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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

(Provisional Liquidators Appointed)

(For Restructuring Purposes)

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 8132

**SUPPLEMENTAL ANNOUNCEMENT
IN RELATION TO
(1) SUBSCRIPTION OF NEW SHARES
UNDER SPECIFIC MANDATE;
(2) SUBSCRIPTION OF CONVERTIBLE BONDS
UNDER SPECIFIC MANDATE;
(3) CREDITORS' SCHEMES;
(4) APPLICATION FOR WHITEWASH WAIVER; AND
(5) SPECIAL DEAL**

References are made to (i) the announcement (the “**Announcement**”) of China Oil Gangran Energy Group Holdings Limited (the “**Company**”) dated 23 December 2020 in relation to, among other matters, the Subscriptions, the CB Subscriptions, the Specific Mandate, the Creditors’ Schemes, the Whitewash Waiver and the Special Deal; and (ii) the announcements (the “**Quarterly Update Announcement**”, together with the **Announcement**, the “**Announcements**”) of the Company dated 30 September 2020 and 30 December 2020 in relation to, among others, the quarterly update on suspension of trading in the Shares and the Proposed Restructuring. Unless otherwise stated, capitalised terms used in this announcement shall have the same meanings as those defined in the **Announcements**.

SUPPLEMENTAL SUBSCRIPTION AGREEMENT

On 15 March 2021 (after trading hours of the Stock Exchange), the Company and the Subscribers entered into the supplemental agreement (the “**Supplemental Subscription Agreement**”) pursuant to which the parties agreed to make the following amendments to the terms of the Subscription Agreement:

- (i) the total number of new Shares (the “**Subscription Shares**”) to be allotted and issued by the Company to the Subscribers was revised from 1,140,059,454 Subscription Shares (as to 900,646,969 Subscription Shares to the First

Subscriber, 195,710,206 Subscription Shares to the Second Subscriber and 43,702,279 Subscription Shares to the Third Subscriber) to 1,900,099,090 Subscription Shares (as to 1,501,078,281 Subscription Shares to the First Subscriber, 326,247,014 Subscription Shares to the Second Subscriber and 72,773,795 Subscription Shares to the Third Subscriber);

- (ii) the consideration (the “**Subscription Price**”) for subscription of the Subscription Shares was revised from HK\$0.0307693 per Subscription Share to HK\$0.01941712 per Subscription Share;
- (iii) the total consideration payable by the First Subscriber to the Company for subscription of the new Shares to be allotted and issued by the Company to the First Subscriber was revised from HK\$27,712,277 to HK\$29,146,610.04;
- (iv) the total consideration payable by the Second Subscriber to the Company for subscription of the new Shares to be allotted and issued by the Company to the Second Subscriber was revised from HK\$6,021,866 to HK\$6,334,775.88; and
- (v) the total consideration payable by the Third Subscriber to the Company for subscription of the new Shares to be allotted and issued by the Company to the Third Subscriber was revised from HK\$1,344,689 to HK\$1,413,057.17.

Save for the above amendments, all other material terms and conditions of the Subscription Agreement remain unchanged and in full force and effect.

Subscription Shares

The total number of 1,900,099,090 Subscription Shares (of an aggregate nominal value of approximately HK\$7,600,396) represents (i) 500% of the issued share capital of the Company as at the date of this announcement; and (ii) 75% of the issued share capital of the Company as enlarged by the allotment and issue of the Subscription Shares (assuming that there is no change in the issued share capital of the Company from the date of this announcement and up to completion (“**Completion**”) of the subscriptions (the “**Subscriptions**”) of the Subscription Shares other than as a result of the Subscriptions and the issue of the Creditors’ Shares (as defined below)).

Subscription Price

The Subscription Price of HK\$0.01941712 per Subscription Share represents:

- (a) a discount of approximately 87.55% to the closing price of HK\$0.156 per Share as quoted on the Stock Exchange on the Last Trading Day; and

- (b) a discount of approximately 89.89% to the average closing price of approximately HK\$0.192 per Share as quoted on the Stock Exchange for the last five trading days up to and including the Last Trading Day.

The net Subscription Price, after deduction of relevant expenses of approximately HK\$0.6 million, is estimated to be approximately HK\$0.0191 per Subscription Share.

The Subscription Price was arrived at after arm's length negotiations between the Company and the Subscribers with reference to (i) the prevailing financial position of the Group and that the Group is currently insolvent; (ii) the amount of funds required to be raised by the Company for the Resumption Plan; and (iii) the fact that trading in the Shares on the Stock Exchange has been suspended since 2 July 2019 and the Proposed Restructuring is the only viable resumption proposal to rescue the Company to avert the delisting of the Shares on the Stock Exchange. In light of the above, the Company encounters practical difficulties to issue the Subscription Shares without substantial discount to the Subscription Price.

