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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**

### **QUARTERLY UPDATE ON SUSPENSION OF TRADING AND UPDATE ON HONG KONG WINDING UP PETITION**

This announcement is made by China Oil Gangran Energy Group Holdings Limited (the “**Company**”, together with its subsidiaries, the “**Group**”) pursuant to Rule 17.10 of the Rules Governing the Listing of Securities on GEM made by the Stock Exchange of Hong Kong Limited (the “**GEM Listing Rules**”) and Part XIVA of the Securities and Futures Ordinance (Chapter 571, Laws of Hong Kong).

References are made to (a) the announcements (the “**Announcements**”) of the Company dated 29 April 2019, 10 May 2019, 16 May 2019, 21 May 2019, 29 May 2019, 10 June 2019, 14 June 2019, 19 June 2019, 28 June 2019, 18 July 2019, 29 October 2019, 6 November 2019, 8 November 2019, 18 November 2019, 6 December 2019, 17 December 2019, 23 December 2019, 30 December 2019, 10 January 2020, 24 January 2020, 30 January 2020, 16 February 2020, 25 February 2020, 3 March 2020, 6 March 2020, 9 March 2020, 2 April 2020, 9 April 2020, 14 May 2020, 18 May 2020, 21 May 2020, 22 May 2020, 30 June 2020, 2 July 2020, 21 July 2020, 4 August 2020, 14 August 2020, 17 August 2020, 31 August 2020, 17 September 2020, 29 September 2020, 30 September 2020, 7 December 2020, 18 December 2020 and 23 December 2020, 30 December 2020, 7 January 2021, 13 January 2021, 10 February 2021, 18 February 2021, 19 February 2021, 24 February 2021, 15 March 2021 and 19 March 2021 in relation to, among others, (i) the Hong Kong Petition and the Cayman Petition; (ii) the delay in the publication of the outstanding financial results of the Group; (iii) the suspension of trading in the Shares and the resumption conditions; (iv) the change of Directors; (v) the Deconsolidation of Subsidiaries; (vi) the formation of the Special Investigation Committee; (vii) the Forensic Investigation; (viii) the suspension of duties of an executive Director; and (ix) the Subscriptions and the CB Subscriptions; (b) the outstanding results announcements and reports published by the Company as required by the GEM Listing Rules; (c) the

circular (the “**Circular**”) of the Company dated 19 March 2021 in relation to the Proposed Restructuring. Capitalised terms used herein shall have the same meanings as those defined in the Announcements and the Circular unless the context requires otherwise

## **UPDATE ON STATUS OF THE RESUMPTION PLAN**

Based on the resumption plan submitted to the Stock Exchange, the Company will undertake the Proposed Restructuring involving, among others, (i) the Subscriptions; (ii) the CB Subscriptions; and (iii) the Creditors’ Schemes.

## **SUBSCRIPTIONS**

On 23 December 2020, the Company entered into the Subscription Agreement with the Subscribers pursuant to which the Company has conditionally agreed to allot and issue, and the Subscribers have conditionally agreed to subscribe for, 1,140,059,454 Subscription Shares (as to 900,646,969 Subscription Shares by the First Subscriber, 195,710,206 Subscription Shares by the Second Subscriber and 43,702,279 Subscription Shares by the Third Subscriber), at the Subscription Price of HK\$0.0307693 per Subscription Share.

On 15 March 2021, the Company and the Subscribers entered into 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 Subscription Shares 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 Subscription Price was revised from HK\$0.0307693 per Subscription Share to HK\$0.01941712 per Subscription Share; (iii) the First Consideration for the First Subscription Shares was revised from HK\$27,712,277 to HK\$29,146,610.04; (iv) the Second Consideration for the Second Subscription Shares was revised from HK\$6,021,866 to HK\$6,334,775.88; and (v) the Third Consideration for the Third Subscription Shares 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.

For details of the Subscription Agreement and Supplemental Subscription Agreement, please refer to the announcement of the Company dated 23 December 2020, 15 March 2020 and the circular of the Company dated 19 March 2021.

## **CB SUBSCRIPTIONS**

On 23 December 2020, the Company entered into the CB Subscription Agreement with the Subscribers pursuant to which the Company has conditionally agreed to issue, and the Subscribers have conditionally agreed to subscribe for, the Convertible Bonds in the aggregate principal amount of HK\$4,921,216 (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).

On 15 March 2021, the Company and the Subscribers entered into 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 and the CB Subscription Price was revised from HK\$4,921,216 (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 Conversion Price 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.

