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## THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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If you are in any doubt as to any aspect of this circular or as to the action you should take, you should consult a licensed securities dealer or registered institution in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in China Oil Gangran Energy Group Holdings Limited (Provisional Liquidators appointed), you should at once hand this circular and the accompanying form of proxy to the purchaser or the transferee, or to the bank manager, licensed securities dealer, registered institution in securities or other agent through whom the sale was effected for transmission to the purchaser or transferee.

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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) SUBSCRIPTION OF NEW SHARES  
UNDER SPECIFIC MANDATE;
- (2) SUBSCRIPTION OF CONVERTIBLE BONDS  
UNDER SPECIFIC MANDATE;
- (3) CREDITORS' SCHEMES;
- (4) APPLICATION FOR WHITEWASH WAIVER;
- (5) SPECIAL DEAL; AND
- (6) NOTICE OF EXTRAORDINARY GENERAL MEETING

Financial Adviser to the Company



Lego Corporate  
Finance Limited  
力高企業融資有限公司

Independent Financial Adviser to the Independent Board Committee  
and the Independent Shareholders



金融有限公司  
OCTAL Capital Limited

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Terms in this cover page have the same meanings as defined in this circular.

A letter from the Board is set out on pages 11 to 44 of this circular. A letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders is set out on pages 47 to 74 of this circular. The recommendation of the Independent Board Committee to the Independent Shareholders is set out on pages 45 to 46 of this circular.

A notice convening the EGM to be held at R1, United Conference Centre, 10/F, United Centre, 95 Queensway, Admiralty, Hong Kong on Friday, 9 April 2021 at 2:00 p.m. is set out on pages EGM-1 to EGM-5 of this circular. A form of proxy for use at the EGM is enclosed. Whether or not you intend to attend the EGM, you are requested to complete the accompanying form of proxy in accordance with the instructions printed thereon and return the same to the branch share registrar of the Company in Hong Kong, Tricor Investor Services Limited, Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong as soon as possible and in any event no later than 48 hours before the time appointed for holding the EGM (i.e. Wednesday, 7 April 2021 at 2:00 p.m. (Hong Kong time)) or any adjournment thereof. Completion and return of the form of proxy shall not preclude you from attending and voting in person at the EGM or any adjournment thereof should you so desire.

This circular will remain on the "Latest Listed Company Information" page of the GEM website at [www.hkgem.com](http://www.hkgem.com) for at least seven days from the date of its posting and on the website of the Company at [www.chinaoilgangrans.com](http://www.chinaoilgangrans.com).

19 March 2021

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## CHARACTERISTICS OF GEM

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**GEM has been positioned as a market designed to accommodate small and mid-sized companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration.**

**Given that the companies listed on GEM are generally small and mid-sized companies, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the main board of the Stock Exchange and no assurance is given that there will be a liquid market in the securities traded on GEM.**

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## PRECAUTIONARY MEASURES FOR THE EGM

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Reference is made to the “Joint Statement in relation to General Meetings in light of the Prevention and Control of Disease (Prohibition on Group Gathering) Regulation” jointly issued by the Stock Exchange and the SFC on 1 April 2020 in relation to the arrangement of the EGM.

### VOTING BY PROXY IN ADVANCE OF THE EGM

The Company does not in any way wish to diminish the opportunity available to the Shareholders to exercise their rights and to vote, but is conscious of the pressing need to protect the Shareholders from possible exposure to the COVID-19 Pandemic. For the health and safety of the Shareholders, the Company would like to encourage Shareholders to exercise their right to vote at the EGM by appointing the chairman of the EGM as their proxy instead of attending the EGM in person. Physical attendance is not necessary for the purpose of exercising Shareholders’ rights. Completion and return of the proxy form will not preclude the Shareholders from attending and voting in person at the EGM or any adjournment thereof should they subsequently so wish.