Taking into account the above, the Directors (excluding the independent non-executive Directors) consider that the Subscription Price is fair and reasonable and in the interests of the Company and the Shareholders as a whole.

SUPPLEMENTAL CB SUBSCRIPTION AGREEMENT

On 15 March 2021 (after trading hours of the Stock Exchange), the Company and the Subscribers entered into the supplemental agreement (the "**Supplemental CB Subscription Agreement**") pursuant to which the parties agreed to make the following amendments to the terms of the CB Subscription Agreement:

- (i) each of the aggregate principal amount of the convertible bonds (the "**Convertible Bonds**") to be issued by the Company to the Subscribers and the subscription price (the "**CB Subscription Price**") for the subscriptions of the Convertible Bonds was revised from HK\$4,921,216 to (as to HK\$3,887,760.64 to the First Subscriber, HK\$844,808.75 to the Second Subscriber and HK\$188,646.61 to the Third Subscriber) to HK\$3,105,556.91 (as to HK\$2,453,389.96 to the First Subscriber, HK\$533,224.12 to the Second Subscriber and HK\$118,942.83) to the Third Subscriber); and
- (ii) the initial conversion price (the "**Conversion Price**") for the Convertible Bonds was revised from HK\$0.0307693 per Conversion Share to HK\$0.01941712 per Conversion Share.

Save for the above amendments, all other material terms and conditions of the CB Subscription Agreement remain unchanged and in full force and effect.

Number of Conversion Shares

Based on the initial Conversion Price of HK\$0.01941712 per Conversion Share, a maximum number of 159,939,150 Conversion Shares (as to 126,351,929 Conversion Shares to the First Subscriber, 27,461,552 Conversion Shares to the Second Subscriber and 6,125,669 Conversion Shares to the Third Subscriber) will be allotted and issued under the mandatory conversion mechanism (the “**Mandatory Conversion Mechanism**”) of the Convertible Bonds, which represent: (i) approximately 42.09% of the issued share capital of the Company as at the date of this announcement; and (ii) approximately 5.9% of the issued share capital of the Company as to be enlarged by the allotment and issue of the Subscription Shares, the Creditors’ Shares and the Conversion Shares, assuming new Shares have been allotted and issued pursuant to the full exercise of all Outstanding Share Options.

Pursuant to the Mandatory Conversion Mechanism, any part or all of the principal amount of the Convertible Bonds shall be automatically converted into Conversion Shares at the Conversion Price of HK\$0.01941712 per Share (subject to adjustments) during the Conversion Period upon the exercise of any Outstanding Share Options under the Share Option Scheme according to the Formula.

Conversion Price

The Conversion Price is initially HK\$0.01941712 per Conversion Share, subject to adjustment.

The initial Conversion Price represents:

- (a) a discount of approximately 87.55% to the closing price of HK\$0.156 per Share as quoted on the Stock Exchange on the Last Trading Day; and
- (b) a discount of approximately 89.89% to the average closing price of approximately HK\$0.192 per Share as quoted on the Stock Exchange for the last five trading days up to and including the Last Trading Day.

The Conversion Price was arrived at after arm’s length negotiations between the Company and the Subscribers with reference to (i) the Subscription Price, given that the Company and the Subscribers have agreed to enter into the CB Subscription Agreement for anti-dilution purpose; (ii) the prevailing financial position of the Group and that the Group is currently insolvent; (iii) the amount of funds required to be raised by the Company for the Resumption Plan; and (iv) the fact that trading in the Shares on the Stock Exchange has been suspended since 2 July 2019 and the Proposed Restructuring is the only viable resumption proposal to rescue the Company to avert the delisting of the Shares on the Stock Exchange. In light of the above, the Company encounters practical difficulties to issue the Convertible Bonds

without substantial discount to the Conversion Price. Taking into account the above, the Directors (excluding the independent non-executive Directors) consider that the Conversion Price is fair and reasonable and in the interests of the Company and the Shareholders as a whole.