For details of the CB Subscription Agreement and CB Supplemental Subscription Agreement, please refer to the announcement of the Company dated 23 December 2020, 15 March 2020 and the circular of the Company dated 19 March 2021.

## **THE 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 for distribution (after making a reserve for the settlement of the Scheme Cost) to the Creditors subject to adjudication;
- (ii) the Company will allot and issue 253,346,545 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 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 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 Creditors' Shares as well as any receivables from the realisation of the Deconsolidated Subsidiaries will be applied for the settlement of the Scheme Cost and as full and final settlement of the Creditors' Schemes to the Creditors.

## **FORMATION OF THE SPECIAL INVESTIGATION COMMITTEE**

On 18 December 2020, the SIC, initially comprising all the independent non-executive Directors, namely Mr. Chu Kin Ming, Mr. Chiam Tat Yiu, Mr. Chan Wai Cheung Admiral and Mr. Cha Ho Wa, has been established pursuant to a resolution of the Board for the purpose of, among other things, investigating and reporting on various matters and events leading to and/or otherwise relating to the Deconsolidation of Subsidiaries. Mr. Cha Ho Wa has been appointed as the chairman of the SIC. The SIC may also appoint other professional advisers to assist in its investigation.

## **FORENSIC INVESTIGATION IN RELATION TO THE DECONSOLIDATION OF SUBSIDIARIES**

On 18 December 2020, the Company has engaged Frank Forensic and Corporate Recovery Limited, an independent professional firm, to undertake the Forensic Investigation in relation to the Deconsolidation of Subsidiaries. The scope of work of the Forensic Investigation will include, among others, the following: (i) to identify any potential breach of fiduciary duties of the directors of the Group in relation to the Loss of Books and Records and the loss of control of the Deconsolidated Subsidiaries; (ii) to investigate the cause of the loss of control of the Deconsolidated Subsidiaries; and (iii) to present their findings on items (i) and (ii) in a report to be addressed to the Special Investigation Committee. As at the date of this announcement, the Forensic Investigation is ongoing.

## **Updates on the fulfilment of the Resumption Conditions**

The Board wishes to update the Shareholders and potential investors of the Company that the Company is currently working closely with its professional advisers towards the fulfilment of all the conditions (the "**Resumption Conditions**") set out in the Resumption Guidance, the Additional Resumption Guidance and the Further Resumption Guidance, details of which are as follows:

*To publish all outstanding financial results required by the GEM Listing Rules and address any audit qualifications.*

The following outstanding financial results of the Group as required by the GEM Listing Rules have been published on the website of the Stock Exchange and the Company's website: (i) the annual results announcement of the Company and annual report of the Company for the year ended 31 March 2019 ("**FY2019**") was published

on 2 July 2020 and 6 August 2020 respectively; (ii) the first quarterly results announcement of the Company and first quarterly report of the Company for the three months ended 30 June 2019 was published on 17 August 2020 and 26 August 2020 respectively; (iii) the interim results announcement of the Company and the interim report of the Company for the six months ended 30 September 2019 was published on 31 August 2020 and 10 September 2020 respectively; (iv) the third quarterly results announcement of the Company and third quarterly report of the Company for the nine months ended 31 December 2019 was published on 17 September 2020 and 25 September 2020 respectively; (v) the annual results announcement of the Company and the annual report of the Company for the year ended 31 March 2020 (“FY2020”) was published on 18 September 2020 and 25 September 2020 respectively; (vi) the first quarterly results announcement of the Company and the first quarterly report for the three months ended 30 June 2020 was published on 29 September 2020 and 9 October 2020 respectively; (vii) the interim results announcement of the Company and the interim report of the Company for the six months ended 30 September 2020 was published on 13 November 2020 and 23 November 2020 respectively; (viii) the third quarterly results announcement of the Company and third quarterly report of the Company for the nine months ended 31 December 2020 was published on 10 February 2021 and 24 February 2021 respectively. Hence, the Company has published all the outstanding financial results of the Group as required by the GEM Listing Rules as at the date of this announcement. The annual results announcement of the Company and the annual report of the Company for the year ended 31 March 2021 (“FY2021”) is expected to be published on or before 30 June 2021.

The Company expects that all audit qualifications will be removed by the year ending 31 March 2023, whereas the figures for the year ending 31 March 2022 (“FY2022”) and the comparative figure for FY2021 will be subject to certain audit qualifications. Details of the relevant audit qualification, the procedures taken by the Company to address the relevant audit qualifications and the view of the Company’s auditors on how and whether those audit qualifications are addressed are set out below.

