

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.

CHINA UNIENERGY GROUP LIMITED

中国优质能源集团有限公司

(incorporated in the Cayman Islands with limited liability)

(Stock Code: 1573)

ISSUE OF UNLISTED WARRANTS PURSUANT TO GENERAL MANDATE

The Board is pleased to announce that on 27 June 2018, the Company entered into the Subscription Agreement with the Subscriber. Subject to the fulfillment of the conditions to the Subscription Agreement, the Company has agreed to issue and the Subscriber has agreed to subscribe for, an aggregate of 5,000,000 Warrants at the Issue Price of HK\$2.32 per Warrant. Each Warrant carries the right to subscribe at any time during the Subscription Period for one Warrant Share at the Subscription Price of HK\$12 per Warrant Share (subject to certain adjustment events). The Warrant Shares will be issued under the General Mandate.

Application will be made to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Warrant Shares which may fall to be allotted and issued upon the exercise of the subscription rights attaching to the Warrants. No listing of the Warrants will be sought on the Stock Exchange or any other stock exchanges.

Shareholders and potential investors should note that the issue of Warrants is subject to the fulfillment of the conditions under the Subscription Agreement. Shareholders and potential investors are reminded to exercise caution when dealing in the Shares.

SUBSCRIPTION AGREEMENTS

The Board is pleased to announce that on 27 June 2018, the Company entered into the Subscription Agreement with the Subscriber.

The principal terms of the Subscription Agreement are set out as below:

Date

27 June 2018

Parties

- (1) the Company as the issuer; and
- (2) Mr. Yang Wei (楊威) as the subscriber.

To the best of the Directors' knowledge, information and belief and having made all reasonable enquiries, the Subscriber and his ultimate beneficial owner are Independent Third Parties.

Securities to be issued

Subject to the fulfillment of the conditions to the Subscription Agreement, the Company has agreed to issue, and the Subscriber has agreed to subscribe for, an aggregate of 5,000,000 Warrants at the Issue Price of HK\$2.32 per Warrant. Each of the Warrants carries the right to subscribe for at any time during the Subscription Period one Warrant Share at the Subscription Price of HK\$12 per Warrant Share (subject to certain adjustment events).

Number of Warrants

5,000,000 Warrants in aggregate will be issued by the Company pursuant to the terms of the Subscription Agreement.

Conditions

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

- (a) the Listing Committee of the Stock Exchange granting listing of and permission to deal in the Warrant Shares;
- (b) the warranties set out in the Subscription Agreement remaining true and correct in all material respects; and
- (c) all necessary consents and approvals as may be required to be obtained on the part of the Company in respect of the issue of the Warrants and the transactions contemplated under the Subscription Agreement having been obtained by the Company.

The Subscriber may at any time by notice in writing to the Company waive the condition set out in (b) above. The condition set out in (a) and (c) above are incapable of being waived by the Company and the Subscriber.

In the event that any of the conditions referred to above is not fulfilled or waived in full at or before 5:00 p.m. on 31 July 2018 (or such other time and date as may be agreed between the Company and the relevant Subscriber in writing), the Subscription Agreement shall cease and determine and thereafter, neither party shall have any obligations and liabilities hereunder save for any antecedent breaches of the provisions hereof.

Completion

Completion shall take place on the Completion Date.

PRINCIPAL TERMS OF THE WARRANTS

Issue Price The Issue Price is HK\$2.32 per Warrant. The net issue price, after deduction of the relevant expenses, is approximately HK\$2.28 per Warrant.

Subscription Price Subject to adjustments, the Subscription Price is HK\$12 per Warrant Share, which represents:

- (i) a premium of approximately 26.32% over the closing price of HK\$9.50 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (ii) a premium of approximately 28.62% over the average of the closing price of Shares as quoted on the Stock Exchange for the last five consecutive trading days up to and including the Last Trading Day of approximately HK\$9.33; and
- (iii) a premium of approximately 38.46% over the average of the closing price of Shares as quoted on the Stock Exchange for the last ten consecutive trading days up to and including the Last Trading Day of approximately HK\$8.67.