### PREVENTIVE MEASURES AT THE EGM

The Company will implement the following preventive measures at the EGM to safeguard the health and safety of the attending Shareholders, staff and other stakeholders:

- (i) as a precautionary safety measure, seating at the EGM will be arranged so as to reduce interaction between participants. As a result, there will be limited capacity for Shareholders to attend the EGM and seats will be allocated in a first come first serve basis;
- (ii) compulsory body temperature checks will be conducted on every Shareholder, proxy and other attendee at the entrance of the EGM venue. Any person with a body temperature of over 37.5 degrees Celsius will be requested to stay in an isolated place for completing the voting procedures;
- (iii) all Shareholders, proxies and other attendees are required to complete and submit at the entrance of the EGM venue a declaration form confirming their names and contact details, and confirming that they have not travelled to, or had physical contact with any person who to their best of knowledge has recently travelled to, any affected countries or areas outside Hong Kong (as per guidelines issued by the Hong Kong Government at [www.chp.gov.hk/en/features/102742.html](http://www.chp.gov.hk/en/features/102742.html)) at any time in the preceding 14 days. Any person who does not comply with this requirement will be requested to stay in an isolated place for completing the voting procedures;
- (iv) every attendee will be required to wear a surgical face mask throughout the EGM. Please note that no masks will be provided at the EGM venue and attendees should bring and wear their own masks;
- (v) seating at the EGM will be arranged in a manner to allow for appropriate social distancing;

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## PRECAUTIONARY MEASURES FOR THE EGM

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(vi) no refreshments will be served and there will be no corporate gifts; and

(vii) other measures may be revised by government bodies.

In the interest of all stakeholders' health and safety and consistent with recent guidelines for prevention and control of the COVID-19 Pandemic, the Company reminds all Shareholders that physical attendance in person at the EGM is not necessary for the purpose of exercising voting rights. As an alternative, by using proxy forms with voting instructions inserted, Shareholders may appoint the chairman of the EGM as their proxy to vote on the relevant resolutions at the EGM instead of attending the EGM in person.

The Company will closely monitor the development of the COVID-19 Pandemic and any regulations or measures introduced or to be introduced by the Hong Kong Government in relation to the COVID-19 Pandemic. The Company will ensure that the EGM will be conducted in compliance with the regulations or measures of the Hong Kong Government and Shareholders will not be deprived of their right of voting on the resolutions to be proposed at the EGM. Further announcements will be made by the Company as soon as possible if there is any update to the preventive measures as mentioned above.

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## EXPECTED TIMETABLE

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The following expected timetable is indicative only and is subject to change. If necessary, further announcement(s) in relation to a revised timetable will be published as and when appropriate.

| <b>Event</b>  | <b>Date and Time</b>                    |
|---|---|
|   | <b>2021</b>                             |
| Latest time for lodging transfer of Shares in order to qualify<br>for attendance and voting at the EGM .....          | 4:30 p.m. on<br>Wednesday, 31 March     |
| Latest time for lodging proxy forms for the EGM .....   | 2:00 p.m. on<br>Wednesday, 7 April      |
| Register of members of the Company closed for EGM (both<br>days inclusive) .....                                      | Thursday, 1 April to<br>Friday, 9 April |
| Record date for determining attendance and voting<br>at the EGM .....   | Friday, 9 April                         |
| EGM .....   | 2:00 p.m. on<br>Friday, 9 April         |
| Announcement of the results of the EGM .....  | Friday, 9 April                         |
| Register of members of the Company re-opens .....   | Monday, 12 April                        |
| Despatch of Scheme Document .....   | Friday, 16 April                        |
| Scheme Meetings .....   | Tuesday, 11 May                         |
| Announcement of the results of the Scheme Meetings .....  | Tuesday, 11 May                         |
| Cayman Court hearing on petition to sanction the Cayman<br>Scheme (subject to availability of the Cayman Court) ..... | Tuesday, 18 May                         |
| Hong Kong Court hearing on petition to sanction the Hong<br>Kong Scheme .....   | Tuesday, 18 May                         |