*Audit qualifications of the Company for FY2020 (the “2020 Audit Qualifications”)*

As disclosed in the annual report of the Company for FY2020, the following modified opinion, was given by the Auditor:

**“DISCLAIMER OF OPINION**

*We were engaged to audit the consolidated financial statements of China Oil Gangran Energy Group Holdings Limited (the “Company”) and its subsidiaries (the “Group”) set out on pages 74 to 167, which comprise the consolidated statement of financial position as at 31 March 2020, and the consolidated statement of profit or*



*loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.*

*We do not express an opinion on the consolidated financial statements of the Group for the year ended 31 March 2020. Because of the significance of the matters described in the Basis for Disclaimer of Opinion section of our report, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these consolidated financial statements. In all other respects, in our opinion, the consolidated financial statements have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.*

## **BASIS FOR DISCLAIMER OF OPINION**

### **1. MULTIPLE UNCERTAINTIES RELATING TO GOING CONCERN**

*As described in notes 25, 26 and 27 to the consolidated financial statements respectively, as at 31 March 2020, the Company had outstanding promissory notes payable, borrowings and convertible notes with principal amounts of approximately HK\$71,551,000, HK\$54,709,000 and HK\$12,307,000, respectively. Up to the date of this report, outstanding principal amounts of approximately HK\$127,459,000 in aggregate had not been settled.*

*On 26 April 2019, the Company received a petition (“HK Petition”) from Glory Sun Securities Limited, formerly known as China Goldjoy Securities Limited (“HK Petitioner”) filed in the High Court of Hong Kong (“HK High Court”) that the Company be wound up by the High Court on the ground that the Company was insolvent and unable to pay its debts. The HK Petition was filed against the Company for failure to settle an indebted sum of HK\$23,654,900.30, plus further daily interest of HK\$20,726.03 to be accrued from 26 April 2019, being the alleged outstanding amount owed by the Company to the HK Petitioner.*

*On 22 October 2019, the Company filed a winding up petition with Grand Court of the Cayman Islands (the “Cayman Court”) under section 94 of the Cayman Islands Companies Act (“Cayman Petition”). On 5 November 2019, the Cayman Court ordered that 3 persons be appointed as the Joint Provisional Liquidators (“JPLs”) of the Company with the power to act jointly and severally. The JPLs were authorised to develop and propose a restructuring of the Company’s indebtedness in a manner designed to allow the Company to continue as a going*

*concern, with a view to making a compromise or arrangement with the Company's creditors, including (without limitation) a compromise or arrangement by way of a scheme of arrangement pursuant to section 86 of the Cayman Islands Companies Act.*

*On 6 December 2019, the Company announced that it had received a sealed court order dated 4 December 2019 of the Cayman Court in which it was ordered that the Cayman Court would issue the letter of request to the HK High Court for its assistance in the provisional liquidation of the Company. In particular, the Cayman Court had requested the HK High Court to make, among others, the following orders, including (i) the appointment of the JPLs for restructuring purposes be recognised by the HK High Court; (ii) the JPLs have and may exercise such powers as are available to them under the court order dated 5 November 2019 made by the Cayman Court to the fullest extent permitted by the laws of Hong Kong (details disclosed in the Company's announcement dated 6 December 2019); and (iii) the HK Petition be adjourned in order to allow time for the Company to restructure its indebtedness.*

*On 30 January 2020, the Company received a notice of hearing dated 29 January 2020 in relation to the Cayman Petition, which would be held on 31 July 2020. On 3 August 2020, the Company received a notice from the Cayman Court in which the Cayman Petition was adjourned to be heard on 18 February 2021.*

*On 22 May 2020, the Company announced that the board of directors had received a sealed court order dated 19 May 2020 from the HK High Court in which it was ordered that, among others, (i) the JPLs be recognised by the HK High Court; (ii) the JPLs to develop and propose a restructuring of the Company's indebtedness in a manner designed to allow the Company to continue as a going concern with a view to making a compromise or arrangement with the Company's creditors, including (without limitation) a compromise or arrangement by way of a scheme of arrangement; and (iii) the JPLs to monitor, oversee and supervise the board of directors in its management of the Company with a view to developing and proposing any compromise or arrangement with the Company's creditors, and any corporate and/or capital reorganisation of the Company and its subsidiaries (including but not limited to any share subscription and placement of shares in the Company and its subsidiaries), (details disclosed in the Company's announcement dated 22 May 2020). Hearing of the HK Petition was adjourned to 19 March 2021.*