Aggregate of the Issue Price and the Subscription Price The aggregate of the Issue Price and the Subscription Price is HK\$14.32, which represents:

- (i) a premium of approximately 50.74% over the closing price of HK\$9.50 per Share as quoted on the Stock Exchange on the Last Trading Day;

- (ii) a premium of approximately 53.48% over the average of the closing price of Shares as quoted on the Stock Exchange for the last five consecutive trading days up to and including the Last Trading Day of approximately HK\$9.33; and
- (iii) a premium of approximately 65.22% over the average of the closing price of Shares as quoted on the Stock Exchange for the last ten consecutive trading days up to and including the Last Trading Day of approximately HK\$8.67.

The Issue Price and the Subscription Price were determined after arm's length negotiations between the Company and the Subscriber, taking into account the recent trading prices of the Shares and an indicative valuation of the Warrants conducted by an independent valuer in May 2018. The Directors are of the opinion that the Issue Price and the Subscription Price are fair and reasonable and in the best interest of the Company and its Shareholders as a whole.

**Adjustments to the
Subscription Price**

The Subscription Price will be subject to adjustments in certain events, including:

- (i) an alteration to the nominal value of the Shares as a result of consolidation or subdivision;
- (ii) issue of Shares credited as fully paid by way of capitalisation of profits or reserves, other than Shares issued in lieu of a cash dividend;
- (iii) making of any capital distribution to the Shareholders; and
- (iv) offer to the Shareholders new Shares for subscription by way of rights, or grant to the Shareholders any options or warrants to subscribe for new Shares, at a price which is less than 80% of the market price on the date of the announcement of the terms of the offer or grant.

The Board confirmed that the above are normal anti-dilutive adjustment events.

Subscription Period and lot size

The subscription rights attaching to the Warrants can be exercised at any time during the period of two years commencing from the Completion Date in integral multiples of 100,000 Warrants.

The Subscriber shall not be entitled to exercise the subscription rights attaching to the Warrants to the extent that immediately after such exercise:

- (i) there will not be sufficient public float of the Shares as required under the Listing Rules; and
- (ii) the Subscriber whether alone or together with parties acting in concert with it would be obliged to make a general offer under the Hong Kong Code on Takeovers and Mergers in force from time to time.

Transferability of Warrants

The Warrants shall be in registered form and is freely transferable to any person (other than a connected person of the Company) in integral multiples of 100,000 Warrants (or the whole but not part of the outstanding Warrants if the number of outstanding Warrants are less than 100,000 Warrants) by instrument of transfer in any usual or common form or such other form as may be approved by the Directors. The Warrants shall not be assigned or transferred to a connected person of the Company unless with the prior written consent of the Company.

Restriction on transfer of Warrant Shares

The Subscriber must not transfer the Warrant Shares at a price less than HK\$7.

Ranking of the Warrant Shares

The Warrant Shares, when issued and fully paid, will rank *pari passu* in all respects among themselves and with all the Shares in issue as at the date of allotment and issue of the relevant Warrant Shares except that they will not rank for any dividend or other distribution of the Company declared, made or paid by reference to a record date, prior to their date of issue.

Voting rights

The holder(s) of the Warrants will not be entitled to receive notices of, attend or vote at any meeting of the Company by reason only of it being a holder of the Warrants.

Rights of holder(s) of Warrants during the Subscription Period on winding-up

Subject to the terms of the Warrants, if an effective resolution is passed during the Subscription Period for the winding-up of the Company and such winding-up is not for the purpose of reconstruction or amalgamation pursuant to a scheme of arrangement, the holder(s) of the Warrants shall be entitled at any time within six weeks after the passing of such resolution to exercise the Warrants. If such winding-up is for the purpose of reconstruction or amalgamation pursuant to a scheme of arrangement, the terms of such scheme of arrangement shall be binding on all holder(s) of the Warrants. Subject to the foregoing, if the Company is wound up, all Warrants which have not been exercised at the date of the passing of such resolution shall lapse.

Listing

Application will be made to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Warrant Shares which may fall to be allotted and issued upon exercise of the subscription rights attaching to the Warrants. No listing of the Warrants will be sought on the Stock Exchange or any other stock exchanges.

GENERAL MANDATE TO ISSUE THE WARRANT SHARES

The issue of the Warrants and the issue of the Warrant Shares upon exercise of the subscription rights attaching to the Warrants are not subject to the Shareholders' approval.

The Warrant Shares will be issued pursuant to the General Mandate. The maximum number of new Shares which could be issued under the General Mandate is 143,600,000 Shares. As at the date of this announcement, save for the proposed issue of the Warrant Shares upon exercise of the subscription rights attaching to the Warrants, the Company has not utilized the General Mandate.

