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SINO ENERGY INTERNATIONAL HOLDINGS GROUP LIMITED

中能國際控股集團有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 1096)

ISSUE OF CONVERTIBLE BONDS UNDER GENERAL MANDATE

On 23 June 2016 (after trading hours), the Company and the Subscriber entered into the Subscription Agreement, pursuant to which the Company has conditionally agreed to issue, and the Subscriber has conditionally agreed to subscribe for the Convertible Bonds in the aggregate principal amount of HK\$92,000,000. Completion is subject to the fulfillment of all conditions set out in the paragraph headed “Conditions Precedent” below. Detailed terms of the Convertible Bonds are set out in the paragraph headed “Principal Terms of the Convertible Bonds” below.

As at the date of this announcement, the Company has a total of 1,606,498,422 Shares in issue. Assuming there is no further issue or repurchase of the Shares, based on the initial Conversion Price of HK\$0.4378 per Conversion Share and assuming full conversion of the Convertible Bonds at the initial Conversion Price, the Convertible Bonds will be convertible into 210,141,617 Conversion Shares, representing approximately 13.08% of the existing issued share capital of the Company as at the date of this announcement and approximately 11.57% of the issued share capital of the Company as enlarged by the issue of the Conversion Shares. The Conversion Shares will be allotted and issued pursuant to the General Mandate granted to the Directors at the general meeting of the Company held on 5 June 2015.

The estimated net proceeds from the issue of the Convertible Bonds, after deducting related expenses, are estimated to be approximately HK\$88.4 million, which are intended to be used for development of existing business and general working capital of the Group.

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

Completion of the Subscription Agreement is subject to fulfillment of certain conditions. As the Subscription may or may not be proceed, Shareholders and prospective investors are reminded to exercise caution when dealing in the Shares.

THE SUBSCRIPTION AGREEMENT

On 23 June 2016 (after trading hours), the Company and the Subscriber entered into the Subscription Agreement, the principal terms of which are summarised below.

Date

23 June 2016 (after trading hours)

Parties

- (1) The Company; and
- (2) Infinity Growth Capital Limited (the “**Subscriber**”)

Subscription

Subject to the fulfilment or, if applicable, waiver of the conditions precedent set out below, the Subscriber shall subscribe for, and the Company shall issue, the Convertible Bonds in the aggregate principal amount of HK\$92,000,000.

Conditions Precedent

Completion of the Subscription of the Convertible Bonds shall be conditional upon:

- (a) the Share Charge having been duly executed and delivered to the Subscriber and all necessary filings and registration with any governmental authority or regulatory body in connection with the Share Charge having been obtained or effected;
- (b) the Guarantee having been duly executed and delivered to the Subscriber;
- (c) the Joint Controlled Account having been set up to the satisfaction of the Subscriber;
- (d) listing of and permission to deal in the Conversion Shares (or any part thereof) having been granted by the Listing Committee of the Stock Exchange, either unconditionally or subject to conditions to which neither the Company nor the Subscriber shall reasonably object (and such approval not having been subsequently revoked or withdrawn prior to Completion);
- (e) all other necessary authorisations pursuant to the Listing Rules and applicable laws for the consummation of the transactions contemplated in the Subscription Agreement having been obtained by the Company; and
- (f) all representations and warranties given by the Company in the Subscription Agreement remaining true and accurate in all material respects and not misleading in any material respect, and all undertakings made by the Company in the Subscription Agreement not having been breached in any material aspect.

Each of the conditions set out in paragraphs (a), (b), (c) and (f) above can be fully or partly waived in writing by the Subscriber. All the other conditions cannot be waived by either party.

The Company shall use its best endeavours to procure the fulfilment of the above conditions on or before 23 September 2016 (or such later date as may be agreed by the parties in writing), and if any of the above conditions is not fulfilled or, if applicable, waived on or before such date, no party shall be obliged to proceed to Completion and no party shall have any claim against another party, except in respect of claims arising out of any antecedent breach of any provision of the Subscription Agreement.

Arrangement fee

In consideration of the provision of financing pursuant to the Subscription Agreement by the Subscriber, the Company agrees to pay an arrangement fee of HK\$3,000,000 to the Subscriber at Completion. The parties agree that the arrangement fee will be deducted from the subscription price of the Convertible Bonds.

Completion of the issue of the Convertible Bonds

Subject to the fulfilment of the conditions precedent, the Subscription of the Convertible Bonds shall be completed on the Completion Date. At Completion, the Company shall issue to the Subscriber the Convertible Bonds and the Subscriber shall make payment of HK\$89,000,000, being the principal amounts of the Convertible Bonds after the deduction of the arrangement fee, to the Joint Controlled Account.