*Up to the date of this report, the Directors and JPLs are in the process of developing and proposing a restructuring of the Company's indebtedness (including seeking investors and financiers for the purpose of investing in and/or to provide finance to the Company) in a manner designed to allow the Company to continue as a going concern.*

*In addition, we draw attention to note 2 to the consolidated financial statements, which indicates that the Group recorded a net loss attributable to owners of the Company of approximately HK\$31,926,000 for the year ended 31 March 2020 and as of that date, the Group had net current liabilities and net liabilities of approximately HK\$63,716,000 and approximately HK\$94,091,000 respectively.*

*These conditions indicate the existence of material uncertainties which may cast significant doubt over the Group's ability to continue as a going concern.*

*Should the Group be unable to continue to operate as a going concern, adjustments would have to be made to write down the value of assets to their recoverable amounts, to provide for further liabilities which might arise and to reclassify non-current assets and non-current liabilities as current assets and current liabilities respectively. The effect of these adjustments has not been reflected in the consolidated financial statements.*

## **2. LIMITATION OF SCOPE CONCERNING TRADE DEPOSITS**

*As described in note 21 to the consolidated financial statements, on 3 July 2018, a wholly-owned subsidiary of the Company ("Subsidiary A") entered into oil supply contracts with two suppliers located in Hong Kong ("Trade Suppliers") for the purchase of oil products ("Oil Supply Contracts") in total sum of HK\$22,500,000.*

*On 12 July 2018, the Group paid trade deposits amounting to HK\$17,000,000 and HK\$5,500,000 ("Oil Trade Deposits") respectively to the Trade Suppliers in accordance with the Oil Supply Contracts. As represented by the management of the Company, the Oil Trade Deposits were used for purchase of oil products from the Trade Suppliers to be sold in the ordinary course of business of the Group. On 30 June 2020, Subsidiary A further entered into Deeds of Assignment ("Deeds") with the Trade Suppliers and Baineng Holdings Limited ("Baineng"), a potential investor which had entered into a non-legally binding memorandum of understanding with the Company for subscription of new shares and bonds of the Company (details disclosed in the Company's announcement dated 23 December 2019 and 6 March 2020 respectively). Under the Deeds, Baineng would take over the Oil Trade Deposits from the Trade Suppliers and refund the Oil Trade Deposits to the Group, subject to the Company being successful in resumption of trading of its shares in the GEM of The Hong Kong Stock Exchange Limited. Up to the date of this report, as the Company's shares remained suspended from trading, the Oil Trade Deposits have not yet been refunded.*



*During the course of the audit, we did not obtain any documentary evidence to substantiate the Group's internal assessment of the background and capability of the Trade Suppliers as well as the recoverability of the Oil Trade Deposits. We have not obtained direct confirmation from the Trade Suppliers to confirm the outstanding balances of Oil Trade Deposits as at 31 March 2020. We have also not been provided with (i) sufficient evidence and explanations regarding these transactions which could satisfy ourselves for the purpose of our audit; (ii) the background and financial capability of Baineng to take over and refund the Oil Trade Deposits to the Company; and (iii) sufficient appropriate audit evidence to satisfy ourselves as to the recoverability of the Oil Trade Deposits.*

*We were also unable to conduct an interview with the Trade Suppliers to ascertain the amounts and nature of the Oil Trade Deposits made to the Trade Suppliers.*

*Accordingly, we are unable to determine whether the Oil Trade Deposits included in the Group's trade and other receivables were free from material misstatement as at 31 March 2020 and if any provision for impairment loss is necessary for the year ended 31 March 2020. Any adjustment that might have been found to be necessary in respect of the above would have a consequential significant effect on the net liabilities of the Group as at 31 March 2020 and the loss and cash flows of the Group for the year ended 31 March 2020, and the related disclosures thereof in the consolidated financial statements.*

### **3. LIMITATION OF SCOPE CONCERNING PREPAYMENTS TO A SERVICE PROVIDER**

*As described in note 21 to the consolidated financial statements, on 24 October 2018, the Company entered into a patent service agreement ("Patent Agreement") with a service provider ("Company A") in a contract sum of HK\$15,000,000 pursuant to which Company A would process the research, development and transfer of patent in the People's Republic of China ("PRC") for the Group's business development. From October to November 2018, the Company made prepayments amounting to, in aggregate, HK\$12,770,000 to Company A in accordance with the Patent Agreement. Subsequently on 24 August 2020, the Company and Company A had entered into an agreement that the patent be transferred from the Company A to the Company and the outstanding balance of HK\$2,230,000 was mutually agreed to be waived. On 14 September 2020, the registration for the transfer of the patent in National Intellectual Property Administration, PRC had been completed.*

