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中油港燃能源集團控股有限公司

CHINA OIL GANGRAN ENERGY GROUP HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 8132

**SUPPLEMENTAL ANNOUNCEMENT RELATING TO
FIRST QUARTERLY RESULTS ANNOUNCEMENT AND
FIRST QUARTERLY REPORT
FOR THE THREE MONTHS ENDED 30 JUNE 2018**

Reference is made to the announcement of China Oil Gangran Energy Group Holdings Limited (the “**Company**”) dated 14 August 2018 in relation to unaudited consolidated first quarterly results (the “**First Quarterly Results**”) for the three months ended 30 June 2018 (the “**Results Announcement**”), the first quarterly report for the three months ended 30 June 2018 (the “**First Quarterly Report**”) and the clarification announcement (the “**Clarification Announcement**”) of the Company dated 28 September 2018. Capitalised terms used in this announcement shall have the same meaning as those defined in the Results Announcement, unless otherwise stated therein.

As set out in the Clarification Announcement, the Board noted that there was an inadvertent error in the Results Announcement and the First Quarterly Report. The Board wishes to supplement as follow:

Sequence of events

Set out below is a detailed timetable of the sequence of events and the parties involved in relation to the error in the First Quarterly Results and the First Quarterly Report:

In early July 2018, the Company commenced its preparation of the First Quarterly Results and the First Quarterly Report. In mid-July 2018, due to miscommunication between the Company and the manufacturing division of the Group (the “**Division**”), the Company had inadvertently used financial information of the Division that was not up to date for consolidation of the accounts of the Group, which was then included in the First Quarterly Results and the First Quarterly Report. On 14 August 2018, an audit committee meeting and Board meeting was held by the audit committee of the Company (the “**Audit Committee**”) and the Board respectively for approving the First Quarterly Results and the First Quarterly Report. The Company then published the Results Announcements and the First Quarterly Report later that evening.

On or about 24 August 2018, the management of the Division first raised the issue relating to the error in the First Quarterly Results and the First Quarterly Report to the Board. On 3 September 2018, the Board convened a meeting to discuss the issue raised by the Division and formed the SIC (as defined below) to investigate as to whether the amount of the Relevant Revenue (as defined below) as reported in the Results Announcement was incorrect. On or about 22 September 2018, the SIC informed the Board that the Relevant Revenue as reported in the Results Announcements was incorrect. The SIC investigation is ongoing. On 28 September 2018, the Company published the Clarification Announcement after it had been approved by the Board.

The underlying reason for the error

Based on the information currently available to the Company, the underlying reason for causing the error in the First Quarterly Results and the First Quarterly Report was due to the miscommunication between the Company and the Division in relation to the preparation of the First Quarterly Results and the First Quarterly Report. At the material time, there had been a lot of changes in the staff turnover of the Group and the new staff was not familiar with the accounting procedures of the Group or the business operations of the Division. As a result, the Company had inadvertently used financial information of the Division that was not up to date for consolidation of the accounts of the Group. Such accounts of the Group was then included in the First Quarterly Results and the First Quarterly Report.

The Audit Committee and the Board was unable to locate such error when the First Quarterly Results and the First Quarterly Report were published as the Board was only informed of such error by the Division on or about 24 August 2018.

Reconciliation of financial statements

The reconciliation of the unaudited condensed consolidated statement of profit or loss and other comprehensive income is as follows:

- 1) *Unaudited condensed consolidated statement of profit or loss and other comprehensive income on pages 11 and 12 of the Results Announcement and pages 12 and 13 of the First Quarterly Report*

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 30 June 2018

	<i>Note</i>	Restated HK\$'000	Adjustment HK\$'000	Per original stated HK\$'000
Revenue	3	26,591	8,732	17,859
Cost of sales		<u>(21,587)</u>	<u>(4,847)</u>	<u>(16,740)</u>
Gross profit		5,004	3,885	1,119
Other income and gain	4	6,878	6,523	355
Selling expenses		(2,350)	(723)	(1,627)
Administrative expenses		<u>(18,643)</u>	<u>(7,053)</u>	<u>(11,590)</u>
Loss from operations		(9,111)	2,632	(11,743)
Finance costs	5	<u>(3,556)</u>	<u>(351)</u>	<u>(3,205)</u>
Loss before tax		(12,667)	2,281	(14,948)
Income tax expenses	6	<u>(164)</u>	<u>(164)</u>	<u>–</u>
Loss for the period		(12,831)	2,117	(14,948)
Other comprehensive expenses, net of tax				
Items that may be reclassified to profit or loss:				
Exchange differences on translating foreign operations		<u>(23,624)</u>	<u>(3,967)</u>	<u>(19,657)</u>
Total comprehensive loss for the period		<u>(36,455)</u>	<u>(1,850)</u>	<u>(34,605)</u>

