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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

(1) KEY FINDINGS OF THE FORENSIC INVESTIGATION IN RELATION TO THE DECONSOLIDATION OF SUBSIDIARIES; AND (2) SUSPENSION OF DUTIES OF EXECUTIVE DIRECTORS

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).

Reference is made to the announcements (the “**Announcements**”) of the Company dated 19 June 2019, 28 June 2019, 18 July 2019, 10 January 2020, 2 April 2020, 9 April 2020, 14 May 2020, 21 May 2020, 30 June 2020, 5 October 2020 and 18 December 2020. Unless otherwise stated, capitalised terms used in this announcement shall have the same meanings as those defined in the Announcements.

BACKGROUND

Deconsolidation of the Deconsolidated Subsidiaries

During the course of the audit of the Group’s financial statements for FY2019, the Board became aware that the books and records and relevant supporting documents (the “**Books and Records**”) were unable to be obtained from Jiangxi China Oil, Zhoushan China Oil, Jiangxi Gangran and Jilin China Oil (collectively, the “**Deconsolidated Subsidiaries**”) for preparing the Group’s consolidated accounts and/or providing such Books and Records to the Company’s auditor in relation to the audit work on the Deconsolidated Subsidiaries. Zhoushan China Oil is a wholly-owned subsidiary of Jiangxi China Oil and all books, records and operations of Zhoushan China Oil were at all times maintained and controlled by Jiangxi China Oil. All the Deconsolidated Subsidiaries were controlled and operated by the same senior management personnel from Jiangxi China Oil.

Despite repeated demands and requests from the Company, the Deconsolidated Subsidiaries did not respond and have failed to provide the Books and Records to the Company. The Company was therefore unable to prepare the consolidated financial statements of the Group for FY2019 involving the financial information of the Deconsolidated Subsidiaries. The Deconsolidated Subsidiaries are established in the PRC and are principally engaged in the liquefied natural gas, compressed natural gas and other related clean energy businesses, refined oil retail business and trading of Methyl tert-butyl ether business of the Group.

The Company has engaged the PRC Legal Advisers to investigate and prepare the Due Diligence Report on one of the Company's major subsidiaries, Jiangxi China Oil. Based on the findings in the Due Diligence Report in relation to Jiangxi China Oil and after careful consideration of all the relevant information then available to the Board, the Board was of the view that the Company no longer had: (a) power over the Deconsolidated Subsidiaries; (b) exposure, or rights, to variable returns from its involvement with the Deconsolidated Subsidiaries; or (c) the ability to use its power over the Deconsolidated Subsidiaries to affect the amount of the Company's returns. The Board further considered that it was inappropriate to consolidate the financial results of the Deconsolidated Subsidiaries into the Group.

On 1 January 2019 the Deconsolidated Subsidiaries were deconsolidated from the financial statements of the Group on the basis that their Books and Records for audit purpose were not obtainable.

Formation of the Special Investigation Committee

On 18 December 2020, the Special Investigation Committee, 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, was 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 was appointed as the chairman of the Special Investigation Committee. The Special Investigation Committee may also appoint other professional advisers to assist in its investigation.

Suspension of duties of an executive Director

On 18 December 2020, the Board resolved, among other matters, to temporarily suspend the duties of Mr. Rong Changjun (“**Mr. Rong**”) as an executive Director with effect from 18 December 2020 until further notice due to potential breach of fiduciary duties by Mr. Rong in his roles both as an executive Director and a director of Jiangxi China Oil at the material time in relation to the Deconsolidation of Subsidiaries. There was reasonable suspicion that Mr. Rong had failed to procure

Jiangxi China Oil and its staff to keep proper books of account of Jiangxi China Oil and Zhoushan China Oil, which is a wholly-owned subsidiary of Jiangxi China Oil, during the relevant period and/or to provide such accounting records to the Group in connection with its annual audit for FY2019.

Forensic Investigation

On 18 December 2020, Frank Forensic and Corporate Recovery Limited (“**Frank Forensic**”), an independent professional firm, was engaged by the Company to undertake the Forensic Investigation in relation to the Deconsolidation of Subsidiaries. The scope of work of the Forensic Investigation includes, among others, the following: (i) to investigate the cause of the loss of control of the Deconsolidated Subsidiaries; (ii) 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; and (iii) to present their findings on items (i) and (ii) in a report (the “**Forensic Investigation Report**”) to be addressed to the Special Investigation Committee.

