

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



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

(1) FULFILMENT OF ALL RESUMPTION CONDITIONS; AND (2) RESUMPTION OF TRADING

Financial Adviser to the Company



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, 5 October 2020, 7 December 2020, 18 December 2020, 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, 19 March 2021, 30 March 2021, 9 April 2021, 16 April 2021, 23 April 2021, 6 May 2021, 18 May 2021, 25 May 2021, 26 May 2021, 28 May 2021, 3 June 2021, 22 June 2021 and 25 June 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; (ix) the Proposed Restructuring; and (x) the increase in authorised share capital; (b) the outstanding results announcements and reports published by the Company as required by the GEM Listing Rules; and (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.

BACKGROUND

The winding up petitions and the suspension of trading in the Shares

On 24 April 2019, Glory Sun Securities Limited presented the Hong Kong Petition to the Hong Kong Court in respect of a claim of approximately HK\$23,654,900.30 plus interest against the Company. By an order of the Hong Kong Court dated 2 September 2019, A.Plus Financial Press Limited was substituted as petitioner.

Trading in the Shares has been suspended since 2 July 2019 as the Company could not publish the annual results announcement and despatch the annual report for the year ended 31 March 2019 within three months after the end of the financial year of the Company.

On 22 October 2019, the Company presented the Cayman Petition to the Cayman Court on the basis that the Company was insolvent within the meaning of section 93 of the Companies Act and simultaneously applied for the appointment of provisional liquidators (for restructuring purposes). The Provisional Liquidators were appointed on 5 November 2019.

Resumption Conditions

The Company received letters from the Stock Exchange on 15 July 2019, 8 November 2019 and 18 May 2020 in relation to the Resumption Guidance, the Additional Resumption Guidance and the Further Resumption Guidance, respectively (collectively, the “**Resumption Conditions**”) set by the Stock Exchange, which the Company was required to fulfill before trading in the Shares could be resumed. Details of the Resumption Conditions are as follows:

- (i) to publish all outstanding financial results required by the GEM Listing Rules and address any audit qualifications;
- (ii) demonstrate that the Company has in place adequate internal control systems to meet the obligations under the GEM Listing Rules;

- (iii) 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;
- (iv) 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;
- (v) demonstrate the Company's compliance with Rule 17.26 of the GEM Listing Rules; and
- (vi) to inform the market of all material information for Shareholders and investors to appraise its position.

Increase in authorised share capital and completion of the Proposed Restructuring

In order to address the Resumption Conditions, the Company has devised and implemented a resumption plan. Based on the resumption plan submitted to the Stock Exchange, the Proposed Restructuring involves, among others, (i) the Subscriptions; (ii) the CB Subscriptions; and (iii) the Creditors' Schemes. With effect from 22 June 2021, the authorised share capital of the Company was increased from HK\$8,000,000 divided into 2,000,000,000 Shares to HK\$40,000,000 divided into 10,000,000,000 Shares by the creation of an additional 8,000,000,000 new Shares. In view of the Increase in Authorised Share Capital, the Company had sufficient authorised but unissued share capital for allotment and issue of the Subscription Shares, the Conversion Shares and the Creditors' Shares. The Increase in Authorised Share Capital also provided the Company with greater flexibility to raise funds by allotting and issuing Shares in the future. After the Increase in Authorised Share Capital became effective, the Proposed Restructuring was completed on 25 June 2021, details of which are set out below.

As all the conditions to the Subscription Agreement have been fulfilled, completion of the Subscriptions took place on 25 June 2021. An aggregate of 1,900,099,090 Subscription Shares (as to 1,501,078,281 Subscription Shares by the First Subscriber, 326,247,014 Subscription Shares by the Second Subscriber and 72,773,795 Subscription Shares by the Third Subscriber) have been successfully allotted and issued by the Company to the Subscribers in accordance with the terms of the Subscription Agreement. For details on the completion of the Subscriptions, please refer to the Company's announcement dated 25 June 2021.

As all the conditions to the CB Subscription Agreement have been fulfilled, completion of the CB Subscriptions took place on 25 June 2021. The Convertible Bonds in the aggregate principal amount of 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) have been successfully issued by the Company to the Subscribers in accordance with the terms of the CB Subscription Agreement. For details on the completion of the CB Subscriptions, please refer to the Company's announcement dated 25 June 2021.

The Cayman Court sanctioned the Cayman Scheme by order dated 21 May 2021. A copy of the sealed sanction order was registered with the Cayman Islands Registrar of Companies on 21 May 2021.

The Hong Kong Court sanctioned the Hong Kong Scheme at the hearing on 26 May 2021. A copy of the sealed sanction order was delivered to the Registrar of Companies in Hong Kong for registration on 27 May 2021. Accordingly, the Creditors' Schemes have become effective.