	<i>Note</i>	Restated HK\$'000	Adjustment HK\$'000	Per original stated HK\$'000
Loss for the period attributable to:				
Owners of the Company		(11,442)	2,117	(13,559)
Non-controlling interests		(1,389)	–	(1,389)
		<u>(12,831)</u>	<u>2,117</u>	<u>(14,948)</u>
Total comprehensive loss for the period attributable to:				
Owners of the Company		(35,463)	(1,850)	(33,613)
Non-controlling interests		(992)	–	(992)
		<u>(36,455)</u>	<u>(1,850)</u>	<u>(34,605)</u>
Loss per share	7			
Basic		<u>(0.19)</u>	<u>0.03</u>	<u>(0.22)</u>
Diluted		<u>(0.19)</u>	<u>0.03</u>	<u>(0.22)</u>

2) *Note 3 to the first quarterly unaudited results on page 13 of the Results Announcement and page 15 of the First Quarterly Report*

3. REVENUE

	For the three months end 30 June 2018		
	Restated HK\$'000	Adjustment HK\$'000	Per original stated HK\$'000
Sale of power and data cords and inlet sockets	15,836	8,732	7,104
Sale of refined oil and chemicals	10,755	–	10,755
	<u>26,591</u>	<u>8,732</u>	<u>17,859</u>

3) Notes 4 and 5 to the first quarterly unaudited results on Page 14 of the Results Announcement and page 15 of the First Quarterly Report

4. OTHER INCOME AND GAIN

	For the three months end 30 June 2018		
	Restated	Adjustment	Per original
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>stated</i>
			<i>HK\$'000</i>
Interest income	97	3	94
Net foreign exchange loss	21	29	(8)
Sundry income	661	392	269
Reversal of impairment of trade receivables	6,099	6,099	–
Gain on disposal of property, plant and equipment	–	–	–
	<u>6,878</u>	<u>6,523</u>	<u>355</u>

5. FINANCE COSTS

	For the three months end 30 June 2018		
	Restated	Adjustment	Per original
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>stated</i>
			<i>HK\$'000</i>
Interest on secured bank loan	529	351	178
Interest on unsecured interest-bearing bond	1,246	–	1,246
Effective interest expense on promissory notes			
– Wholly repayable within five years	1,781	–	1,781
Interest on obligation under finance leases	–	–	–
	<u>3,556</u>	<u>351</u>	<u>3,205</u>

4) *Notes 6 and 7 to the first quarterly unaudited results on Page 15 of the Results Announcement and page 16 of the First Quarterly Report*

6. INCOME TAX EXPENSE

	For the three months end 30 June 2018		
	Restated	Adjustment	Per original
	HK\$'000	HK\$'000	stated
			HK\$'000
Current tax – Hong Kong Profits Tax			
Provision for the period	–	–	–
Current tax – PRC Enterprise Income Tax			
Provision for the period	<u>164</u>	<u>164</u>	<u>–</u>
	–	–	–
Deferred tax	<u>–</u>	<u>–</u>	<u>–</u>
	<u>164</u>	<u>164</u>	<u>–</u>

Hong Kong profits tax has been provided at the rate of 16.5% on the estimated assessable profits for the period. Tax charge on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries in which the Group operates, based on existing legislation, interpretation and practices in respect thereof.

Pursuant to the Enterprise Income Tax rules and regulations of the PRC, the PRC subsidiaries of the Group are subject to Enterprise Income Tax at a rate of 25%, except for Sun Fair Electric Wire & Cable (Shenzhen) Company Limited is entitled to a preferential tax rate of 15% for being a high technology enterprise.

7. LOSS PER SHARE

Basic loss per share

Basic loss per share is calculated by dividing the loss attributable to owners of the Company of approximately HK\$11,442,000 (2017: approximately HK\$28,319,000) by the weighted average number of ordinary shares of 6,142,456,372 (2017: 5,798,028,975) in issue for the Financial Period.

Diluted loss per share

No diluted loss per share is presented as the share options have anti-dilutive effects on basic loss per share for the Financial Period (2017: Nil).

