximately 23.91% to the average of the closing prices of HK\$0.184 per CE Share as quoted on the Stock Exchange for the last ten consecutive trading days prior to the date of the Subscription Agreement.

The Conversion Price was determined with reference to, among others, the prevailing market price of the CE Shares and was negotiated on an arm's length basis between Chinese Energy and the Subscriber.

REASONS FOR THE ISSUE OF CONVERTIBLE NOTE AND THE USE OF PROCEEDS

The CE Group is principally engaged in the provision of management services, investment in financial and investment products, import and export trading of oil and gas related products, technical advisory and marketing consultation services.

The CE Directors consider the issue of the Convertible Note under the Subscription offers a good opportunity for Chinese Energy to broaden the CE Group's investor base and serves an appropriate means of raising capital for the CE Group since it will not have an immediate dilution effect on the shareholding of the existing CE Shareholders.

Assuming the entire principal amount of the Convertible Note will be issued under the Subscription, the aggregate gross proceeds and net proceeds to Chinese Energy from the issue of the Convertible Note will be HK\$60,480,000 and approximately HK\$60,430,000 respectively. Chinese Energy intends to apply the net proceeds from the Subscription for general working capital of the CE Group.

The CE Directors consider that the terms of the Subscription Agreement and the issue of the Convertible Note pursuant to the terms thereof are fair and reasonable and in the interests of Chinese Energy and its CE Shareholders as a whole.

CHANGES IN THE SHAREHOLDING STRUCTURE OF CHINESE ENERGY

Set out below is the shareholding structure of Chinese Energy (i) as at the date of this announcement; and (ii) upon the full exercise of the conversion rights attaching to the Conversion Note as follows:

	As at the date of this announcement		Upon full exercise of the conversion rights attaching to the Conversion Note	
	Number of CE Shares	Approximate %	Number of CE Shares	Approximate %
SUBSTANTIAL CE Shareholders				
Zhao John Huan	210,000,000	9.72	210,000,000	8.10
Zhao Guangyu	210,000,000	9.72	210,000,000	8.10
Siu Chi Chiu	180,000,000	8.33	180,000,000	6.95
Sub-total	217,776,531	27.77	217,776,531	23.15
The Subscriber Public CE Shareholders	–	–	432,000,000	16.67
	1,560,021,500	72.23	1,560,021,500	60.18
Total	2,160,021,500	100.00	2,592,021,500	100.00

FUND RAISING ACTIVITIES IN THE PAST TWELVE MONTHS

Date of announcement	Fund-raising activities	Net proceeds raised (approximate)	Intended use of net proceeds	Actual use of net proceeds (approximate)
24 March 2015	Open offer on the basis of one offer share for every one share held	HK\$156.9 million	(a) HK\$126.9 for investment in liquefied and natural gas (b) HK\$30 million for general working capita	(a) To be applied as intended (b) Fully applied in general capital
13 January 2015	Placing of under general mandate	HK\$29.60 million	For future investment purposes and general working capital	Fully applied for: (a) HK\$20 million for investments purposes; and (b) HK\$9.6 million for general working capital

Save as disclosed in this paragraph, Chinese Energy had not conducted any other fund-raising activities in the past twelve months immediately before the date of this announcement.

INFORMATION OF CHINESE ENERGY

The following information is extracted from the annual report of Chinese Energy for the year ended 31 March 2015:

	For the year ended 31 March	
	2015	2014
	HK\$'000	HK\$'000
Revenue	417,129	6,026
Loss before taxation	(1,773)	(58,904)
Net loss after taxation attributable to shareholders of Chinese Energy	(7,394)	(58,925)

REASONS FOR THE SUBSCRIPTION BY EASYKNIT INTERNATIONAL

Easyknit International is an investment holding company and its subsidiaries are principally engaged in property investment, property development, investment in securities and loan financing.

EI Directors consider that the terms of the Subscription Agreement, including the Conversion Price is discounted to the prevailing market price of CE Shares, which were determined with reference to the prevailing market prices of the CE Shares and negotiated on an arm's length basis between parties are fair and reasonable and in the interests of the of Easyknit International and the EI Shareholders as a whole.

FINANCIAL EFFECTS OF THE SUBSCRIPTION TO EASYKNIT INTERNATIONAL

EI Directors intends to fund the Subscription by its internal resources. It is expected that the Subscription would not have material impact on the net asset position of the EI Group. The interest income to be generated from the Convertible Note will enhance the revenue and income base of the EI Group.

LISTING RULES IMPLICATIONS TO EASYKNIT INTERNATIONAL

As one of the applicable percentage ratios calculated with reference to Rule 14.07 of the Listing Rules in respect of the Subscription is more than 5% but less than 25%, the Subscription constitutes a discloseable transaction to Easyknit International and is subject to reporting and announcement under Chapter 14 of the Listing Rules.

GENERAL

The Conversion Shares will be allotted and issued under the General Mandate. Under the General Mandate, a maximum of 432,004,300 new CE Shares may fall to be allotted and issued.