CREDITORS' SCHEMES

It is proposed that the Creditors' Schemes will be implemented as follows:

- (i) a cash payment of approximately HK\$20,000,000, being part of the proceeds from the Subscriptions, will be transferred to the Creditors' Schemes and held by Scheme Company A (as defined below) for distribution (after making a reserve for the settlement of the costs, charges, expenses and disbursements necessary and properly incurred in connection with the Creditors' Schemes) to the Creditors subject to adjudication;
- (ii) the Company will allot and issue 253,346,545 Shares (the "**Creditors' Shares**") for the benefit of the Creditors. The Creditors' Shares will be issued by the Company to the scheme administrators or Scheme Company A (as defined below) or such other nominee(s) for distribution to the Creditors subject to adjudication; and
- (iii) the Company will transfer its claims, rights to claims, rights to any assets and the entire equity interests of the Deconsolidated Subsidiaries to Scheme Company B (as defined below) at a cash consideration of HK\$1. After such transfer, dividend distributed by such subsidiaries or recovery from those subsidiaries, if any, will be distributed for the benefit of the Creditors subject to adjudication.

The cash payment of approximately HK\$20,000,000, the 253,346,545 Creditors' Shares as well as any receivables from the realisation of the Deconsolidated Subsidiaries will be applied as full and final settlement of the Creditors' Schemes to the Creditors.

A new company ("**Scheme Company A**") to be incorporated in Hong Kong with limited liability, being a special purpose vehicle held and controlled by the scheme administrators of the Creditors' Schemes, will be established to hold part of the proceeds from the Subscriptions in the total amount of approximately HK\$20,000,000 and/or to hold the 253,346,545 Creditors' Shares. A new company ("**Scheme Company B**") to be incorporated in Hong Kong with limited liability, being a special purpose vehicle held and controlled by the scheme administrators of the Creditors' Schemes, will be established to hold all the Company's claims, rights to claims, rights to any assets and the entire equity interests of the Deconsolidated Subsidiaries.

Principal terms for the allotment and issue of the Creditors' Shares

Details of the principal terms for the allotment and issue of the Creditors' Shares under the Creditors' Schemes is set out below:

Issuer: The Company

Value of the Creditors' Shares to be issued to the Creditors: In aggregate, up to approximately HK\$4.92 million for the Creditors, subject to adjudication.

Issue Price: HK\$0.01941712 per Creditors' Share, which represents:

- (i) a discount of approximately 87.55% to the closing price of HK\$0.156 per Share as quoted on the Stock Exchange on the Last Trading Day; and
- (ii) a discount of approximately 89.89% to the average closing price of approximately HK\$0.192 per Share as quoted on the Stock Exchange for the last five trading days up to and including the Last Trading Day.

The Creditors' Shares have an aggregate nominal value of approximately HK\$1,013,386.

Total number of Creditors' Shares to be issued: 253,346,545 Creditors' Shares will be allotted and issued to the Creditors, which represents:

- (i) approximately 66.67% of the issued share capital of the Company as at the date of this announcement; and
- (ii) 10% of the issued share capital of the Company as enlarged by the allotment and issue of the Subscription Shares and the Creditors' Shares.

The Company will not allot and issue any fractions of Creditors' Shares.

Ranking of Creditors' Shares: The Creditors' Shares will rank *pari passu* in all respects with the Shares then in issue as at the date of the issue.

Listing: 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 Creditors' Shares.

Specific mandate: The allotment and issue of the Creditors' Shares will be subject to the Independent Shareholders' approval.

The EGM will be convened and held for the purpose of considering, and if thought fit, approving, among other things, the Creditors' Schemes and the specific mandate for issuing the Creditors' Shares.