Dismissal of the Hong Kong Petition, withdrawal of the Cayman Petition and discharge of the Provisional Liquidators

The Hong Kong Petition was dismissed by the Hong Kong Court at the hearing on 26 May 2021.

Pursuant to a sealed order of the Cayman Court dated 25 May 2021 which filed on 27 May 2021 (Cayman time), the Cayman Petition against the Company was withdrawn. In the same order, the Provisional Liquidators were also discharged and released as Provisional Liquidators of the Company.

FUFILMENT OF ALL RESUMPTION CONDITIONS

The Company is pleased to inform the Shareholders and potential investors that all the Resumption Conditions imposed by the Stock Exchange has been fulfilled on 25 June 2021, and details in relation to, among others, the fulfilment of each of the above Resumption Conditions are as follows:

- (i) 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 and annual report of the Company for FY2019 were published on 2 July 2020 and 6 August 2020 respectively; (ii) the first quarterly results announcement and first quarterly report of the Company for the three months ended 30 June 2019 were published on 17 August 2020 and 26 August 2020 respectively; (iii) the interim results announcement and the interim report of the Company for the six months ended 30 September 2019 were published on 31 August 2020 and 10 September 2020 respectively; (iv) the third quarterly results announcement and third quarterly report of the Company for the nine months

ended 31 December 2019 were published on 17 September 2020 and 25 September 2020 respectively; (v) the annual results announcement and the annual report of the Company for FY2020 were published on 18 September 2020 and 25 September 2020 respectively; (vi) the first quarterly results announcement and the first quarterly report for the three months ended 30 June 2020 were published on 29 September 2020 and 9 October 2020 respectively; (vii) the interim results announcement and the interim report of the Company for the six months ended 30 September 2020 were published on 13 November 2020 and 23 November 2020 respectively; and (viii) the third quarterly results announcement and third quarterly report of the Company for the nine months ended 31 December 2020 were published on 10 February 2021 and 24 February 2021 respectively. Hence, the Company had published all the outstanding financial results of the Group as required by the GEM Listing Rules as at the date of this announcement. The Company confirmed that the annual results announcement and the annual report of the Company for FY2021 will be published on or before 30 June 2021 as required by the GEM Listing Rules.

The Company expects that all audit qualifications will be removed by FY2023, whereas the figures for FY2022 and the comparative figure for FY2021 will be subject to certain audit qualifications. Save as disclosed below, the Company confirmed that there will be no new audit qualifications in respect of the annual results of the Group for FY2021. 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.

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 loss 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

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 at the time of preparing the audited report of the Company for FY2020, the Auditors disclaimed the opinion for FY2020 in respect of the material uncertainties relating to the going concern basis.

As set out in the Announcements, 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. Completion of the Subscriptions and the CB Subscriptions took place on 25 June 2021. The gross proceeds from the Subscriptions was approximately HK\$36.9 million. The Company received 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 has fully applied the net proceeds from the Subscriptions for the settlement to be made to the Creditors (subject to adjudication) and for the Scheme Cost under the Creditors' Schemes. The gross proceeds from the CB Subscriptions was approximately HK\$3.1 million. The Company received 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 has fully applied the net proceeds from the CB Subscriptions as restructuring costs and general working capital of the Group.

Under the Creditors' Schemes, the indebtedness owed to the Creditors would 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. The Creditors' Schemes has become effective and as a result of which, 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 which arose on or before 5 November 2019 has been compromised and discharged in full.

Given that completion of the Proposed Restructuring took place on 25 June 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.

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 June 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 service 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.

In order to prepare for the consolidated annual results of the Group for FY2021, the Company has engaged 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 would transfer its claims, rights to claims, rights to any assets and the entire equity interests of the Deconsolidated Subsidiaries to Wilson Limited, being 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, would be distributed for the benefit of the Creditors subject to adjudication.

Given that completion of the Proposed Restructuring took place on 25 June 2021, 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, given that the Proposed Restructuring was completed on 25 June 2021 and on the assumption that the Resumption is expected to take place on 28 June 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

The Proposed Restructuring was completed on 25 June 2021. On the assumption that the Resumption takes place before the issue of the Auditor's report in respect of the annual results of the Group for FY2021, the Auditors confirm that the audit qualifications relating to (i) material uncertainties relating to the going concern basis, the HK\$22.5 million trade deposits and HK\$12.8 million prepayments will be removed in FY2021; (ii) all contingent liabilities and commitments of the Deconsolidated Subsidiaries will be removed in FY2022; and (iii) comparative figures of the financial statements 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.