REASONS FOR THE ISSUE OF WARRANTS AND USE OF PROCEEDS

The Group is a producer of anthracite coal based in Guizhou Province of the PRC. The Group engages in the extraction and sale of anthracite coal and possesses scarce anthracite coal resources with the characteristics of high calorific value, low sulphur content and low ash content. Most of the Group's coal products are suitable to be used as chemical coal and PCI coal, as well as for further value-added applications, such as premium quality active charcoal. The Group is one of the less than 100 qualified consolidators in Guizhou Province that are permitted to engage in coal mine acquisition and operation.

The Board considers that the issue of Warrants, with a subscription price at a premium, represents an opportunity to raise additional funds for the Company to cater for its future needs while broadening the Shareholder and capital base of the Company. In addition, the Warrants are not interest bearing and will not result in any immediate dilution effect on the shareholding of the existing Shareholders. The total gross proceeds from the subscription of Warrants are approximately HK\$11,600,000 which will be applied as general working capital.

Assuming the full exercise of the subscription rights attaching to the Warrants, the total gross funds to be raised, including the funds raised by the subscription of Warrants, are approximately HK\$71,600,000. The gross proceeds of approximately HK\$71,600,000 shall be applied as general working capital and for future possible business expansion in local and overseas and investment opportunities of the Group.

Assuming the full exercise of the subscription rights attaching to the Warrants, the net price to the Company of each Warrant, which is calculated by dividing the aggregate net proceeds from the subscription of Warrants and the exercise of the subscription rights attaching to the Warrants by the total number of the Warrants, is approximately HK\$14.28.

The Directors also consider that the Subscription Agreement was entered into on normal commercial terms after arm's length negotiations between the Company and the Subscriber and that the terms of the Subscription Agreement (including the Issue Price and the Subscription Price) are fair and reasonable and in the best interest of the Company and its Shareholders as a whole.

SHAREHOLDING STRUCTURE

As at the date of this announcement, the Company has 718,000,000 Shares in issue. Assuming there is no further issue or repurchase of the Shares and there is no adjustment to the Subscription Price, upon the full exercise of the subscription rights attaching to the Warrants, 5,000,000 Warrant Shares will be issued, which represent approximately 0.70% of the total number of Shares in issue of the Company as at the date of this announcement. The shareholding structure of the Company (i) as at the date of this announcement; and (ii) immediately after the full exercise of the subscription rights attaching to the Warrants (assuming that there will be no further changes in the total number of Shares in issue of the Company prior to such exercise and no adjustment to the Subscription Price) are as follows:

	As at the date of this announcement		Immediately after the full exercise of the subscription rights attaching to the Warrants	
	No. of Shares	Approximate % ⁽³⁾	No. of Shares	Approximate % ⁽³⁾
Directors or Substantial Shareholders				
Lavender Row Limited ⁽¹⁾	364,616,000	50.78	364,616,000	50.43
Noble Fox Holdings Limited ⁽²⁾	90,000,000	12.53	90,000,000	12.45
Public				
Subscriber	—	—	5,000,000	0.69
Other Shareholders	<u>263,384,000</u>	<u>36.68</u>	<u>263,384,000</u>	<u>36.43</u>
Total	<u>718,000,000</u>	<u>100.00</u>	<u>723,000,000</u>	<u>100.00</u>

Notes:

- On 13 April 2017, Lavender Row Limited pledged 143,600,000 Shares to CMB International Finance Limited. On 13 May 2018, Lavender Row Limited has entered into an agreement for the sale of 123,402,000 Shares held by it but the transaction is yet to be completed. Ms. Dai Ling is the sole legal owner of all the issued shares of Lavender Row Limited, holding such shares in trust for the benefit of Xu Family including her spouse, Mr. Xu Bo who is an executive Director and the chairman of the Company. Accordingly, Mr. Xu Bo and Ms. Dai Ling are deemed to be interested in the shares of the Company held by Lavender Row Limited by virtue of the SFO.
- Noble Fox Holdings Limited has provided its interest in the 90,000,000 shares of the Company as security to a person other than a qualified lender. As the entire issued share capital of Noble Fox Holdings Limited is held by Mr. Xiao Zhijun, an executive Director of the Company, Mr. Xiao Zhijun is deemed to be interested in the shares of the Company held by Noble Fox Holdings Limited under the SFO.
- Percentages may not add up to 100% due to rounding.