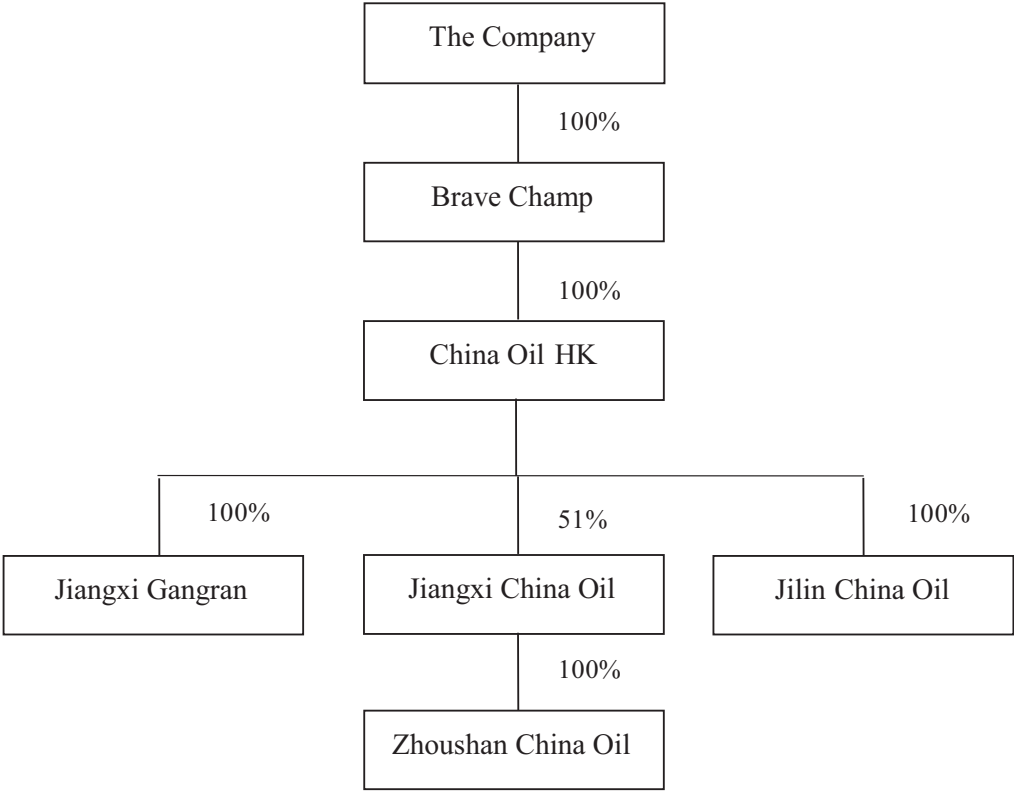
Completion: Subject to fulfilment of the conditions precedent under the Creditors' Schemes, completion of the allotment and issue of the Creditors' Shares is expected to take place on or before 28 May 2021.

The issue price of the Creditors' Shares was determined with reference to (i) the Subscription Price and the Conversion Price; (ii) the prevailing financial position of the Group and that the Group is currently insolvent; and (iii) the acceptability of the Creditors towards the terms of the Creditors' Schemes. Taking into account the above, the Directors (excluding the independent non-executive Directors) consider that the issue price of the Creditors' Shares is fair and reasonable and in the interests of the Company and the Shareholders as a whole.

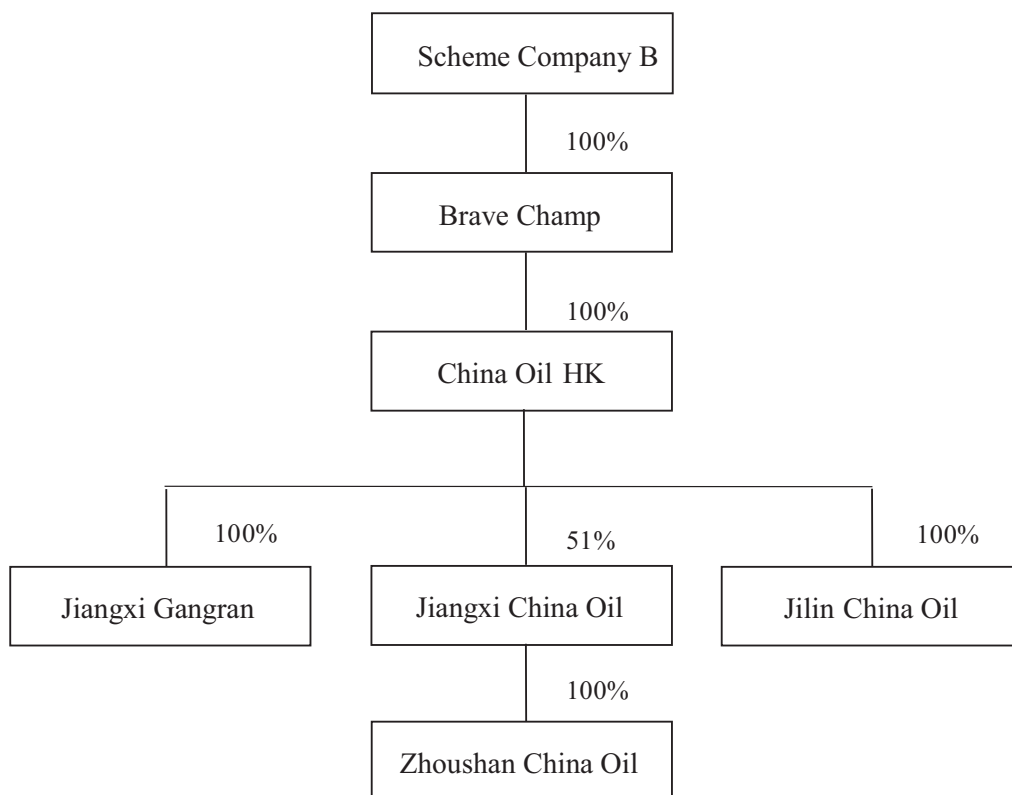
Group structure of the Deconsolidated Subsidiaries

The Deconsolidated Subsidiaries are principally engaged in the Group’s trading of refined oil and chemicals business. The following chart show the group structure of the Deconsolidated Subsidiaries in the Group (i) as at the date of this announcement; and (ii) immediately after implementation of the Creditors’ Schemes.