*During the audit, we have not obtained direct confirmation reply from Company A to confirm the balance of above prepayments as at the 31 March 2020. We were also unable to conduct an interview with Company A to ascertain the amounts and nature of the prepayments made to Company A.*

*Because of the above limitations of scope, we were unable to obtain sufficient appropriate audit evidence or satisfactory management explanation to ascertain the background of Company A as well as the abovementioned prepayments balance as at 31 March 2020. There are no alternative audit procedures that we could perform to satisfy ourselves as to the valuation of these prepayments or to determine whether any provision for impairment loss is necessary. Any adjustments that might have been found to be necessary in respect of the above prepayments would have a consequential effect on the net liabilities of the Group as at 31 March 2020 and its loss and cash flows for the year then ended and the related disclosures thereof in the consolidated financial statements.*

#### **4. CONTINGENT LIABILITIES AND COMMITMENTS OF DECONSOLIDATED SUBSIDIARIES**

*In May 2020, due to the lost of controls over certain of the Company's subsidiaries in the PRC, the Company's subsidiaries, namely 江西中油港燃能源科技有限責任公司 (transliterated as "Jiangxi China Oil Gangran Energy Technology Company Limited") ("Jiangxi China Oil"), 舟山中油港燃石油化工有限公司 (transliterated as "Zhoushan China Oil Gangran Petroleum and Chemical Company Limited") ("Zhoushan China Oil"), 江西港燃貿易有限公司 (transliterated as "Jiangxi Gangran Trading Company Limited") ("Gangran Trading") and 吉林中油港燃能源開發有限公司 (transliterated as "Jilin China Oil Gangran Energy Development Company Limited") ("Jilin China Oil") (collectively the "Deconsolidated Subsidiaries"), were deconsolidated from the Group's consolidated financial statements with effect from 1 January 2019.*

*During the course of our audit and up to the date of this report, we were not provided with complete set of books and records together with any legal advice on the Deconsolidated Subsidiaries or any other appropriate evidence to assess if there were any commitment and contingent liabilities associated with the Deconsolidated Subsidiaries which may have significant impact on the Group.*

*Due to circumstances described above, we had been unable to obtain sufficient appropriate evidence and explanations as to whether the contingent liabilities and commitments associated with the Deconsolidated Subsidiaries had been properly recognised and accounted for and in compliance with the requirements of applicable HKFRSs including HKAS 37 "Provisions, Contingent Liabilities and Contingent Assets". There were no alternative procedures that we could perform to satisfy ourselves as to whether the contingent liabilities and*

*commitments of the Group were free from material misstatements. Any adjustment that would be required may have a consequential significant effect on the net liabilities of the Group as at 31 March 2020 and loss and cash flows of the Group for the year ended 31 March 2020, and the related disclosures thereof in the consolidated financial statements.*

## **5. OPENING BALANCES AND CORRESPONDING FIGURES**

*Our audit opinion on the consolidated financial statements of the Group for the year ended 31 March 2019, which forms the basis for the corresponding figures presented in the current year's consolidated financial statements, was disclaimed because of the significance of the possible effects of the limitations on the scope of our audit, details of which are set out in our auditor's report dated 2 July 2020.*

*We were not provided with sufficient appropriate audit evidence to enable us to assess the possible effects of the limitations on the scope of our audit, set out in our auditor's report dated 2 July 2020.*

*Any adjustments to the opening balances as at 1 April 2019 found to be necessary to the figures as described above may affect the Group's accumulated losses as at 1 April 2019 and the results and related disclosures in the notes to the consolidated financial statements of the Group for the year ended 31 March 2020. The comparative figures shown in the consolidated financial statements may not be comparable with the figures for the current year."*

### *The procedures taken by the Company to address the 2020 Audit Qualifications*

Subject to completion of the Proposed Restructuring and the Resumption, (i) for FY2021, the qualified matters including (a) contingent liabilities and commitments of the Deconsolidated Subsidiaries; and (b) the opening balances and corresponding figures will be qualified by the Auditors, have not been addressed by the Company; (ii) for FY2022, only the opening balances and corresponding figures will be qualified by the Auditors given that the comparative figures for FY2021 are qualified; and (iii) for the year ending 31 March 2023 ("**FY2023**") onwards, the consolidated statements of profit or loss and other comprehensive income and consolidated statements of financial position of the Group will not be qualified by reason of the matters occurring after the Proposed Restructuring. Based on the above, the procedures taken by the Company to address the 2020 Audit Qualifications are summarised below:

*1. Multiple uncertainties relating to going concern*

The consolidated financial statements have been prepared on a going concern basis on the assumption that the Proposed Restructuring will be successfully completed, and that following the Proposed Restructuring, the Group will continue to meet in full its financial obligations as they fall due in the foreseeable future. The consolidated financial statements do not include any adjustments that would result from a failure to complete the Proposed Restructuring. The Auditors consider that the disclosures are adequate. However, in view of the extent of the uncertainty relating to the completion of the Proposed Restructuring, the Auditors disclaimed the opinion in respect of the material uncertainties relating to the going concern basis.