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## EXPECTED TIMETABLE

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|--|-----------------------|
| Withdrawal/dismissal of the winding up petition(s) .....   | Before the Resumption |
| Order granted by the Cayman Court to discharge the<br>Provisional Liquidators unconditionally or conditionally in<br>respect of the provisional liquidation of the Company .....   | Before the Resumption |
| Order granted by the Hong Kong Court to discharge the<br>Provisional Liquidators unconditionally or conditionally in<br>respect of the provisional liquidation of the Company .....  | Before the Resumption |
| Completion of the Subscriptions, the CB Subscriptions and<br>despatch of new share certificates for the Subscription<br>Shares .....   | Friday, 28 May        |
| Cash payment of approximately HK\$20,000,000, the issue of<br>the Creditors' Shares and any receivable from the<br>realisation of the Deconsolidated Subsidiaries to the<br>Scheme Administrators, Scheme Company A, Scheme<br>Company B or their nominee(s) ..... | Friday, 28 May        |
| Expected effective date of the Creditors' Schemes .....  | Friday, 28 May        |
| Completion of all the conditions imposed by the Stock<br>Exchange for Resumption and publication of an<br>announcement relating to the Resumption .....  | Friday, 28 May        |
| Expected date of the Resumption .....  | Monday, 31 May        |

All times stated above refer to Hong Kong times.

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## DEFINITIONS

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*In this circular, unless the context otherwise requires, the following expressions have the following meanings:*

|                             |   |
|-----------------------------|---|
| “Able One”                  | Able One Investments Limited, a company incorporated in the British Virgin Islands with limited liability and a subsidiary of the Company   |
| “acting in concert”         | has the meaning ascribed thereto in the Takeovers Code  |
| “Announcement”              | the announcement of the Company dated 23 December 2020 in relation to, among other things, the Subscriptions, the CB Subscriptions, the granting of the Specific Mandate, the Creditors’ Schemes, the Whitewash Waiver and the Special Deal |
| “Board”                     | the board of Directors  |
| “Brave Champ”               | Brave Champ Holdings Limited, an investment holding company incorporated in the British Virgin Islands with limited liability and a direct wholly-owned subsidiary of the Company   |
| “Business Day(s)”           | any day (excluding Saturday, Sunday or public holiday) on which banks in Hong Kong are generally open for business throughout their normal business hours   |
| “Cayman Court”              | the Grand Court of the Cayman Islands   |
| “Cayman Scheme”             | the scheme of arrangement proposed to be made between the Company and the Creditors pursuant to section 86 of the Companies Act of the Cayman Islands   |
| “CB Completion”             | the completion of the CB Subscriptions pursuant to the CB Subscription Agreement  |
| “CB Completion Date”        | the date falling on the third Business Day after the date of fulfillment (or waiver) of all the conditions set out in the CB Subscription Agreement (or such later date as may be agreed in writing between the parties thereof)            |
| “CB Subscription Agreement” | the subscription agreement dated 23 December 2020 (as amended by the Supplemental CB Subscription Agreement) and entered into between the Company and Subscribers in respect of the CB Subscriptions  |



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## DEFINITIONS

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|-------------------------|---|
| “CB Subscription Price” | the subscription price in the aggregate 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) for the subscription of the Convertible Bonds |
| “CB Subscriptions”      | collectively, the First CB Subscription, the Second CB Subscription and the Third CB Subscription   |
| “China Oil HK”          | China Oil Gangran Energy Group (Hong Kong) Limited, an investment holding company incorporated in Hong Kong with limited liability and an indirect wholly-owned subsidiary of the Company   |
| “close associate(s)”    | has the meaning ascribed thereto under the GEM Listing Rules  |
| “Company”               | China Oil Gangran Energy Group Holdings Limited, a company incorporated in the Cayman Islands with limited liability whose issued Shares are listed on GEM  |
| “Completion”            | the completion of the Subscriptions pursuant to the Subscription Agreement  |
| “Completion Date”       | the date falling on the third Business Day after the date of fulfillment (or waiver) of all the conditions set out in the Subscription Agreement (or such later date as may be agreed in writing between the parties thereof)                         |
| “connected persons”     | has the meaning ascribed to it under the GEM Listing Rules  |
| “Convertible Bonds”     | the convertible bonds in the aggregate principal amount of HK\$3,105,556.91 to be issued by the Company to the Subscribers pursuant to the CB Subscription Agreement  |
| “Conversion Period”     | the period commencing from the date of issue of the Convertible Bonds and ending on the Maturity Date (if such date is not a Business Day, the Business Day immediately preceding this date)  |
| “Conversion Price”      | the initial conversion price of HK\$0.01941712 per Conversion Share (subject to adjustment)   |
| “Conversion Shares”     | the new Shares to be allotted and issued under the Mandatory Conversion Mechanism   |
| “COVID-19 Pandemic”     | the Coronavirus (COVID-19) pandemic   |