As at the date of this announcement



Immediately after implementation of the Creditors' Schemes



As at the date of this announcement, the equity interests of the Deconsolidated Companies are held by China Oil HK. China Oil HK is an investment holding company incorporated in Hong Kong with limited liability and an indirect wholly-owned subsidiary of the Company.

The entire issued shares in China Oil HK are in turn held by Brave Champ Holdings Limited (“**Brave Champ**”), an investment holding company incorporated in the British Virgin Islands with limited liability and a direct wholly-owned subsidiary of the Company. Pursuant to the Creditors’ Schemes, it is proposed that the Company will transfer the entire issued shares in Brave Champ to Scheme Company B. After such transfer, the Deconsolidated Subsidiaries will be indirectly held by Scheme Company B and the dividend distributed by the Deconsolidated Subsidiaries or recovery from the Deconsolidated Subsidiaries, if any, will be distributed for the benefit of the Creditors subject to adjudication.

Conditions precedent to the Creditors' Schemes

The Creditors' Schemes is conditional upon the fulfillment of the following conditions:

- (i) approval from a majority of the Creditors (representing more than 50% in number and not less than 75% in value of those Creditors present and voting at the meeting(s) of the Creditors to be convened and held at the direction of the Grand Court of the Cayman Islands (the "**Cayman Court**") and the High Court of Hong Kong (the "**Hong Kong Court**") for the purpose of considering and, if thought fit, approving the Creditors' Schemes);
- (ii) the Cayman Court sanctions the Cayman Scheme and an official copy of the order of the Cayman Court sanctioning the Cayman Scheme is delivered to the Registrar of Companies in the Cayman Islands for registration;
- (iii) the Hong Kong Court sanctions the Hong Kong Scheme and an official copy of the order of the Hong Kong Court sanctioning the Hong Kong Scheme is delivered to the Registrar of Companies in Hong Kong for registration;
- (iv) the passing of the necessary resolution(s) by the Independent Shareholders at the EGM to approve, among others, the Creditors' Schemes and the Special Deal;
- (v) all of the conditions precedent to the Subscription Agreement and CB Subscription Agreement having been fulfilled (or as the case may be, waived) (save for the condition that the Creditors' Schemes having become unconditional); and
- (vi) the Listing Committee of the Stock Exchange having granted the listing of and permission to deal in the Creditors' Shares.

None of the above conditions can be waived. Subject to the fulfillment of the conditions above, the Creditors' Schemes shall become effective and legally binding on the Company and all the Creditors, including those voting against the Creditors' Schemes and those not voting. Upon the Creditors' Schemes taking effect, all the claims against, and liabilities of the Company, will be compromised and discharged in full.

Reasons for the Creditors' Schemes

The Board considers that the Creditors' Schemes is the only viable way to compromise, discharge and settle all claims against the Company by the Creditors and is of the view that the terms of the Creditors' Schemes are on normal commercial terms and are fair and reasonable and in the interest of the Company, the Shareholders and the Creditors as a whole.

EFFECT OF THE SHAREHOLDING STRUCTURE OF THE COMPANY

The table below illustrates the shareholding structure of the Company (i) as at the date of this announcement; (ii) immediately after Completion, assuming that there are no other changes in the share capital of the Company from the date of this announcement up to Completion other than the issue of the Subscription Shares; (iii) immediately after Completion and issue of the Creditors' Shares (assuming there is no change in the issued share capital of the Company other than the issue of all the Subscription Shares and the Creditors' Shares); and (iv) immediately after Completion, issue of the Creditors' Shares and conversion of the Conversion Bonds (subject to the public float requirement) in full (assuming there is no change in the issued share capital of the Company other than the issue of all the Subscription Shares, the Creditors' Shares and the Conversion Shares as well as the full exercise of the Outstanding Share Options under the Share Option Scheme).