As mentioned above, the Company has entered into the Subscription Agreement (as amended by the Supplemental Subscription Agreement) and the CB Subscription Agreement (as amended by the Supplemental CB Subscription Agreement) with the Subscribers in relation to the Subscriptions and the CB Subscriptions. 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 (subject to adjustment) and for the Scheme Cost 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.

The Company has also been working closely with its professional advisers in relation to the implementation of the Creditors' Schemes. 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. Upon the Creditors' Schemes taking effect, save for the outstanding loan and interest in the amount of approximately HK\$6 million as at the date of this announcement owed to the Secured Creditor, all the claims against, and liabilities of the Company will be compromised and discharged in full.

Subject to completion of the Proposed Restructuring by May 2021, the Company expects that the audit qualification relating to material uncertainties on the Group's ability to continue as a going concern will be removed in the annual results announcement and annual report of the Company for FY2021, which is prior to the issue date of the Auditor's Report on the financial results of the Group for FY2021.

2. *Limitation of scope concerning trade deposits*

In July 2018, the Company paid trade deposit amounting to HK\$22.5 million to the suppliers for purchase of jet oil products yet eventually not delivered. Further, the Subscribers have undertaken to the Company that subject to completion of the Proposed Restructuring and the Resumption to be completed in May 2021, the Subscribers will take over the trade deposits and pay such amount of HK\$22.5 million to the Group. In light of the above arrangements, the Company expects that this audit qualification will be removed in the annual results announcement and annual report of the Company for FY2021 after the completion of the Proposed Restructuring and the Resumption.

3. *Limitation of scope concerning prepayments to a supplier*

In 2018, the Company entered into a patent service agreement with Company A pursuant to which Company A agreed to provide services to the Group relating to the research, development and transfer of certain patent in the PRC at the total consideration of HK\$15.0 million, of which approximately HK\$12.8 million had been paid by the Group.



In August 2020, the Company and Company A entered into an agreement for the transfer of patent to the Company and the outstanding balances of the consideration of approximately HK\$2.2 million was mutually agreed to be waived. The relevant registration requirements regarding the transfer of the patent had been completed with the relevant PRC authorities in September 2020 and the patent had since been recognised as “intangible assets” of the Group. As of the date of this announcement, the Company is looking for potential business opportunities (if any) to utilise the patent for commercial use and to evaluate the value of the patent if no concrete business opportunities exist. The Company expects that the patent will be subject to impairment assessment at the upcoming year end date of 31 March 2021. The Company will engage a professional valuer to conduct an impairment assessment on the above patent and consider if any impairment loss is necessary, which will be recognised to the profit or loss statement of the Group for FY2021. In light of the above, it is expected that this audit qualification will be removed in the annual results announcement and annual report of the Company for FY2021.

#### *4. Contingent liabilities and commitments of Deconsolidated Subsidiaries*

Due to the Loss of Books and Records and the loss of control of the Deconsolidated Subsidiaries, the Deconsolidated Subsidiaries were deconsolidated from the Group’s consolidated financial statements with effect from 1 January 2019. In light of above, the Auditors had not been able to obtain a complete set of books and records on the Deconsolidated Subsidiaries to assess any commitment and contingent liabilities associated with the Deconsolidated Subsidiaries which may have significant impact on the Group. As a result, the Auditors issued a disclaimer of opinion in respect of contingent liabilities and commitment associated with the Deconsolidated Subsidiaries for FY2020.

Under the Creditors’ Scheme, 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 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.

Upon the completion of the Proposed Restructuring, the Company expects that all contingent liabilities and commitment of the Deconsolidated Subsidiaries will be removed from the Group in FY2022. Therefore, this audit qualification will remain to be included in the annual results announcement and annual report of the Company in FY2021 and will be removed in the annual results announcement and annual report of the Company for FY2022.