On 25 May 2021, the Company received the Forensic Investigation Report from Frank Forensic, details of which are set out as follows:

FORENSIC INVESTIGATION REPORT

Limiting conditions relating to the Forensic Investigation Report

In the Forensic Investigation Report, Frank Forensic stated the following limiting conditions encountered during the Forensic Investigation:

- (i) Frank Forensic has relied on the information, documentation and representations provided to them by the Company. Frank Forensic has assumed that such information and documentation are true and accurate at the time they were provided and continue to be so on the date of the Forensic Investigation Report, and that all available information relevant to addressing the issues stated in the Forensic Report has been provided to Frank Forensic. However, Frank Forensic offers no assurance as to the accuracy thereof;
- (ii) the information and documents including internal correspondence among the directors and staff directly responsible for the Deconsolidated Subsidiaries are incomplete;
- (iii) the directors and staff of the Deconsolidated Subsidiaries were not available for enquiries;

- (iv) the former directors of the Company have not been cooperative and have not provided with Frank Forensic any information concerning the affairs of the Deconsolidated Subsidiaries;
- (v) Frank Forensic is not able to confirm the completeness and integrity of the data stored in the Computers (as defined below) which were located in the Company's office and to verify if the data had been contaminated and/or subject to malicious alteration;
- (vi) Frank Forensic assumes no responsibility for any legal matters including, but not limited to, legal or title concerns; and
- (vii) Frank Forensic's opinion and analyses given in the Forensic Investigation Report are based on the limited and incomplete information and documentation made available to Frank Forensic. Should other new documents become available, Frank Forensic may need to reconsider their opinions expressed herein and this could lead to a revision of their opinions in whole or in part in this report. As such, Frank Forensic expressly reserve all its rights in this regard.

Work performed

During the Forensic Investigation, Frank Forensic performed the following work: (i) reviewed the relevant available documents; (ii) arranged and conducted interviews with former directors or senior management of the Company and the Deconsolidated Subsidiaries; (iii) performed site visits to the registered offices of the Deconsolidated Subsidiaries; (iv) performed necessary searches on the Company, the Deconsolidated Subsidiaries and its intermediate holding companies and relevant individuals; and (v) performed E-discovery of the data copied from the Computers.

Issue 1: to investigate the cause of the loss of control of the Deconsolidated Subsidiaries

HKFRS 10 "Consolidated Financial Statements" defines the principle of control and establishes control as the basis for determining which entities are consolidated in consolidated financial statements. Paragraph 7 of HKFRS 10 provides that:

"an investor controls an investee if and only if the investor has all the following:

- (a) power over the investee;*
- (b) exposure, or rights, to variable returns from its involvement with the investee;*
and
- (c) the ability to use its power over the investee to affect the amount of the investor's returns."*

Generally speaking, an investor that holds more than half of the voting rights of an investee can appoint a majority of the members of the investee's board of directors, and thus the said investor is normally considered to have control over the investee.

Interviews with directors and senior management

For the purpose of the Forensic Investigation, Frank Forensic requested the following individuals to attend interviews: (i) the former directors and employees who were responsible for reporting on the financial information of the Deconsolidated Subsidiaries and preparing the Group's consolidated accounts during the period from 1 April 2018 to 30 June 2019; (ii) the Group's senior management who was responsible for overseeing the operation and financial reporting of the Deconsolidated Subsidiaries during the period from 1 April 2018 to 30 June 2019; and (iii) the current legal representative of the Deconsolidated Subsidiaries.

Based on the available contact details of the individuals referred to in (i) and (ii) above provided by the Company and contact details of the individuals referred to in (iii) above obtained from the National Enterprise Credit Information Publicity System (the "NECIPS"), Frank Forensic sent letters to 30 individuals to invite them to attend an interview.

Based on the interviews with Mr. Clay Huen, being a former independent non-executive Director, Mr. Yuan Beisheng, being an executive Director, and Mr. Zhang Wenrong, being an executive Director, Frank Forensic noted that there was evidence from such interviews that Dr. Ho Chun Kit Gregory ("Dr. Ho"), being a former executive Director, and Mr. Rong failed to report to the Board on what had occurred in the Deconsolidated Subsidiaries and, in particular, the potential loss of control by the Company over them. Save for the interviews with Mr. Clay Huen, Mr. Yuan Beisheng and Mr. Zhang Wenrong, no interviews with other intended interviewees could be arranged by Frank Forensic.