Shareholders	As at the date of this announcement		Immediately after Completion (assuming there is no change in the issued share capital of the Company other than the issue of the Subscription Shares)		Immediately after Completion and issue of the Creditors' Shares (assuming there is no change in the issued share capital of the Company other than the issue of all the Subscription Shares and the Creditors' Shares)		Immediately after Completion, issue of the Creditors' Shares and conversion of the Conversion Bonds (subject to the public float requirement) in full (assuming there is no change in the issued share capital of the Company other than the issue of all the Subscription Shares, the Creditors' Shares and the Conversion Shares as well as the full exercise of the Outstanding Share Options under the Share Option Scheme) (Note 9)	
	Number of Shares	Approximate %	Number of Shares	Approximate %	Number of Shares	Approximate %	Number of Shares	Approximate %
First Subscriber (Note 1)	—	—	1,501,078,281	65.83%	1,501,078,281	59.25%	1,597,410,210	58.97%
Second Subscriber (Note 2)	—	—	326,247,014	14.31%	326,247,014	12.88%	347,183,966	12.82%
Third Subscriber (Note 3)	—	—	72,773,795	3.19%	72,773,795	2.87%	77,444,064	2.86%
First Subscriber and parties acting in concert with it	—	—	1,900,099,090	83.33%	1,900,099,090	75.00%	2,022,038,240	74.65%
Mr. Rong Changjun (Note 4)	—	—	—	—	—	—	3,000,000	0.11%
Mr. Yuan Beisheng (Note 5)	—	—	—	—	—	—	3,500,000	0.13%
Mr. Zhang Wenrong (Note 6)	—	—	—	—	—	—	3,000,000	0.11%
Creditors								
-Mr. Zou Donghai (Note 7)	35,000,000	9.21%	35,000,000	1.54%	39,175,621	1.55%	39,175,621	1.45%
-Dr. Zheng Jian Peng (Note 8)	2,640,000	0.69%	2,640,000	0.11%	5,535,097	0.22%	5,535,097	0.20%
-Other Creditors	—	—	—	—	246,275,827	9.72%	246,275,827	9.09%
Public Shareholders	342,379,818	90.10%	342,379,818	15.02%	342,379,818	13.51%	386,192,868	14.26%
Total	<u>380,019,818</u>	<u>100.00%</u>	<u>2,280,118,908</u>	<u>100.00%</u>	<u>2,533,465,453</u>	<u>100.00%</u>	<u>2,708,717,653</u>	<u>100.00%</u>

Notes:

1. The First Subscriber is a company incorporated in Hong Kong with limited liability and is beneficially owned as to 36% by Mr. Sun Jiusheng, 32% by Ms. Zhou Jing and 32% by Mr. Zhang Chao. Under the SFO, each of Mr. Sun Jiusheng, Ms. Zhou Jing and Mr. Zhang Chao is deemed to be interested in all the Shares held by the First Subscriber.
2. The Second Subscriber is a company incorporated in Hong Kong with limited liability and is beneficially owned as to 40% by Mr. Cheung Yuen Chau, 46.67% by Mr. David Chu, 6.67% by Ms. Tsang Siu Lan and 6.66% by Ms. Ip Tsang Katherine Man Tung. Ms. Tsang Siu Lan is the spouse of Mr. David Chu. Under the SFO, each of Mr. Cheung Yuen Chau, Mr. David Chu, Ms. Tsang Siu Lan and Ms. Ip Tsang Katherine Man Tung is deemed to be interested in all the Shares held by the Second Subscriber.
3. The Third Subscriber is a company incorporated in the British Virgin Islands with limited liability and is beneficially wholly-owned by Ms. To Sau Man. Under the SFO, Ms. To Sau Man is deemed to be interested in all the Shares held by the Third Subscriber.
4. Mr. Rong Changjun (*duties suspended*) is an executive Director and is the holder of 3,000,000 share options of the Company as at the date of this announcement.
5. Mr. Yuan Beisheng is an executive Director and is the holder of 3,500,000 share options of the Company as at the date of this announcement.
6. Mr. Zhang Wenrong is an executive Director and is the holder of 3,000,000 share options of the Company as at the date of this announcement.
7. Mr. Zou Donghai, being a Creditor and a former executive Director, is the beneficial owner of 35,000,000 Shares as at the date of this announcement.
8. Dr. Zheng Jian Peng, being a Creditor and a former executive Director, is the beneficial owner of 2,640,000 Shares as at the date of this announcement.
9. Based on the initial Conversion Price of HK\$0.01941712 per Conversion Share, a maximum number of 159,939,150 Conversion Shares (as to 126,351,929 Conversion Shares by the First Subscriber, 27,461,552 Conversion Shares by the Second Subscriber and 6,125,669 Conversion Shares by the Third Subscriber) will be allotted and issued under the Mandatory Conversion Mechanism. In order to maintain the public float of the Shares to be not less than 25% of the issued Shares of the Company, the Company will only be able to allot and issue a maximum number of 121,939,150 Conversion Shares (as to 96,331,929 Conversion Shares by the First Subscriber, 20,936,952 Conversion Shares by the Second Subscriber and 4,670,269 Conversion Shares by the Third Subscriber).