FUND RAISING ACTIVITIES IN THE PAST TWELVE MONTHS

The Company has not conducted any fund raising activity in the past twelve months from the date of this announcement.

IMPLICATIONS UNDER THE LISTING RULES

Pursuant to Rule 15.02(1) of the Listing Rules, the Warrant Shares to be issued on exercise of the Warrants must not, when aggregated with all other equity securities remain to be issued on exercise of any other subscription rights, if all such rights were immediately exercised, whether or not such exercise is permissible, exceed 20% of the total number of Shares in issue of the Company at the time the Warrants are issued. Options granted under share option schemes which comply with Chapter 17 of the Listing Rules are excluded for the purpose of such limit.

As at the date of this announcement, the Company does not have any securities with subscription rights outstanding and not yet exercised.

Assuming (i) full exercise of the subscription rights attaching to the Warrants and (ii) no Shares are further issued and repurchased, an aggregate of 5,000,000 Shares will be issued, which represent (a) approximately 0.70% of the total number of Shares in issue of the Company as at the date of this announcement; and (b) approximately 0.69% of the total number of Shares in issue as enlarged by the issue of the Warrant Shares. Accordingly, the issue of the Warrants is in compliance with Rule 15.02(1) of the Listing Rules.

GENERAL

Shareholders and potential investors should note that the issue of Warrants is subject to the fulfillment of the conditions under the Subscription Agreement. Shareholders and potential investors are reminded to exercise caution when dealing in the Shares.

DEFINITIONS

In this announcement, unless the context requires otherwise, the following expressions have the meanings as set out below:

“Board”	the board of Directors
“Business Day”	a day other than a Saturday, Sunday or public holiday, on which banks in Hong Kong are open for business generally throughout their normal business hours
“Company”	CHINA UNIENERGY GROUP LIMITED (中國優質能源集團有限公司), an exempted company incorporated in the Cayman Islands with limited liability on 8 January 2014
“Completion”	completion of the Subscription Agreement in accordance with the terms thereof
“Completion Date”	the date on which Completion occurs, which shall be the second Business Day after the date on which the conditions set out in the section headed “Conditions” in this announcement are fulfilled or, as the case may be, waived by the Subscriber
“connected person(s)”	has the meaning given to it in the Listing Rules
“Director(s)”	the director(s) of the Company
“General Mandate”	the general mandate granted to the Directors to exercise the power of the Company to, among other things, issue shares up to 20% of the Company’s issued share capital as at the date of the annual general meeting of the Company held on 28 June 2017
“Group”	the Company together with its subsidiaries
“HK\$”	Hong Kong dollar(s), the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China

“Independent Third Party(ies)”	third party(ies) independent of and not connected with the Company and any of its connected person(s)
“Issue Price”	the issue price of HK\$2.32 per Warrant
“Last Trading Day”	27 June 2018, being the last trading day of the Shares prior to the date of this announcement
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“SFO”	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Share(s)”	ordinary share(s) of US\$0.01 each in the share capital of the Company
“Shareholder(s)”	holder(s) of the Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscriber”	Mr. Yang Wei (楊威), a PRC citizen
“Subscription Agreement”	the conditional warrant subscription agreement dated 27 June 2018 entered into between the Subscriber and the Company in relation to the subscription of Warrants by the Subscriber
“Subscription Period”	the two-year period commencing from the Completion Date
“Subscription Price”	a price of HK\$12 per Warrant Share (subject to adjustment) at which holder(s) of the Warrants may subscribe for the Warrant Shares
“subsidiary(ies)”	has the meaning given to it in the Listing Rules
“Warrant(s)”	an aggregate of 5,000,000 unlisted warrants conferring rights to subscribe for 5,000,000 Warrant Shares at the Subscription Price (subject to adjustment), at any time during the Subscription Period
“Warrant Share(s)”	the new Shares to be issued by the Company upon the exercise of the subscription rights attaching to the Warrants

“US\$”

United States dollar(s), the lawful currency of the
United States of America

By order of the Board
CHINA UNIENERGY GROUP LIMITED
Xu Bo
Chairman

Guiyang, People’s Republic of China
27 June 2018

As at the date of this announcement, the executive Directors of the Company are Mr. Xu Bo, Mr. Wei Yue and Mr. Xiao Zhijun; and the independent non-executive Directors of the Company are Mr. Jiang Chenglin, Mr. Choy Wing Hang William, Mr. Lee Cheuk Yin Dannis and Mr. Fu Lui.