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## DEFINITIONS

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|-----------------------------------|---|
| “Creditor(s)”                     | the creditor(s) of the Company under the Creditors’ Schemes, which shall exclude the Secured Creditor   |
| “Creditors’ Schemes”              | collectively, the Hong Kong Scheme and the Cayman Scheme  |
| “Creditors’ Shares”               | 253,346,545 new Shares to be allotted and issued by the Company to the Creditors under the terms of the Creditors’ Schemes  |
| “Deconsolidated Subsidiaries”     | collectively, Jiangxi China Oil, Zhoushan China Oil, Jiangxi Gangran and Jilin China Oil  |
| “Deed of Assignment and Novation” | the deed of assignment and novation dated 6 March 2020 and entered into between Hong Lin Investments, the First Subscriber, Xu Tianduo and the Company in relation to the assignment and novation of the MOU  |
| “Deed of Set-off”                 | a deed of set-off to be executed by the Company and the First Subscriber, confirming that part of the consideration for the First Subscription Shares has been set-off in full against the Outstanding Debt   |
| “Director(s)”                     | director(s) of the Company  |
| “EGM”                             | the extraordinary general meeting of the Company to be convened and held to consider and approve, among other things, the Subscriptions, the CB Subscriptions, the granting of the Specific Mandate, the Creditors’ Schemes, the Whitewash Waiver and the Special Deal  |
| “Executive”                       | the Executive Director of the Corporate Finance Department of the SFC from time to time or any delegate of the Executive Director   |
| “First CB Subscription”           | the subscription of the convertible bonds for an aggregate principal amount of HK\$2,453,389.96 to be issued by the Company to the First Subscriber pursuant to the CB Subscription Agreement   |
| “First Consideration”             | the total consideration payable by the First Subscriber to the Company for subscription of the First Subscription Shares  |
| “First Loan Agreement”            | the loan agreement dated 17 July 2020 (as amended by the Supplemental Loan Agreements) and entered into between the Company as borrower and the First Subscriber as lender pursuant to which the First Subscriber agreed to grant a loan facility of up to HK\$4,500,000 to the Company at the interest rate of 18% per annum |

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## DEFINITIONS

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|-------------------------------|---|
| “First Subscriber”            | BAINENG Holdings Limited, a company incorporated in Hong Kong with limited liability  |
| “First Subscription”          | the subscription of the First Subscription Shares by the First Subscriber pursuant to the Subscription Agreement  |
| “First Subscription Shares”   | 1,501,078,281 new Shares to be allotted and issued by the Company to the First Subscriber under the First Subscription  |
| “Formula”                     | the formula for calculation of the number of Conversion Shares to be automatically converted from the principal amount of the Convertible Bonds under the Mandatory Conversion Mechanism  |
| “GEM”                         | GEM of the Stock Exchange   |
| “GEM Listing Rules”           | the Rules Governing the Listing of Securities on GEM  |
| “Group”                       | the Company and its subsidiaries  |
| “Hong Kong”                   | Hong Kong Special Administrative Region of the People’s Republic of China   |
| “Hong Kong Court”             | the High Court of Hong Kong   |
| “Hong Kong Scheme”            | the proposed scheme of arrangement for the Company to be made between the Company and the Creditors under Part 13 of the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time   |
| “Hong Lin Investments”        | Hong Lin Investments L.P., an exempted limited partnership registered in the Cayman Islands, whose ultimate beneficial owner is Xu Tianduo (徐天鐸)  |
| “Independent Board Committee” | an independent board committee of the Company, comprising all independent non-executive Directors, which has been established by the Board for the purpose of advising the Independent Shareholders on the Subscriptions, the CB Subscriptions, the Specific Mandate, the Creditors’ Schemes, the Whitewash Waiver, the Special Deal and as to voting |