REASONS FOR ENTERING INTO THE SUPPLEMENTAL SUBSCRIPTION AGREEMENT AND THE SUPPLEMENTAL CB SUBSCRIPTION AGREEMENT AND USE OF PROCEEDS

As set out in the announcement of the Company dated 29 October 2019, having duly and carefully considered the then financial position of the Group, including the cash flow status of the Company and that it was then unable to pay its debts when they fall due and would be insolvent within the meaning of section 93 of the Companies Act, on 22 October 2019 (Cayman Islands time), the Company had filed with the Cayman Court a winding up petition under section 94 of the Companies Act. The Subscriptions form a vital part of the Resumption Plan as it would provide the Company with the necessary financing to resolve the debts of the Company by the implementation of the Creditors' Schemes. In order to ensure that the Subscribers' shareholding in the Company will not be diluted by the number of Shares issued upon the exercise of the Outstanding Share Options pursuant to the Share Option Scheme, the Company and the Subscribers have entered into the CB Subscription Agreement for anti-dilution purpose.

After the Subscription Agreement and the CB Subscription Agreement were entered into between the Company and the Subscribers in December 2020, the Company and the Creditors had further discussions recently in relation to the proposed terms of the Creditors Schemes. In particular, some of the Creditors had requested the Company to consider allotting and issuing Shares to the Creditors as part of the Creditors' Schemes. Taking into account the above, in addition to the previous proposal of cash payment of approximately HK\$20,000,000 to the Creditors, the Company has proposed to expand the terms of the Creditors' Schemes by way of allotting and issuing 253,346,545 Creditors' Shares for the benefit of the Creditors. Hence, the Company and the Subscribers have agreed to enter into the Supplemental Subscription Agreement and the Supplemental CB Subscription Agreement for anti-dilution purpose. Upon Completion and issue of the Creditors' Shares, the Subscribers' will, as under the previous proposal, in aggregate hold 75% of the total issued Shares as enlarged by the allotment and issue of the Subscription Shares and the Creditors' Shares.

The gross proceeds from the Subscriptions are expected to be approximately HK\$36.9 million. The Company is expected to receive net proceeds of approximately HK\$20 million from the Subscriptions after the set off of each of the Non-Refundable Deposit and the Outstanding Debt as well as deduction of the relevant expenses incidental to the Subscriptions. The Company intends to apply the net proceeds in full from the Subscriptions of approximately HK\$20 million for the settlement to be made to the Creditors under the Creditors' Schemes.

The gross proceeds from the CB Subscriptions are expected to be approximately HK\$3.1 million. The Company is expected to receive net proceeds of approximately HK\$2.9 million from the CB Subscriptions after deduction of the relevant expenses incidental to the CB Subscriptions. The Company intends to apply the net proceeds in full from the CB Subscriptions of approximately HK\$2.9 million as restructuring costs and general working capital of the Group.

Having considered the net deficit financial position of the Group and the provisional liquidation status of the Company as well as the Shares being in prolonged suspension, the Company considered that there were very limited fund raising alternatives available to the Group. In particular, the Group could not obtain any bank facilities or borrowings given its existing financial position and the Company could not carry out a rights issue given that the Shares are in prolonged suspension. On the other hand, the Subscriptions and the CB Subscriptions form part of the Proposed Restructuring that would enable the Company to implement the Creditors' Schemes. Further, the Subscriptions and the CB Subscriptions represented the best offer received by the Company from potential investors. As such, the Company considered that the Subscriptions and the CB Subscriptions would be the most appropriate and timely fund raising method to meet the financial needs of the Group in order for the Company to fulfill all the resumption conditions set by the Stock Exchange.

In view of the above, the Directors (excluding the independent non-executive Directors) consider that the Supplemental Subscription Agreement and the Supplemental CB Subscription Agreement were entered into upon normal commercial terms following arm's length negotiations between the Company and the Subscribers and that the terms of the Supplemental Subscription Agreement and the Supplemental CB Subscription Agreement are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

IMPLICATIONS UNDER THE TAKEOVERS CODE

Application for Whitewash Waiver

As at the date of this announcement, the First Subscriber and parties acting in concert with it did not hold, own, control or have direction over any Shares, outstanding options, warrants or any securities that are convertible into Shares or any derivatives in respect of the securities in the Company, or hold any relevant securities in the Company.