Site visits to the registered addresses of the Deconsolidated Subsidiaries

Based on the search results on the NECIPS, the staff/agents of Frank Forensic visited, among others, the registered addresses of the Deconsolidated Subsidiaries. In summary, there was no evidence showing that the Deconsolidated Subsidiaries carried out business activities at the respective known registered/reported addresses.

E-discovery

In the course of the Forensic Investigation, Frank Forensic noted that there were 23 desktop computers and 2 computer servers (collectively, the "Computers") located at the Company's office at the time of their appointment. The Company's current

management believe the Computers had been used by the Company's former staff. It was believed the content of the hard drives of the Computers may contain contemporaneous information which may assist Frank Forensic's investigation into the Deconsolidation of Subsidiaries.

The Company's authorization was obtained for Frank Forensic's access to the hard drives of the Computers. Frank Forensic copied the data from the hard drives of the Computers at the registered office of the Company. The data from each of the Computers was separately copied into external hard drives with specific folders named by reference to the fixed asset register numbers of the Computers. In light of the volume of data, an electronic discovery platform, namely, Nuix Workstation was set up in Frank Forensic's office for collecting, processing and reviewing the contents of the hard drives of the Computers ("E-discovery"). Nuix is a firm specialising in computer software and information technology in extracting intelligence from high-volume unstructured, semi-structured and structured data. The data copied to the specific folders was then imported into the Nuix Workstation to distinguish the source of the data. A number of keywords were used for identifying potential relevant items in relation to the Deconsolidated Subsidiaries. However, it is noted from the keyword search and reviewing of certain emails and documents that there was only scanty documents/information that appear to be related to the Deconsolidated Subsidiaries.

This suggests material communications between the relevant directors/managerial staff of the Company and those of the Deconsolidated Subsidiaries was conducted through personal devices or private communication tools. Therefore, the relevant data could not be captured from the hard drives of the Computers.

Review of available corporate records of the Deconsolidated Subsidiaries

Frank Forensic reviewed the corporate records of Jiangxi China Oil, including but not limited to the Enterprise Credit Information Publicity Report dated 10 March 2021 obtained from NECIPS, the joint venture agreement dated 6 September 2013 entered into among the Company, 江西中油鷹泰天然氣有限責任公司 (Jiangxi Zhongyou Yingtai Natural Gas Limited Liability Company*) and 中外建工程建設有限責任公司 (Zhongwaijian Engineering Construction Limited*) relating to establishment of Jiangxi China Oil, the articles of association, the board minutes and letters of appointment. Based on the findings of the Forensic Investigation, the Company was not able to control the board of directors of Jiangxi China Oil (through directors appointed by China Oil HK) and its voting rights in the board of directors of Jiangxi China Oil had never exceeded 50% during the period from 2 December 2013 to 14 May 2020.

Frank Forensic also reviewed the corporate records of the other Deconsolidated Subsidiaries. The Company indirectly holds 51% shareholding in Jiangxi China Oil and Zhoushan China Oil and 100% shareholding in each of Jiangxi Gangran and Jilin China Oil. In order to control the board of directors of the Deconsolidated Subsidiaries, the Company should have appointed its board members or senior management as the directors of the Deconsolidated Subsidiaries to achieve a majority voting right in their respective boards of directors.

Prior to 14 May 2020 (the “**Relevant Date**”), being the date of announcement of the Company about the effective date of the Deconsolidation of Subsidiaries, Mr. Rong, Dr. Ho and Liu Kejia were the directors of Jiangxi China Oil while Mr. Rong and Dr. Ho were members of the Board. However, Dr. Ho resigned as a Director on 22 February 2019. It is questionable whether the Company still securely controlled the board of directors of Jiangxi China Oil after 22 February 2019.

Prior to the Relevant Date, the sole director of Zhoushan China Oil, Jilin China Oil and Jiangxi Gangran had been Zou Deliang, Yang Yinglin and Liu Kejia, respectively, since their respective dates of incorporation. For Jiangxi Gangran, Zou Deliang was the sole director from 16 May 2017 to 11 July 2018 and Liu Kejia was the sole director from 12 July 2018 to the Relevant Date. It is noted that all of the sole directors of Zhoushan China Oil, Jiangxi Gangran and Jilin China Oil were not members of the Board or senior management of the Company. There is no evidence showing Zou Deliang, Yang Yinglin and Liu Kejia represented the Company’s interests in the respective boards of directors of Zhoushan China Oil, Jiangxi Gangran and Jilin China Oil. It is questionable whether the Company ever had proper representation in the respective boards of directors of Zhoushan China Oil, Jiangxi Gangran and Jilin China Oil in order to look after and protect the interests of the Company therein.