Further, the Auditors confirmed that, subject to the assumption mentioned above and save as disclosed herein, as at the date of this announcement, the Auditors do not expect that there will be any new audit qualifications in respect of the annual results of the Group for FY2021.

The 2021 Audit Qualifications

In respect of the annual results of the Group for FY2021, the following modified opinion will be given by the Auditor in its audited report of the Company for FY2021:

1. 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' Schemes, the Company would transfer its claims, rights to claims, rights to any assets and the entire equity interests of the Deconsolidated Subsidiaries to Wilson Limited, being 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, would be distributed for the benefit of the Creditors subject to adjudication.

Given that completion of the Proposed Restructuring took place on 25 June 2021, 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 be removed in the annual results announcement and annual report of the Company for FY2022.

2. Opening Balances and Corresponding Figures

The auditors issued a disclaimer of opinion in respect of the Group's opening balances and correspondence figures due to the disclaimed audit opinion on the consolidated financial statements of the Group for FY2020. Since there is a disclaimer of opinion in respect of contingent liabilities and commitment associated with the Deconsolidated Subsidiaries for FY2021, the opening balances and corresponding figures included in the Group's consolidated financial statements will remain to be qualified for FY2022 but will be removed for FY2023.

(ii) 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 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.

Having considered the above, the Company considered that it has put in place adequate internal control system to meet obligations under the GEM Listing Rules and hence satisfied this resumption condition.

(iii) 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.

Change of Directors

As at the date of this announcement, most of the members from the former Board had already resigned as a Director. Since 17 February 2020, the following 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:

(i) Mr. Yeung Shing Wai has been appointed as an executive Director and the authorised representative; (ii) Mr. Chen Tian Gang has been appointed as an executive Director; (iii) Mr. Li Shu Wang has been appointed as an executive Director; (iv) Mr. Zhang Shao Wu has been appointed as an executive Director; (v) Mr. Chu Kin Ming has been appointed as an independent non-executive Director, each of the chairman of the audit committee and the nomination committee and a member of the remuneration committee; (vi) Mr. Chiam Tat Yiu has been appointed as an independent non-executive Director, the chairman of the remuneration committee and a member of each of the audit committee and the nomination committee; (vii) Mr. Chan Wai Cheung Admiral has been appointed as an independent non-executive Director and a member of each of the audit committee, the remuneration committee and the nomination committee; and (viii) Mr. Cha Ho Wa has been appointed as an independent non-executive Director and a member of each of the remuneration committee and the nomination committee.

Both Mr. Yeung Shing Wai and Mr. Chen Tian Gang have extensive experience in the power and data cord industry. Further, both Mr. Li Shu Wang and Mr. Zhang Shao Wu have extensive experience in the energy industry. Each of Mr. Chu Kin Ming, Mr. Chiam Tat Yiu and Mr. Chan Wai Cheung Admiral are accountants and have extensive experience in accounting and/or financial management. Mr. Cha Ho Wa is a solicitor of the Hong Kong Court. The new executive Directors and independent non-executive Directors have a diversity of professional and industry experience, including in the power cord industry, petrochemical and energy industry, accounting and auditing industry and/or legal industry. For further details of the background of the newly appointed Directors, please refer to the announcements of the Company dated 17 February 2020, 5 March 2020, 9 March 2020 and 7 December 2020.

Formation of the Special Investigation Committee

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 on 18 December 2020 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.

Forensic Investigation in relation to the Deconsolidation of Subsidiaries

The Company engaged Frank Forensic and Corporate Recovery Limited, an independent professional firm, on 18 December 2020 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.

According to the Forensic Investigation Report, on the issue of whether there was any potential breach of fiduciary duties of the Directors in relation to the Deconsolidation of Subsidiaries, it appeared to Frank Forensic that the former Board at the material times had not exercised due care, skill and diligence in the following areas: (i) failure to monitor and make enquiries on the operation of the Deconsolidated Subsidiaries regularly and diligently; (ii) failure to institute sufficient representation on the board of directors of the Deconsolidated Subsidiaries and China Oil HK; (iii) failure to take reasonable steps to disclose the loss of control over the Deconsolidated Subsidiaries within a reasonable time; and (iv) failure to implement sufficient internal control policies to secure the Company's unhindered access to the books and records of the Deconsolidated Subsidiaries.

Further, with regards to the findings on Mr. Rong, Frank Forensic considered that 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.

It appeared from the interviews with Mr. Yuan Beisheng and Mr. Zhang Wenrong that both of them had no knowledge about the operation and status of the Deconsolidated Subsidiaries, and in Frank Forensic's view, they failed to properly discharge their duties as Directors.