Assuming there is no other change in the number of issued Shares from the date of this announcement up to and including the date of Completion, the First Subscriber and parties acting concert with it will hold 1,900,099,090 Shares upon Completion and issue of the Creditors' Shares, representing 75% of the issued capital of the Company as enlarged by the allotment and issue of the Subscription Shares and the Creditors' Shares. As such, the First Subscriber would be required to make a mandatory general offer for all the issued Shares not already owned or agreed to be acquired by the First Subscriber and parties acting in concert with it under Rule 26.1 of the Takeovers Code, unless a waiver from strict compliance with Rule 26.1 of the Takeovers Code is granted by the Executive.

An application will be made by the First Subscriber to the Executive for the Whitewash Waiver pursuant to Note 1 on dispensations from Rule 26 of the Takeovers Code. The Whitewash Waiver, if granted by the Executive, would be subject to, among other things, the approval of the Independent Shareholders at the EGM by way of poll. Under the Takeovers Code, the resolution(s) in relation to the Whitewash Waiver shall be approved by at least 75% of the independent votes that are casted either in person or by proxy by the Independent Shareholders at the EGM by way of poll, and the Subscriptions, the CB Subscriptions, the granting of the specific mandates, the Creditors' Schemes, the Special Deal and the transactions contemplated thereunder would be subject to, among others, the approval by more than 50% of the Independent Shareholders at the EGM by way of poll. The Executive may or may not grant the Whitewash Waiver. As it is a condition precedent to the Completion that the Whitewash Waiver is granted by the Executive, the Subscriptions will not proceed if the Whitewash Waiver is not granted by the Executive.

Special Deal

Based on the records currently available to the JPLs, the Company is indebted to Mr. Zou Donghai and Dr. Zheng Jian Peng, each being a Creditor and a former executive Director, for an aggregate amount of approximately HK\$3.81 million. Mr. Zou Donghai and Dr. Zheng Jian Peng are the beneficial owners of in aggregate 37,640,000 Shares, representing approximately 9.9% of the issued share capital of the Company, as at the date of this announcement.

Under the Creditors' Schemes, the indebtedness owed to the Creditors will be settled (i) partially by a cash payment of approximately HK\$20,000,000, being part of the proceeds from the Subscriptions; (ii) partially by the allotment and issue of the Creditors' Shares; and (iii) partially by the proceeds from dividend distributed by or recovery from the Deconsolidated Subsidiaries, if any.

As the proposed settlement of the indebtedness due to the Creditors who are Shareholders under the Creditors' Schemes is not extended to all the other Shareholders, the implementation of the Creditors' Schemes constitutes a special deal under Rule 25 of the Takeovers Code and therefore requires (i) consent by the Executive; (ii) the independent financial adviser of the Company to publicly state in its opinion that the terms of the Creditors' Schemes are fair and reasonable; and (iii) approval by the Independent Shareholders at the EGM, in which the Creditors and their associates and parties acting in concert with any of them who are Shareholders will be required to abstain from voting on the relevant resolutions approving the Creditors' Schemes and the Special Deal. The Company will apply to the Executive for the consent to the Special Deal under Rule 25 of the Takeovers Code.

CONTINUED SUSPENSION OF TRADING IN THE SHARES

Trading in Shares has been suspended since 2 July 2019 pending the fulfillment of all the resumption conditions by the Company. The Company is working closely with its professional advisers towards the Resumption as soon as possible.

Shareholders of the Company and potential investors are advised to exercise caution when dealing in the shares of the Company.

By order of the Board
China Oil Gangran Energy Group Holdings Limited
(Provisional Liquidators Appointed)
(For Restructuring Purposes)
Yeung Shing Wai
Executive Director

Hong Kong, 15 March 2021

As at the date of this announcement, the executive Directors are Mr. Rong Changjun (duties suspended), Mr. Zhang Wenrong, Mr. Yuan Beisheng, Mr. Yeung Shing Wai, Mr. Chen Tian Gang, Mr. Li Shu Wang and Mr. Zhang Shao Wu and the independent non-executive Directors are Mr. Chu Kin Ming, Mr. Chiam Tat Yiu, Mr. Chan Wai Cheung Admiral and Mr. Cha Ho Wa.

The Directors jointly and severally accept full responsibility for the accuracy of information contained in this announcement and confirm, having made all reasonable inquiries, that to the best of their knowledge, opinions expressed in this announcement have been arrived at after due and careful consideration and there are no other facts not contained in this announcement, the omission of which would make any statement in this announcement misleading.

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 website of the Company at www.chinaoilgangrants.com.