Dr. Ho resigned as an executive Director on 22 February 2019. However, he is still the sole director of Brave Champ on current records notwithstanding it was struck off on 1 November 2018.

It appears that the Company has not taken the necessary steps to secure the managerial control of the Deconsolidated Subsidiaries. Further, according to the Company’s financial reporting policies, the Chairman of the Board was charged with overseeing the operations of the finance department with assistance from the Managing Vice President and the Finance Manager (as designated by the Chairman) was responsible for the finance affairs of the Company.

Summary of findings

From the analyses of the composition of the board of directors of the Deconsolidated Subsidiaries and China Oil HK, it is questionable whether the Company ever had proper and sufficient representation in their respective board of directors in order to secure and protect the interests of the Company therein.

Given the directorship of Dr. Ho in Jiangxi China Oil, China Oil HK (up to 22 February 2019) and Brave Champ up to the Relevant Date, it is believed he has personal knowledge of the status of the Deconsolidated Subsidiaries.

Given the directorship of Mr. Rong in Jiangxi China Oil up to the Relevant Date and his role as Vice Chairman of the Company, it is believed he also has personal knowledge of the status of the Deconsolidated Subsidiaries.

There is evidence suggesting Dr. Ho and Mr. Rong, being directors of the Company had not acted in good faith to protect the interests of the Company at all material times.

It is noted that the Board was not aware that the Company no longer had control over the Deconsolidated Subsidiaries and access to their books and records from January 2019, and the Company only made the announcement about this occurrence on 2 April 2020. This indicates that the Board had not made regular enquiries and exercised due control over the Deconsolidated Subsidiaries. Also, it is questionable whether the Board had properly managed and exercised sufficient control over the Deconsolidated Subsidiaries.

It is noted that apart from receiving financial reporting packages from the Deconsolidated Subsidiaries, there was no evidence showing the Board has set up any prescribed internal control procedures to secure its control over the Deconsolidated Subsidiaries and have access to their books and records.

Apart from the deficiencies in Corporate Governance set out above that facilitated loss of control of the Deconsolidated Subsidiaries, it is noted from the research conducted by Frank Forensic that companies related to Mr. Rong appear to have been failing and getting into financial dire straits in recent years. Although there is no direct evidence at this stage (given the limitations) showing the direct linkage to the loss of control of the Deconsolidated Subsidiaries, Frank Forensic believes investigation into this possibility is necessary in order to find out the fundamental cause of the loss of control of the Deconsolidated Subsidiaries.

The lack of action by the relevant directors against the loss of control of the Deconsolidated Subsidiaries suggests there was potential fraud.

The above findings were based on the investigation works of Frank Forensic which was limited in scope and should not be considered as conclusive. Due to the limitations mentioned above, it is noted that Frank Forensic has not yet able to gain a full picture of the circumstances against which loss of control over the Deconsolidated Subsidiaries and access of their books and records occurred.

Issue 2: to identify any potential breach of fiduciary duties of the directors of the Group

According to Rule 5.01 of the GEM Listing Rules, the directors of the board of an issuer are collectively responsible for management and operations of the company they oversee. The Stock Exchange expects the directors, both collectively and individually, to fulfil fiduciary duties and duties of skill, care and diligence to standards at least commensurate with the standards established by Hong Kong law.

In general, the responsibilities and liabilities of directors are derived from various sources, including the constitution of the company they represent, case law and statute law. A director's duties owed to a company are classified as fiduciary duties and the duty to exercise due care, skill and diligence.

Fiduciary duties include acting in good faith in the interests of the company, exercising powers for their proper purpose, and avoiding conflicts of duty and interests.

Duty to exercise due care, skill and diligence are defined under section 465 of the Companies Ordinance Cap 622 as the care, skill and diligence that would be exercised by a reasonably diligent person.

Based on the findings of the Forensic Investigation, it appears to Frank Forensic that the former Board at the material times had not exercised due care, skill and diligence in the following areas:

Failure to monitor and make enquiries on the operation of the Deconsolidated Subsidiaries regularly and diligently

The Board was not aware that the Company no longer had control over the Deconsolidated Subsidiaries and access to their books and records from January 2019, and the Company only made announcement about this occurrence on 2 April

2020. This indicates that the Board had not made regular enquiries to the Deconsolidated Subsidiaries. In addition, it is questionable whether or not the Board had properly managed and exercised sufficient control over the Deconsolidated Subsidiaries.