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## DEFINITIONS

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|---|---|
| “Independent Financial Adviser”<br>or “Octal Capital” | Octal Capital Limited, a corporation licensed to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO, and being the independent financial adviser appointed to advise the Independent Board Committee and the Independent Shareholders on the Subscriptions, the CB Subscriptions, the granting of Specific Mandate, the Creditors’ Schemes, the Whitewash Waiver, the Special Deal and the transactions contemplated thereunder   |
| “Independent Shareholders”                            | Shareholders other than (i) the Creditors (including Mr. Zou Donghai and Dr. Zheng Jian Peng, each being a former executive Director), their close associates and parties acting in concert with any one of them; (ii) the Subscribers, their close associates and parties acting in concert with them; (iii) those who are involved in or interested in the Subscription Agreement, the CB Subscription Agreement, the Whitewash Waiver and/or the Special Deal; and (iv) those who are required to abstain from voting under the Takeovers Code and the GEM Listing Rules |
| “Independent Third Party(ies)”                        | any person or company and their respective ultimate beneficial owner(s) which, to the best of the Directors’ knowledge, information and belief having made all reasonable enquiries, are third parties independent of the Company and its connected persons   |
| “Issue Price”   | the issue price of HK\$0.01941712 per Creditors’ Share  |
| “Jiangxi China Oil”                                   | 江西中油港燃能源科技有限責任公司 (Jiangxi China Oil Gangran Energy Technology Company Limited*), a company established in the PRC with limited liability and an indirect subsidiary of the Company  |
| “Jiangxi Gangran”                                     | 江西港燃貿易有限公司 (Jiangxi Gangran Trading Company Limited*), a company established in the PRC with limited liability and an indirect subsidiary of the Company  |
| “Jilin China Oil”                                     | 吉林中油港燃能源開發有限公司 (Jilin China Oil Gangran Energy Development Company Limited*), a company established in the PRC with limited liability and an indirect subsidiary of the Company   |
| “Last Trading Day”                                    | 28 June 2019, the last trading date before the suspension of trading in the Shares  |

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## DEFINITIONS

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| “Latest Practicable Date”        | 17 March 2021, being the latest practicable date prior to the despatch of this circular for ascertaining certain information referred to in this circular   |
| “Listing Committee”              | the Listing Committee of the Stock Exchange   |
| “Loan Agreements”                | collectively, the First Loan Agreement, the Second Loan Agreement and the Supplemental Loan Agreements  |
| “Mandatory Conversion Mechanism” | the automatic conversion of any part or all of the principal amount of the Convertible Bonds into Conversion Shares during the Conversion Period upon the exercise of any Outstanding Share Options under the Share Option Scheme according to the Formula for anti-dilution purpose  |
| “Maturity Date”                  | 16 March 2025 (or, if that is not a Business Day, the first Business Day thereafter), being the maturity date of the Convertible Bonds  |
| “MOU”                            | the non-legally binding memorandum of understanding dated 23 December 2019 and entered into between the Company and Hong Lin Investments in relation to, among other, the possible subscription of certain new shares of the Company, such MOU being subsequently assigned and novated to the First Subscriber pursuant to the Deed of Assignment and Novation  |
| “Non-Refundable Deposit”         | the non-refundable deposit in the amount of HK\$5,000,000 in cash received by the Company pursuant to the MOU   |
| “Outstanding Debt”               | all obligations, liabilities and debts owing or incurred by the Company to the First Subscriber on or at any time prior to the Completion (including but not limited to (i) the outstanding principal of the loan of HK\$4,500,000 together with interest under the First Loan Agreement as at the Latest Practicable Date; and (ii) the loan facility in the principal amount of up to HK\$5,000,000 together with interest under the Second Loan Agreement (assuming the said loan facility is fully drawn down prior to Completion). As at the Latest Practicable Date, the Outstanding Debt amounted to approximately HK\$8 million |
| “Outstanding Share Options”      | 53,313,050 outstanding share options as at the Latest Practicable Date granted by the Company pursuant to the Share Option Scheme   |