## 5. *Opening balances and corresponding figures*

The Auditors has issued a disclaimer of opinion in respect of the Group's consolidated financial statements for FY2020 and is expected to issue a disclaimer of opinion in respect of unsolved qualified matters mentioned in (1) and (4) above for FY2021. As a result, the opening balances and corresponding figures included in the Group's consolidated financial statements for FY2021 and FY2022 will also be qualified.

However, such audit qualifications will not have any impact on the financial results, positions and cash flows of the Group for FY2021 and FY2022. As confirmed with the Auditors, on the assumption that the Proposed Restructuring will be completed and the Resumption to take place in May 2021, the audit qualifications on the comparative figures of the financial statements of the Group will be removed for FY2023.

### *The view of the Auditors on how and whether the 2020 Audit Qualifications are addressed*

As confirmed by the Auditors, subject to (i) completion of the Proposed Restructuring (including completion of the Subscriptions, the CB Subscriptions and the Creditors' Schemes); (ii) various actions taken up by the Company in connection with the Proposed Restructuring; and (iii) the Resumption (assuming each to take place before the issue of the Auditor's report on the financial statements of the Group for FY2021), the Auditors confirm that there is no change in the audit qualifications in relation to (i) material uncertainties relating to the going concern basis, the HK\$22.5 million trade deposits and HK\$12.8 million prepayments, which will be removed in FY2021; (ii) all contingent liabilities and commitments of the Deconsolidated Subsidiaries, which will be removed in FY2022; and (iii) comparative figures of the financial statements, which will be removed in FY2023.

As such, all 2020 Audit Qualifications are expected to be removed in the Auditor's report in respect of the financial results of the Group for FY2023.

### *To inform the market of all material information for Shareholders and investors to appraise its position.*

The Company has been publishing quarterly update announcements and other relevant announcements from time to time to inform shareholders and potential investors of the Company on the status of the Proposed Restructuring and the latest development of the Company.

*Demonstrate that the Company has in place adequate internal control systems to meet the obligations under the GEM Listing Rules.*

In March 2020, the Company engaged an internal control consultant to perform an independent review on the internal control system of the Group, including risk management, corporate governance, financial recording and reporting procedures, investment procedures, treasury function, sales and receipts, purchase and payment, and human resources management.

As at the date of this announcement, the Company has implemented the recommendations from the said internal control consultant and rectified the relevant deficiencies in the Group's internal control system.

*Demonstrate that the Directors meet a standard of competence commensurate with their positions as directors of a listed issuer to fulfil duties of skill, care and diligence as required under Rule 5.02 of the GEM Listing Rules.*

As at the date of this announcement, the majority of the Directors from the former Board had already resigned as a Director. Since 17 February 2020, eight new Directors were appointed to the Board to improve the competencies, know-how and expertise in the operation and management of the Group's core business and to strengthen and help maintain the Company's compliance with the GEM Listing Rules. For further details of the background of the new Directors, please refer to the announcements of the Company dated 17 February 2020, 5 March 2020, 9 March 2020 and 7 December 2020.

In connection with the Deconsolidation of Subsidiaries, on 18 December 2020, the Company (i) established the Special Investigation Committee; (ii) engaged an independent professional firm to undertake the Forensic Investigation in relation to the Deconsolidation of Subsidiaries; and (iii) temporarily suspended the duties of Mr. Rong as an executive Director with effect from 18 December 2020.

Based on the foregoing, the Company is of the view that the existing Directors (excluding Mr. Rong whose suitability as Director will be further examined after the Forensic Investigation) meet the standard as stipulated in Rule 5.02 of the GEM Listing Rules.

*Have the winding up petition(s) (or order(s), if made) against the Company withdrawn or dismissed and the appointment of liquidators (provisional or not) discharged.*

It is expected that upon completion of the Proposed Restructuring, most of the claims against, and liabilities of the Company will be compromised and discharged in full and as a result of which the winding up petition(s) (or order(s), if made) against the Company will be withdrawn or dismissed and the appointment of liquidators (provisional or not) will be discharged.

*Demonstrate the Company's compliance with Rule 17.26 of the GEM Listing Rules*

Pursuant to Rule 17.26 of the GEM Listing Rules, an issuer is required to carry out, directly or indirectly, a business with sufficient level of operations and assets of sufficient value to support its operations to warrant the continued listing of the issuer's securities.

Notwithstanding the Deconsolidation of Subsidiaries, the Board considered that the Group will be able to comply with the requirements of Rule 17.26 of the GEM Listing Rules upon completion of the Proposed Restructuring given that the Group will continue its existing businesses, the net proceeds from the Subscriptions and the CB Subscriptions will provide necessary funding for the Group and the financial position of the Group will improve after the implementation of the Creditors' Schemes.