PRINCIPAL TERMS OF THE CONVERTIBLE BONDS

The principal terms of the Convertible Bonds are summarized below:

Principal amount: HK\$92,000,000

Term: The Convertible Bonds shall have a term commencing from (and including) the Completion Date and expiring on the date falling on the second anniversary of the Completion Date or if such date is not a Business Day, the Business Day immediately following such date (the “**Maturity Date**”).

Interest: The Convertible Bonds bear interest from the date of issue at 7.5% per annum on the principal amount of the Convertible Bonds, payable by the Company half-yearly in arrears.

Conversion Rights: The holder of the Convertible Bonds may at any time during the Conversion Period require the Company to convert the whole or any part of the principal amount outstanding under the Convertible Bonds into Shares.

Conversion Period: Any time on and after the date of issue of the Convertible Bonds and up to the date being 5 Business Days before the Maturity Date.

Conversion Price: HK\$0.4378 per Conversion Share, being 110% of the average closing price of the Shares for the ten trading days immediately prior to the date of the Subscription Agreement, subject to adjustments in accordance with the terms and conditions of the Convertible Bonds.

The Conversion Price represents:

- (i) a premium of approximately 4.24% to the closing price of HK\$0.42 per Share as quoted on the Stock Exchange on 23 June 2016, being the date of the Subscription Agreement;
- (ii) a premium of approximately 8.10% to the average closing price of approximately HK\$0.405 per Share as quoted on the Stock Exchange for the last five consecutive trading days immediately before the date of the Subscription Agreement; and
- (iii) a premium of 10% to the average closing price of approximately HK\$0.398 per Share as quoted on the Stock Exchange for the last ten consecutive trading days immediately before the date of the Subscription Agreement.

The Conversion Price was determined after arm's length negotiations between the Company and the Subscriber after considering the current market sentiment, liquidity flow in the capital market and the historical Share prices.

Adjustment events: The Conversion Price will be adjusted in accordance with the relevant provisions under the terms and conditions of the Convertible Bonds upon occurrence of, among others, the following events: (i) consolidation or subdivision of Shares; (ii) capitalisation of profits or reserves of the Company; (iii) grant of options, warrants or other rights to subscribe for new Shares at a price which is less than 80% of the then market price of the Shares; and (iv) issue of Shares by the Company wholly for cash at a price which is less than 80% of the then market price of the Shares.

Conversion Shares: Based on the initial conversion price of HK\$0.4378, a maximum number of 210,141,617 Conversion Shares shall be allotted and issued upon exercise in full of the Conversion Rights, which represent:

- (i) approximately 13.08% of the existing issued share capital of the Company; and
- (ii) approximately 11.57% of the issued share capital of the Company as enlarged by the issue of the Conversion Shares upon exercise in full of the Conversion Rights.

The Conversion Shares shall be allotted and issued pursuant to the General Mandate.

Ranking: The Conversion Shares issued upon exercise of Conversion Rights shall rank pari passu in all respects with all other Shares then in issue.

Redemption: The Company may not redeem the Convertible Bonds at its option prior to the Maturity Date.

Any principal amount of the Convertible Bonds which has not been previously redeemed, converted or cancelled in accordance with the terms and conditions thereof before the Maturity Date shall be redeemed by the Company on the Maturity Date, at a redemption amount which, taking into account the interest paid or payable by the Company, will give the holder of the Convertible Bond an annualised return of 13.5% on the principal amount of the Convertible Bond to be redeemed.

- Transferability: The Convertible Bonds are transferable by instrument in writing in the usual or common form in nominal amounts or integral multiples of HK\$1,000,000.
- Voting: The holders of the Convertible Bonds will not be entitled to attend or vote at any meetings of the Company by reason only of being the holders of the Convertible Bonds.
- Application for listing: No application will be made by the Company to the Stock Exchange for listing of the Convertible Bonds. Application will be made by the Company to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Conversion Shares.
- Event of Default: If, among others, any of the following events occurs prior to the Maturity Date, the holder(s) of the Convertible Bonds will be entitled to require the Company to redeem of all of its Convertible Bonds at the applicable redemption value:
- (i) the Company or the Guarantor fails to pay any amount of principal, interest, premium or any other amount in respect of or in connection with the Convertible Bonds on the due date for payment thereof;
 - (ii) any failure by the Company to deliver any Shares as and when the Shares are required to be delivered following conversion of the Convertible Bonds;