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## DEFINITIONS

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| “Proposed Restructuring”  | the proposed capital / debt restructuring of the Group, which under current structure involving, among other things, the Subscriptions, the CB Subscriptions and the Creditors’ Schemes  |
| “Provisional Liquidators” | Mr. Yen Ching Wai David and Ms. So Kit Yee Anita, both of Ernst & Young Transactions Limited, and Mr. Keiran William Hutchison of Ernst & Young Ltd, the joint provisional liquidators of the Company as ordered by the Cayman Court on 5 November 2019  |
| “Relevant Period”         | the period commencing six months prior to the date of the Announcement and ending on the Latest Practicable Date   |
| “Resumption”              | the resumption of trading in the Shares on GEM   |
| “Resumption Plan”         | the resumption plan dated 30 June 2020 submitted by the Company to the Stock Exchange, as varied and amended from time to time   |
| “Scheme Administrators”   | such persons to be appointed as the scheme administrators or their successors pursuant to the terms of the Creditors’ Schemes  |
| “Scheme Company A”        | a new company to be incorporated in Hong Kong with limited liability, being a special purpose vehicle held and controlled by the Scheme Administrators or such other company as may be nominated by the Scheme Administrators, for the purpose of holding part of the proceeds from the Subscriptions in the total amount of approximately HK\$20,000,000 and the Creditors’ Shares pursuant to the Creditors’ Schemes |
| “Scheme Company B”        | a new company to be incorporated in Hong Kong with limited liability, being a special purpose vehicle held and controlled by the Scheme Administrators or such other company as may be nominated by the Scheme Administrators, for the purpose of holding the Deconsolidated Subsidiaries and other rights and claims to be transferred to it by the Company pursuant to the Creditors’ Schemes                        |
| “Scheme Cost”             | costs, charges, expenses and disbursements necessary and properly incurred in connection with the costs incurred by, among others, the Scheme Administrators for the administration and implementation of the Creditors’ Schemes   |

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## DEFINITIONS

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| “Scheme Document”            | the document to be sent to the Creditors with the approval of the Cayman Court and the Hong Kong Court which includes, among others, an explanatory statement of the Creditors’ Schemes   |
| “Scheme Meeting(s)”          | the meeting(s) of the Creditors to be convened and held at the direction of the Cayman Court and the Hong Kong Court for the purpose of considering and, if thought fit, approving the Creditors’ Schemes   |
| “Second CB Subscription”     | the subscription of the convertible bonds for an aggregate principal amount of HK\$533,224.12 to be issued by the Company to the Second Subscriber pursuant to the CB Subscription Agreement  |
| “Second Consideration”       | the total consideration payable by the Second Subscriber to the Company for subscription of the Second Subscription Shares  |
| “Second Loan Agreement”      | the loan agreement dated 23 December 2020 and entered into between the Company as borrower and the First Subscriber as lender pursuant to which the First Subscriber agreed to grant an uncommitted loan facility in the principal amount of up to HK\$5,000,000 in favour of the Company at the interest rate of 18% per annum |
| “Second Subscriber”          | Richmax Investment (H.K.) Limited, a company incorporated in Hong Kong with limited liability   |
| “Second Subscription”        | the subscription of the Second Subscription Shares by the Second Subscriber pursuant to the Subscription Agreement  |
| “Second Subscription Shares” | 326,247,014 new Shares to be allotted and issued by the Company to the Second Subscriber under the Second Subscription  |
| “Secured Creditor”           | a secured creditor of the Company who shall be excluded from the Creditors Schemes. As at the Latest Practicable Date, the Company is indebted to the Secured Creditor in the total amount of approximately HK\$6 million (exclusive of default interest, if any)   |
| “SFC”                        | the Securities and Futures Commission of Hong Kong  |
| “SFO”                        | the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)   |