Failure to institute sufficient representation on the board of directors of the Deconsolidated Subsidiaries and China Oil HK

The Company indirectly holds 51% shareholding in Jiangxi China Oil and Zhoushan China Oil and 100% shareholding in each of Jiangxi Gangran and Jilin China Oil. In order to control the board of directors of the Deconsolidated Subsidiaries, the Company should have appointed its board members or senior management as the directors of the Deconsolidated Subsidiaries to achieve a majority voting right in their respective boards of directors. As set out in the paragraph headed “Review of available corporate records of the Deconsolidated Subsidiaries” in this announcement, it appears that the Company has not taken the necessary steps to secure the managerial control of the Deconsolidated Subsidiaries.

Failure to take reasonable steps to disclose the loss of control over the Deconsolidated Subsidiaries within a reasonable time

The Board was not aware that the Company no longer had control over the Deconsolidated Subsidiaries and access to their books and records from January 2019, and the Company only made the announcement about this occurrence on 2 April 2020.

Failure to implement sufficient internal control policies to secure the Company’s unhindered access to the books and records of the Deconsolidated Subsidiaries

Apart from receiving financial reporting packages from Deconsolidated Subsidiaries, there was no evidence showing the Board has set up any prescribed internal control procedures to secure its control over the Deconsolidated Subsidiaries and have access to their books and records.

Site visits

According to Frank Forensic’s site visits, there were no signs that the Deconsolidated Subsidiaries carried out any business activities at their respective registered addresses. It is unknown to Frank Forensic whether the Deconsolidated Subsidiaries had any business operations at the material times. It is questionable that the Board acted diligently and reasonably to cause the Company to invest in the Deconsolidated Subsidiaries at the material time.

Findings against Mr. Rong

Mr. Rong was a common director of Jiangxi China Oil and the Company at the material time. It appears that Mr. Rong failed to discharge his duties as a director of the Company and act in good faith and in the interests of the Company in acting as a director of Jiangxi China Oil which in turn wholly owns Zhoushan China Oil. This observation is consistent with the statement made in his letter dated 1 April 2021 that, notwithstanding he was an executive Director (and Vice-Chairman) from 1 December 2014 to 18 December 2020 (his directorship was suspended), he had never been involved in and had no knowledge of the operations of Jiangxi China Oil and Zhoushan China Oil and there had been no meetings held to discuss the affairs of these two companies, and hence had no idea about their business development and operation.

THE VIEWS OF THE BOARD AND THE SPECIAL INVESTIGATION COMMITTEE

In principle, the Board and the Special Investigation Committee agree with the factual findings made by Frank Forensic as documented in the Forensic Investigation Report. The Board and the Special Investigation Committee also noted, among others, the following limitations of the Forensic Investigation Report: (i) the information and documents including internal correspondence among directors and staff directly responsible for the Deconsolidated Subsidiaries are incomplete; (ii) the directors and staff of the Deconsolidated were not available for enquiries; and (iii) the former directors of the Company have not been cooperative and have not provided with Frank Forensic any information concerning the affairs of the Deconsolidated Subsidiaries.

The Company has engaged Elite Partners (as defined below) to review the internal control system of the Group. Following such review, all of the internal control deficiencies previously identified by Elite Partners had been rectified. In particular, the Group has improved its internal control procedures to ensure that the control has been exercised by the Company for all its subsidiaries as follow: (i) the financial department of the PRC subsidiaries shall be under the management of the financial controller or chief financial officer of the Group; (ii) the formal procedures of the change of the significant personnel shall be established; (iii) the Company shall considered any legal action against any of these significant personnel who violate their duty or responsibilities which has led to significant loss of the Group; and (iv) emergency procedures including set up team with legal and financial expert, shall be established when the sight of loss of control has been identified so as to prevent and control the situation.

To enforce the timing of financial reporting of the Group, the Group has implemented the following internal control measures: (i) ensure the monthly management account of each subsidiaries are properly obtained; (ii) analysis of variance of major operating subsidiaries must be performed; (iii) communication with the management of major operating subsidiaries are required; and (iv) regular visit of major subsidiaries on regular basis to ensure the necessary accounting documents are well maintained. Procedures for extreme circumstance of financial reporting were established as follow: (i) inform the audit committee immediately upon occurrence; (ii) consult legal and compliance advisor for the potential solutions of the extreme situation; (iii) appoint independent third parties to verify the situation and assess the effect; (iv) communicate with audit committee for implement the solution; and (v) issuance of annual report.