For FY2020, revenue of the Group generated from the Power and Data Cords Business amounted to approximately HK\$63.9 million, representing an increase of approximately 10.6% as compared to FY2019. Such increase was mainly driven by increase in sales of the Power and Data Cords Business following the introduction of two new types of products in the fourth quarter of FY2020.

The Group recorded revenue of approximately HK\$94.9 million from the Power and Data Cords Business for the nine months ended 31 December 2020 (the "**Financial Period**"), representing an increase of approximately 177% from approximately HK\$34.3 million for the nine months ended 31 December 20219. Such increase in the unaudited revenue was mainly attributable to the introduction of new products, namely headsets for adults and kids and hospital room control hub, since the fourth quarter of FY2020. It is expected that the Power and Data Cords Business and thereby the Group will continue to have a sufficient level of operations upon completion of the Proposed Restructuring.

Following completion of the Subscriptions and the CB Subscriptions, the net proceeds from the CB Subscriptions will be utilised as restructuring costs and general working capital of the Group, which will enable the Group to have sufficient financial resources to implement the Proposed Restructuring and to develop and expand its existing businesses. Upon implementation of the Creditors' Schemes, the indebtedness of the Group will also be substantially reduced and thus the Group's financial position will be restored to a normal and healthy position.

## **UPDATE ON BUSINESS OPERATIONS OF THE GROUP**

### **Power and Data Cords Business**

The three key product groups for the Power and Data Cords Business were (i) power and data cords for mobile handsets and personal care products; (ii) medical control devices; and (iii) power cords and inlet sockets for household electric appliances. Each product Group has its own types of products. During the Financial Period, the Group manufactured over 40 types of power and data cords for mobile handsets and personal care products, over 450 types of power cords and inlet sockets for household electric appliances. The Group will also continue to involve in the assembly and sale of medical control devices, which are primarily used by patients in hospital wards and the related accessories.

The Group recorded revenue of approximately HK\$94.9 million for the Financial Period, representing an increase of approximately 177% from approximately HK\$34.3 million for the nine months ended 31 December 2019. Such increase in the unaudited revenue was mainly attributable to the introduction of new products, namely headsets for adults and kids and hospital room control hub, since the fourth quarter of FY2020.

### **Trading of Refined Oil and Chemicals Business**

Due to the Deconsolidation of Subsidiaries, the Trading of Refined Oil and Chemical Business did not record any revenue during the Financial Period and the corresponding period last year.

The Group continued to explore opportunities in the clean energy segment. A legally binding consultancy contract was signed between the Group and a gas company in March 2020 for a term of one year from March 2020 to March 2021 whereby the Group will provide strategic consultancy services regarding the plan and development of the customer's energy business. The Group estimated revenue and gross profit from this contract amount to approximately HK\$2.2 million and HK\$2.2 million respectively. The contract with the said gas company has started in May 2020 but due to the outbreak of the COVID-19 pandemic, completion of the contract is expected to be delayed to August 2021.

Further, a legally binding liquefied natural gas supply contract was signed between the Group and an energy company in March 2020 pursuant to which the Group will provide liquefied natural gas to the customer during the period from July 2020 to December 2020. It is expected that the Group will supply approximately 20,000 tonnes of liquefied natural gas to the said gas company during the contract period. The contract with the said gas company is expected to commence after the Resumption as the Board considered that it would be in the interest of the Company



and the shareholders as a whole to prioritise and place the Group's financial resources, as well as management and business resources, to focus on the Power and Data Cords Business, which generally has higher profit margin and sustainable revenue growth after taking into consideration of (i) the current business operations and financial position of the Group; and (ii) the impacts from the COVID-19 pandemic which is beyond the Group's control. The management of the Group is currently in negotiation with the said gas company to extend the contract period, which is expected to commence in May 2021.

### **Trading of Commodities Business**

The Trading of Commodities Business did not record any revenue during the Financial Period.

### **UPDATE ON HONG KONG WINDING UP PETITION**

In relation to the Company's written application to the High Court of Hong Kong to seek an adjournment of the Hong Kong Petition, the High Court of Hong Kong has ordered that, among others, the Hong Kong Petition is adjourned to be heard on 19 July 2021. The Company will provide an update on the Hong Kong Petition as and when required.

### **CONTINUED SUSPENSION OF TRADING**

Trading in the Shares has been suspended since 2 July 2019 pending the fulfilment of all the Resumption Conditions. 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, 30 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.*

*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 websites of the Company at [www.chinaoilgangrants.com](http://www.chinaoilgangrants.com).*