With regards to the cause of the loss of control of the Deconsolidated Subsidiaries, it was set out in the Forensic Investigation Report that 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 Chun Kit Gregory, being a former executive Director, in Jiangxi China Oil, China Oil HK (up to 22 February 2019) and Brave Champ up to 14 May 2020, it is believed that he has personal knowledge of the status of the Deconsolidated Subsidiaries.

Given the directorship of Mr. Rong in Jiangxi China Oil up to 14 May 2020 and his role as Vice Chairman of the Company, it is believed that he also has personal knowledge of the status of the Deconsolidated Subsidiaries.

There is also evidence from the interviews conducted by Frank Forensic with, among others, a former Director that Dr. Ho Chun Kit Gregory 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.

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

Frank Forensic 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.

Frank Forensic further 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 of the Group 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 relating to the Forensic Investigation Report, it is noted that Frank Forensic has not yet been 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.

The Special Investigation Committee has convened a meeting passing a resolution to adopt the Forensic Investigation Report and to present the Forensic Investigation Report to the Board. 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 Company has since improved its internal control procedures to, among others, ensure that the control has been exercised by the Company for all its subsidiaries and to enforce timely financial reporting of the Group. 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. For details of the key findings of the Forensic Investigation Report, the views of the Special Investigation Committee and the Board and the remedial actions taken by the Board, please refer to the announcement of the Company dated 25 May 2021.

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 as an executive Director with effect from 18 December 2020 until further notice due to the 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. In particular, 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.

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.

Having considered Frank Forensic's major findings in the Forensic Investigation Report, 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.

(iv) 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.

The Cayman Court sanctioned the Cayman Scheme by order dated 21 May 2021. A copy of the sealed sanction order was registered with the Cayman Islands Registrar of Companies on 21 May 2021.

The Hong Kong Court sanctioned the Hong Kong Scheme at the hearing on 26 May 2021. A copy of the sealed sanction order was delivered to the Registrar of Companies in Hong Kong for registration on 27 May 2021.

The Hong Kong Petition was dismissed by the Hong Kong Court at the hearing on 26 May 2021.

Pursuant to a sealed order of the Cayman Court dated 25 May 2021 which filed on 27 May 2021 (Cayman time), the Cayman Petition against the Company was withdrawn. In the same order, the Provisional Liquidators were also discharged and released as Provisional Liquidators of the Company.

As at the date of this announcement, there are no longer any winding up petition against the Company and the appointment of liquidators (provisional or not) has been discharged.

(v) 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.

The Company complies with the requirements of Rule 17.26 of the GEM Listing Rules on the following grounds:

Level of operations:

The total revenue of the Group for FY2020 amounted to approximately HK\$64.0 million, which was mainly driven by the sale of Power and Data Cords Business as a result of the introduction of two new types of products in the fourth quarter of FY2020.

For the nine months ended 31 December 2020, total revenue of the Group amounted to approximately HK\$94.9 million, representing (i) an increase of approximately 177.0% as compared to approximately HK\$34.3 million for the corresponding period

in previous year; and (ii) approximately 86.8% of the total revenue of the Group based on the profit forecast prepared by the Company as discussed below. Such increase was mainly driven by the constant growth in sale of the new products as referred to above.

Based on the unaudited management accounts of the Company for FY2021, the Group recorded revenue of approximately HK\$110.7 million for FY2021. Operating profit before tax, impairment loss and finance costs of the Restructured Group (excluding resumption expenses of HK\$6.1 million) for FY2021 amounted to approximately HK\$2.4 million. Based on the cash flow forecast prepared by the Company, the Group is also expected to have positive cash balance as at the end of each month from April 2021 to September 2021.

Financial position:

Following completion of the Proposed Restructuring, the indebtedness of the Group has been substantially reduced, which would enable the Group to restore to a normal and healthy financial position.

(vi) To inform the market of all material information for Shareholders and investors to appraise its position.

The Company confirmed that (i) the annual results of the Group for FY2021 will be published by 30 June 2021 as required by the GEM Listing Rules; and (ii) save as disclosed above, there will be no new audit qualifications in respect of the annual results of the Group for FY2021.

The Company has been publishing announcements relating to the Proposed Restructuring, the Hong Kong Petition, the Cayman Petition and the Forensic Investigation, quarterly update announcements, inside information 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.

RESUMPTION OF TRADING

Trading in the Shares has been suspended since 2 July 2019. As all the Resumption Conditions are fulfilled on 25 June 2021, an application has been made to the Stock Exchange for the resumption of trading in the Shares with effect from 9:00 a.m. on 28 June 2021.

By order of the Board
China Oil Gangran Energy Group Holdings Limited
Yeung Shing Wai
Executive Director

Hong Kong, 25 June 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.