Apart from the implementation of new internal control measures, the Board and the Special Investigation Committee considered that the standard of competence of the Directors is also important for improving the corporate governance of the Group. 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 whereas most of the members from the former Board had already resigned as a Director as at the date of this announcement. Further, in order to safeguard the interest of the Company and the Shareholders, the Board has resolved to suspend the executive and/or administrative duties of Mr. Rong, Mr. Zhang Wenrong and Mr. Yuan Beisheng. The Board and the Special Investigation Committee are of the view that the above actions taken by the Board will ensure 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.

In view of the enhanced internal control system of the Group and the new Directors appointed to the Board, the Board and the Special Investigation Committee are of the view that the Company will be able to implement better corporate governance in relation to the management of its subsidiaries as well as financial reporting and accounting procedures in the future. In order to ensure that the Company has proper and sufficient representation in the board of directors of each of the subsidiaries of the Group, the Company plans to appoint at least one Director to each of the subsidiaries of the Group. It is noted from the Forensic Investigation Report that there is no evidence showing Zou Deliang, Yang Yinglin and Liu Kejia represented the Company's interests in the respective boards of directors of Zhoushan China Oil, Jiangxi Gangran and Jilin China Oil. The Company confirms that save for being the director(s) of Zhoushan China Oil, Jilin China Oil, Jiangxi Gangran and/or China Oil HK, none of Zou Deliang, Yang Yinglin and Liu Kejia is currently a director of any subsidiary of the Group. The Board will discuss with the Company's professional advisors on the key findings of the Forensic Investigation Report and consider whether to take any further actions in relation to the loss of control of the Deconsolidated Subsidiaries in due course.

REMEDIAL ACTIONS TAKEN BY THE BOARD

In March 2020, the Company engaged Elite Partners Risk Advisory Services Limited (“**Elite Partners**”), a corporate practice registered with the HKICPA, to review the internal control system of the Group (excluding the Deconsolidated Subsidiaries due to loss of control), including risk management, corporate governance, financial recording and reporting procedures, investment procedures, treasury function, sales and receipts, purchase and payment, and human resources management. During the first round of review carried out by Elite Partners from March to June 2020, Elite Partners identified deficiencies in policies, procedures or registers on risk assessment, related party transactions, board meetings, investments, financial reporting, and accounting procedures and no material deficiencies were noted. In second round of review carried out by Elite Partners in June 2020, all the above deficiencies have been rectified.

SUSPENSION OF DUTIES OF EXECUTIVE DIRECTORS

Based on the findings of the Forensic Investigation, it appears to Frank Forensic that the former Board at the material times, including Mr. Rong, Mr. Zhang Wenrong and Mr. Yuan Beisheng had not exercised due care, skill and diligence to fulfil their fiduciary duties as Directors.

In order to safeguard the interest of the Company and the Shareholders, on 25 May 2021, the Board resolved (i) to continue suspending the executive and/or administrative duties of Mr. Rong as an executive Director as permitted by law with effect from 25 May 2021 until further notice due to his breach of fiduciary duties as a Director; and (ii) to suspend the executive and/or administrative duties of each of Mr. Zhang Wenrong and Mr. Yuan Beisheng as an executive Director as permitted by law with effect from 25 May 2021 until further notice due to his breach of fiduciary duties as a Director.

Each of the Subscribers, holding in aggregate 75% the total number of issued 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), has agreed to undertake to the Company and the Stock Exchange that upon Completion, each of the Subscribers shall (i) by way of notice of requisition request the Directors to convene a general meeting of the Company for the purpose of considering and, if thought fit, to pass the resolutions for the removal of each of Mr. Rong, Mr. Zhang Wenrong and Mr. Yuan Beisheng as an executive Director; or (ii) in relation to any retirement of Directors by rotation pursuant to Article 84 of the articles of association of the Company, exercise their voting rights at the upcoming annual general meeting of the Company by voting against the resolutions for the re-election of each of Mr. Rong, Mr. Zhang Wenrong and Mr. Yuan Beisheng as an executive Director.

CONTINUED SUSPENSION OF TRADING

Trading in the Shares has been suspended since 2 July 2019 pending the fulfilment of all the resumption conditions set out in the letters from the Stock Exchange. The Company is working closely with its professional advisers towards the resumption of trading in the Shares as soon as possible.

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

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, 25 May 2021

As at the date of this announcement, the executive Directors are Mr. Rong Changjun (duties suspended), Mr. Zhang Wenrong (duties suspended), Mr. Yuan Beisheng (duties suspended), 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.chinaoilgangrans.com.