- (iii) the Company, the Chargor or the Guarantor defaults in the performance or observance of any term of any Transaction Document in all material respects and such breach is not remedied within (7) Business Days after the default;
- (iv) (a) any other present or future indebtedness of the Company, any Group Company, the Chargor or the Guarantor for or in respect of moneys borrowed or raised becomes (or becomes capable of being declared) due and payable prior to its stated maturity by reason of any default, event of default or the like (howsoever described), or (b) any such indebtedness is not paid when due or, as the case may be, within any applicable grace period, or (c) the Company, any Group Company, the Chargor or the Guarantor fails to pay when due any amount payable by it under any present or future guarantee for, or indemnity in respect of, any moneys borrowed or raised;
- (v) any litigation, arbitration, administrative, governmental, regulatory or other investigations, proceedings or disputes are commenced or threatened against the Company, the Guarantor, any Group Company or the Chargor or any of their respective assets (or against the directors of the Company, any Group Company or the Chargor arising from their carrying out of duties as directors of the Company, the related Group Company or the Chargor) which are reasonably likely to be adversely determined and, if so determined, could reasonably be expected to have a material adverse effect;
- (vi) an event has occurred which is, or which may with the taking of any step or the passage of time become, an insolvency event in relation to the Company, the Guarantor, any other Group Company or the Chargor;

- (vii) (a) at any time, the Guarantee or the Share Charge is or becomes unlawful or is not, or ceases to be legal, valid, binding or enforceable or otherwise ceases to be effective; (b) any part of the Guarantee or the security interest created under the Share Charge is not (or is claimed by the Company, the Guarantor or the Chargor, as the case may be, not to be) in full force and effect, (c) there is any purported termination of the security or any security interest created under the Guarantee or the Share Charge by the Company, the Guarantor or the Chargor, (d) the security or any security interest created under the Guarantee or the Share Charge fails to be or remain perfected, or (e) the Share Charge fails to create first priority security interest in respect of the charged shares;
- (viii) an order is made or an effective resolution is passed for the winding up, liquidation or dissolution, judicial management or administration of the Company, any Group Company or the Chargor;
- (ix) any action, condition or thing at any time required to be taken, fulfilled or done in order (a) to enable the Company, the Guarantor and the Chargor lawfully to enter into, exercise their respective rights and perform and comply with their respective obligations under and in respect of the Convertible Bonds or the Transaction Documents, (b) to ensure that those obligations are legal, valid, binding and enforceable and (c) to make the Convertible Bonds and Transaction Documents admissible in evidence in the courts of the British Virgin Islands, Cayman Islands and/or Hong Kong is not taken, fulfilled or done;
- (x) it is or will become unlawful for the Company, the Guarantor or the Chargor to perform or comply with any of their respective obligations under or in respect of the Convertible Bonds or the Transaction Documents;

- (xi) (a) any step is lawfully taken by any competent governmental authority with a view to the seizure, compulsory acquisition, expropriation or nationalisation of all or substantially all of the assets of the Company, the Guarantor, any Group Company or the Chargor or (b) the Company, the Guarantor, any Group Company or the Chargor is prevented by any competent governmental authority from exercising normal control over all or substantially all of its property, assets and turnover;
- (xii) there is a material breach of any applicable law (including the Listing Rules) by the Company, the Guarantor, any Group Company, the Chargor or any director or senior officers of the Company when acting for and on behalf of the Company; or
- (xiii) the Shares shall cease to be listed on the Stock Exchange or steps are taken by or on behalf of the Stock Exchange or the Company to effect such cessation.

The applicable redemption value of the Convertible Bonds in the event of a redemption upon an occurrence of the above event of default shall be calculated as follows:

Redemption value = $P + (P \times 18\% \times 2) - I$, where:

P = Principal amount of the Convertible Bonds to be redeemed

I = Interest already paid in respect of the Convertible Bonds to be redeemed

INFORMATION ON THE SUBSCRIBER

The Subscriber, namely Infinity Growth Capital Limited, is a limited liability company incorporated in the British Virgin Islands and is principally engaged in investment holding. The Subscriber is a wholly-owned subsidiary of Huarong Overseas Investment Holdings Co., Limited (“**Huarong Overseas**”), a company incorporated in Hong Kong with limited liability. Huarong Overseas is an indirect non-wholly-owned subsidiary of China Huarong Asset Management Co., Ltd., a PRC state-owned non-banking financial institution, whose H shares are listed on the Stock Exchange.