Up to the date of this announcement, no CE Shares have been issued under the General Mandate. As such, the General Mandate will be sufficient for, and no further CE Shareholders' approval is required for, the allotment and issue of the Conversion Shares. Accordingly, assuming no CE Shares will be granted under the General Mandate from the date of this announcement up to the date of the issue of the Conversion Shares, the General Mandate will be sufficient for, and no CE Shareholders' approval is required for, the allotment and issue of the Conversion Shares.

An application will be made to the Stock Exchange for the listing of, and permission to deal in, the Conversion Shares.

As completion of the Subscription is subject to the satisfaction of a number of conditions precedent and the termination rights of the Subscriber, the Subscription may or may not proceed. CE Shareholders, EI Shareholders and potential investors are advised to exercise caution when dealing in the CE Shares and EI Shares.

DEFINITIONS

In this announcement, unless the context otherwise required, the following words and phrases have the following meanings:

“Business Day”	a day (other than a Saturday, Sunday or public holiday or a day on which typhoon signal 8 or above or black rainstorm is hoisted in Hong Kong at 9:00 a.m.) on which banks are generally open for business in Hong Kong
“CE Board”	the board CE Directors
“CE Directors”	the directors of Chinese Energy
“CE Group”	Chinese Energy and its subsidiaries
“CE Shareholders”	holders of CE Shares
“CE Shares”	ordinary share of Chinese Energy

“Completion”	Completion of the issue and subscription of the Convertible Note pursuant to the Subscription Agreement
“Conditions Precedent”	the conditions precedent for completion of the Subscription Agreement to take place as set out in the paragraph headed “Conditions Precedent” in this announcement
“connected person(s)”	the meaning ascribed to it in the Listing Rules
“Conversion Period”	the period during which the Noteholder may exercise the Conversion Rights to subscribe for the Conversion Shares at the Conversion Price, details of which are set out in the paragraph headed “Principal terms of the Convertible Note” in this announcement
“Conversion Price”	the conversion price at which each Conversion Share shall be issued upon a conversion of all or any part of the Convertible Note, which is initially fixed at HK\$0.14 per Conversion Share and subject to adjustments (if any)
“Conversion Rights”	the conversion rights attached to the Convertible Note
“Conversion Share(s)”	the CE Share(s) to be allotted and issued by Chinese Energy upon exercise of the Conversion Rights
“Convertible Note”	the convertible note in the principal amount of HK60,480,000 to be issued by Chinese Energy to the Subscriber pursuant to the Subscription Agreement
“Chinese Energy”	Chinese Energy Holdings Limited, a company incorporation in Hong Kong with limited liability, the securities of which are listed on the gem board of the Stock Exchange

“Easyknit International”	Easyknit International Holdings Limited, an exempted company incorporated in Bermuda with limited liability, the securities of which are listed on the main board of the Stock Exchange
“EI Board”	the board of EI Directors
“EI Directors”	the directors of Easyknit International
“EI Group”	Easyknit International and its subsidiaries
“EI Shareholders”	holders of EI Shares
“EI Shares”	ordinary share at HK\$0.10 each in the share capital of Easyknit International
“General Mandate”	the mandate was approved by the CE Shareholders on 14 August 2015 authorising the CE Directors to deal, issue and allot the CE Shares
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Issue Date”	the date of issue of the Convertible Note, which shall be on the date of completion of the Subscription Agreement
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Maturity Date”	3 years after the first issue of the Convertible Note
“Noteholder”	the holder of the Convertible Note
“PRC”	the People’s Republic of China
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

“Subscriber”	Arrowfield Investments Limited, an investment holding company incorporated in the British Virgins Islands with limited liability and is a wholly-owned subsidiary of Easyknit International
“Subscription”	conditional subscription of the Convertible Note by the Subscriber pursuant to the Subscription Agreement
“Subscription Agreement”	the agreement dated 25 September 2015 entered into between Chinese Energy and the Subscriber in relation to the Subscription and issue of the Convertible Note
“substantial shareholder(s)”	the meaning ascribed to it under the Listing Rules
“Takeovers Code”	the Hong Kong Code on Takeovers and Mergers
“%”	percentage

By Order of the CE Board
**CHINESE ENERGY
HOLDINGS LIMITED**
Cai Dai
Chairman and Executive Director

By Order of the EI Board
**EASYKNIT INTERNATIONAL
HOLDINGS LIMITED**
Kwong Jimmy Cheung Tim
President and Chief Executive Officer

Hong Kong, 25 September 2015

As at the date hereof, the board of CE Directors comprises Mr. Cai Da, Mr. Yau Yan Ming Raymond, Mr. Zha Jian Ping, Ms. Wu Hong Ying and Ms. Yik Fong Fong as executive directors; and Mr. Lam Tze Chung, Mr. Ko Ming Tung Edward and Mr. Chen Liang as independent non-executive directors.

This announcement, for which the CE 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 CE 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 seven days from the date of publication and on the website of the Company at <http://www.chinese-energy.com>

As at the date hereof, the board of EI Directors comprises Mr. Kwong Jimmy Cheung Tim, Ms. Lui Yuk Chu and Ms. Koon Ho Yan Candy as executive directors; Mr. Tse Wing Chiu Ricky and Mr. Lai Law Kau as non-executive directors; and Mr. Tsui Chun Kong, Mr. Jong Koon Sang and Mr. Hon Tam Chun as independent non-executive directors.