The reconciliation of the unaudited condensed consolidated statement of financial position of the Company as at 30 June 2018 is as follows:

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Restated HK\$'000	Adjustment HK\$'000	Per original stated HK\$'000
Non-current assets			
Property, plant and equipment	<u>24,905</u>	<u>39</u>	<u>24,866</u>
Current assets			
Inventories	22,106	(2,288)	24,394
Trade and other receivables	245,923	14,456	231,467
Amount due from director	4,023	1,653	2,370
Amount due from a related party	16,891	–	16,891
Bank and cash balances	<u>37,356</u>	<u>(1,640)</u>	<u>38,996</u>
	326,299	12,181	314,118
Current liabilities			
Trade and other payables	127,648	13,691	113,957
Promissory note – short term	27,262	–	27,262
Borrowings	36,600	–	36,600
Current tax liabilities	<u>6,112</u>	<u>379</u>	<u>5,733</u>
	197,622	14,070	183,552
Non-current liabilities			
Promissory note – long term	54,802	–	54,802
Interest-bearing bond	28,739	–	28,739
Deferred tax liabilities	<u>973</u>	<u>–</u>	<u>973</u>
	84,514	–	84,514
Net current assets	128,677	(1,889)	130,566
Total assets less current liabilities	<u>153,582</u>	<u>(1,850)</u>	<u>155,432</u>

	Restated HK\$'000	Adjustment HK\$'000	Per original stated HK\$'000
Net assets	69,068	(1,850)	70,918
Share capital	1,228	–	1,228
Reserve	79,868	(1,850)	81,718
Equity attributable to owners of company	81,096	(1,850)	82,946
Non-controlling interests	(12,028)	–	(12,028)
Total equity	69,068	(1,850)	70,918

The Audit Committee has reviewed the Company's restated First Quarterly Results as stated in the Clarification Announcement.

Directors' and Audit Committee's involvement in the First Quarterly Results and the First Quarterly Report

The Directors and the Audit Committee have reviewed the draft announcement for the First Quarterly Results and the First Quarterly Report and participated in the Board meeting and the audit committee meeting (as the case may be) for approving the First Quarterly Results and the First Quarterly Report.

In view of the above, the Directors have discharged their fiduciary duties and exercised duties of skill, care and diligence in reviewing the First Quarterly Results and the First Quarterly Report before their publication.

Appointment of external auditor to review the First Quarterly Results

The Company is currently in discussions with an external auditor, HLM CPA Limited (the "Auditor"), regarding the proposed engagement of the external auditor to perform a review on the First Quarterly Results.

Please find below the preliminary scope and timetable of the review to be conducted by the Auditor:

Scope

The Auditor will review the Company's and its subsidiaries' condensed consolidated statement of financial position as at 30 June 2018 and the condensed consolidated statement of profit or loss and other comprehensive income, the statement of changes in equity and the statement of cash flows for the three-months period then ended.

The Auditor's review will be conducted in accordance with Hong Kong Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants. Such a review consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures and does not, ordinarily, require corroboration of the information obtained. The review is substantially less than the scope of an audit conducted in accordance with Hong Kong Standards on Auditing whose objective is the expression of an opinion regarding the financial statements and, accordingly, the Auditor shall express no such opinion.

Timetable

Expected start date:	29 October 2018
Preliminary report date:	13 November 2018
Final report date:	30 November 2018

Formation of special investigation committee of the Company

On 3 September 2018, the Board resolved to form a special investigation committee of the Company (the "SIC"), comprising Mr. Lau Sung Tat, Vincent (the then only independent director of the Company), to investigate, among others, as to whether the amount of revenue (the "Relevant Revenue") from sales of power and data cords and inlet sockets as reported in the Results Announcement was incorrect.

As at the date of this announcement, the SIC is in the process of preparing the results and the findings of the investigation (the "Investigation") relating to the error in the Results Announcement and the First Quarterly Report. The SIC will need additional time to prepare the SIC report on the Investigation in order to take into account the findings of the review on the First Quarterly Results to be conducted by the Auditor.

Further, the Company is also currently in the process of evaluating potential deficiencies in the Company's internal control system regarding the financial statement closing process. The Company will provide an update on the status of the SIC report and the internal control review in due course.

Save for the aforesaid, all other information in the Results Announcement and First Quarterly Report remain unchanged.

By order of the Board
China Oil Gangran Energy Group Holdings Limited
Zou Donghai
Chairman

Hong Kong, 15 October 2018

As at the date of this announcement, the executive Directors are Mr. Zou Donghai, Mr. Rong Changjun, Dr. Ho Chun Kit Gregory and Dr. Zheng Jian Peng; and the independent non-executive Directors are Mr. Lau Sung Tat, Vincent and Mr. Tam Kim Fung.

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

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