Mr. Chen Jianbao, a joint chairman of the Company, and Huarong Overseas are currently in the process of forming a joint venture company (the “**JV Company**”). To the best knowledge of the Directors, it is currently envisaged that the JV Company will be held as to approximately 61.46% and 38.54% of its voting rights by Huarong Overseas and Mr. Chen, respectively. Subject to further discussion and negotiation by the parties, Mr. Chen and Huarong Overseas intend to, through the JV Company, acquire existing shares of the Company and further invest in the Company in the manner they consider appropriate. However, the Company was informed by the Subscriber that it has no intention to transfer the Convertible Bonds to the JV Company. The Company will issue further announcement(s) in relation to the above transactions pursuant to the Listing Rules as and when appropriate.

To the best of the knowledge, information and belief of the Directors, and having made all reasonable enquiries, save as disclosed above, the Subscriber and its ultimate beneficial owner(s) are third parties independent of and are not connected persons (as defined under the Listing Rules) of the Company.

EFFECT ON SHAREHOLDING STRUCTURE OF THE COMPANY

Set out below are the shareholding structure of the Company (i) as at the date of this announcement; and (ii) upon full conversion of the Convertible Bonds:

Shareholders	Capacity/ Nature of Interest	As at the date of this announcement		Upon full conversion of the Convertible Bonds	
		<i>Number of Shares</i>	<i>approximate %</i>	<i>Number of Shares</i>	<i>approximate %</i>
Festive Boom Limited	Beneficial owner	694,272,000	43.22	694,272,000	38.22
Ms. Cai Xiuman (<i>Note 1</i>)	Beneficial owner	13,220,000	0.82	13,220,000	0.73
Mr. Zhang Wenbin (<i>Note 2</i>)	Beneficial owner	5,456,000	0.34	5,456,000	0.30
Other public Shareholders		893,550,422	55.62	893,550,422	49.18
The Subscriber		–	–	210,141,617	11.57
Total		<u>1,606,498,422</u>	<u>100.00</u>	<u>1,816,640,039</u>	<u>100.00</u>

Notes:

- Ms. Cai Xiuman is an executive Director and is the beneficial owner of the entire issued share capital of Festive Boom Limited and is deemed to be interested in the Shares held by Festive Boom Limited by virtue of the provisions of Divisions 7 and 8 of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong).
- Mr. Zhang Wenbin is an executive Director.
- It is assumed that there would be no change in the share capital of the Company other than the issue of Conversion Shares.

REASONS FOR AND BENEFITS OF THE SUBSCRIPTION

The Company's principal business is manufacturing and sales of casual footwear, apparel and related accessories in the PRC. The Company also engages in operating gas stations in the PRC.

The Directors have considered various ways of raising funds in the capital market and consider that the issue of the Convertible Bonds is an appropriate means of raising additional capital for the Company since (i) they will not have an immediate dilution effect on the shareholding of the existing Shareholders; and (ii) if the Conversion Rights are exercised, the shareholder base of the Company will be enlarged and the financial position of the Group will be improved for establishing and strengthening the existing and future business of the Group. The Board considers that the terms of the Subscription are on normal commercial terms and are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

The gross proceeds and the net proceeds from the Subscription, are estimated to be approximately HK\$89,000,000 and HK\$88,400,000 respectively. On such basis, the net price received by the Company for each Conversion Share is approximately HK\$0.4207. The Company intends to use the net proceeds as development of existing business and general working capital of the Group.

FUND RAISING ACTIVITIES OF THE COMPANY IN THE PAST TWELVE MONTHS

Date of Announcement	Fund raising activity	Number of Shares issued	Approximate net proceeds	Use of proceeds
12 August 2015	Placing of new shares under general mandate	60,000,000	HK\$41,400,000	General working capital and any possible business development and investment when appropriate opportunities arise

Except for the fund raising activity as mentioned above, the Company has not conducted an equity fund raising activity in the 12 months immediately preceding the date of this announcement.

GENERAL MANDATE

Upon exercise in full of the conversion rights attaching to the Convertible Bonds, 210,141,617 Conversion Shares shall be allotted and issued under the General Mandate. The General Mandate entitles the Directors to allot, issue and deal with Shares not exceeding 20% of the issued capital of the Company as at the date of the general meeting of the Company held on 5 June 2015 approving the General Mandate. The maximum number of Shares allowed to be allotted and issued under the General Mandate was 272,299,684 Shares. As at the date of this announcement, 60,000,000 Shares have been utilised by the Company under the General Mandate and hence 212,299,684 Shares under the General Mandate are still unutilised. Accordingly, the Subscription is not subject to the Shareholders' approval.

DEFINITIONS

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

“Board”	the board of Directors
“Business Day(s)”	a day on which licensed banks in Hong Kong are open for general business, other than (i) a Saturday, a Sunday or a public holiday; or (ii) a day on which a tropical cyclone warning signal no. 8 or above or a black rainstorm warning signal is issued in Hong Kong at any time between 9:00 a.m. and 5:00 p.m.
“Chargor”	Sino Africa Energy Holdings Company Limited, a company incorporated under the laws of the Republic of Vanuatu and a wholly-owned subsidiary of the Company
“Company”	Sino Energy International Holdings Group Limited 中能國際控股集團有限公司 (stock code: 1096), a company incorporated in the Cayman Islands with limited liability, the ordinary shares of which are listed on the Main Board of the Stock Exchange

“Completion”	the completion of the Subscription in accordance with the terms and conditions of the Subscription Agreement
“Completion Date”	a date falling within five Business Days after all conditions precedent to Completion have been fulfilled or, if applicable, waived (or such other date as may be agreed by the parties), on which date Completion occurs
“Conversion Period”	any time on and after the date of issue of the Convertible Bonds and up to the date being 5 Business Days before the Maturity Date
“Conversion Price”	HK\$0.4378, subject to adjustments in accordance with the terms and conditions of the Convertible Bonds
“Conversion Rights”	the rights attached to the Convertible Bonds to convert the same or a part thereof into Conversion Shares
“Conversion Shares”	the new Shares to be allotted and issued by the Company upon exercise of the Conversion Rights
“Convertible Bonds”	the convertible bonds in the aggregate principal amount of HK\$92,000,000 to be issued by the Company convertible to the Conversion Shares at the Conversion Price
“Director(s)”	directors of the Company
“General Mandate”	the general mandate granted to the Directors by the Shareholders at the general meeting of the Company held on 5 June 2015 to allot, issue and deal with up to 272,299,684 new Shares, being 20% of the then issued capital of the Company as at the date of the said annual general meeting
“Group”	the Company and its subsidiaries, and “Group Company” means any company in the Group

“Guarantee”	a personal guarantee to be executed by the Guarantor in favour of the Subscriber guaranteeing the performance of the obligations by the Company under the Convertible Bonds
“Guarantor”	Mr. Chen Jianbao (陳建寶), a joint chairman of the Company
“Joint Controlled Account”	a bank account designated by the Subscriber and the Company, which bank account can only be jointly operated by an authorised signatory of each of the Subscriber and the Company
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Maturity Date”	the date falling on the second anniversary of the Completion Date or if such date is not a Business Day, the Business Day immediately following such date
“PRC”	The People’s Republic of China which, for the purpose of this announcement, excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“Share(s)”	ordinary shares of par value of HK\$0.10 each of the Company
“Shareholder(s)”	holder(s) of the Share(s)
“Share Charge”	a share charge in relation to the entire issued share capital of Peak Business Asia Limited, a wholly-owned subsidiary of the Company, to be executed by the Chargor in favour of the Subscriber as security for the performance of obligations of the Company under the Convertible Bonds
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

“Subscriber”	Infinity Growth Capital Limited, a company incorporated in the British Virgin Islands with limited liability
“Subscription”	the subscription for the Convertible Bonds by the Subscriber pursuant to the Subscription Agreement
“Subscription Agreement”	the subscription agreement dated 23 June 2016 and entered into between the Company and the Subscriber in relation to the Subscription
“Transaction Document”	the legally binding documents in relation to the Convertible Bonds, including the terms and conditions of the Convertible Bonds, the Subscription Agreement, the Share Charge and the Guarantee
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“%”	per cent.

By order of the Board
Sino Energy International Holdings Group Limited
Chen Jianbao
Joint Chairman

Hong Kong, 23 June 2016

As at the date of this announcement, the executive directors of the Company are Mr. Chen Jianbao, Ms. Cai Xiuman, Mr. Wang Wei, Mr. Zhang Wenbin, Mr. Chen Yuanjian, Mr. Sun Hui Ding and Mr. Wang Qingshan; and the independent non-executive directors of the Company are Mr. Chen Jinzhong, Roy, Mr. Chen Yonghua, Mr. Lee Ho Yiu Thomas and Mr. Gu Renliang.