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## DEFINITIONS

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| “Share Option Scheme”                    | the share option scheme adopted by the Company on 27 April 2011  |
| “Share(s)”                               | ordinary share(s) of HK\$0.004 each in the share capital of the Company  |
| “Shareholder(s)”                         | holder(s) of the Share(s)  |
| “Special Deal”                           | means the proposed settlement under the Creditors’ Schemes of the indebtedness due to such Creditors who are also Shareholders, which will constitute a special deal under Note 5 to Rule 25 of the Takeovers Code   |
| “Specific Mandate”                       | the specific mandate to be granted by the Independent Shareholders to the Board at the EGM for the allotment and issue of the Subscription Shares, the Conversion Shares and the Creditors’ Shares   |
| “Stock Exchange”                         | The Stock Exchange of Hong Kong Limited  |
| “Subscribers”                            | collectively, the First Subscriber, the Second Subscriber and the Third Subscriber   |
| “Subscription Agreement”                 | the subscription agreement dated 23 December 2020 (as amended by the Supplemental Subscription Agreement) and entered into between the Company and Subscribers in respect of the Subscriptions   |
| “Subscription Price”                     | the consideration of HK\$0.01941712 per Subscription Share for the subscription of the Subscription Shares   |
| “Subscription Shares”                    | collectively, the First Subscription Shares, the Second Subscription Shares and the Third Subscription Shares  |
| “Subscriptions”                          | collectively, the First Subscription, the Second Subscription and the Third Subscription   |
| “Supplemental CB Subscription Agreement” | the supplemental subscription agreement dated 15 March 2021 and entered into between the Company and the Subscribers in respect of the CB Subscriptions  |
| “Supplemental Loan Agreements”           | the supplemental loan agreements dated 30 September 2020 and 23 December 2020 and entered into between the Company and the First Subscriber to supplement the First Loan Agreement in relation to the extension of the final repayment date of the loan from 30 September 2020 to 30 June 2021 |



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## DEFINITIONS

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|---------------------------------------|--|
| “Supplemental Subscription Agreement” | the supplemental subscription agreement dated 15 March 2021 and entered into between the Company and the Subscribers in respect of the Subscriptions   |
| “Takeovers Code”                      | the Hong Kong Code on Takeovers and Mergers  |
| “Third CB Subscription”               | the subscription of the convertible bonds for an aggregate principal amount of HK\$118,942.83 to be issued by the Company to the Third Subscriber pursuant to the CB Subscription Agreement  |
| “Third Consideration”                 | the total consideration payable by the Third Subscriber to the Company for subscription of the Third Subscription Shares   |
| “Third Subscriber”                    | New Origins International Limited, a company incorporated in the British Virgin Islands with limited liability   |
| “Third Subscription”                  | the subscription of the Third Subscription Shares by the Third Subscriber pursuant to the Subscription Agreement   |
| “Third Subscription Shares”           | 72,773,795 new Shares to be allotted and issued by the Company to the Third Subscriber under the Third Subscription  |
| “Unsubscribed Shares”                 | the Second Subscription Shares and the Third Subscription Shares that are not subscribed by the Second Subscriber and the Third Subscriber respectively  |
| “Whitewash Waiver”                    | a waiver pursuant to Note 1 on Dispensations from Rule 26 of the Takeovers Code to be granted by the Executive in respect of the obligations of the First Subscriber to make a mandatory general offer to the Shareholders in respect of all the Shares and the securities of the Company not already owned or agreed to be acquired by it and parties acting in concert with it as a result of its subscription of the First Subscription Shares under the Subscription Agreement |
| “Zhoushan China Oil”                  | 舟山中油港燃石油化工有限公司 (Zhoushan China Oil Gangran Petroleum and Chemical Company Limited*), a company established in the PRC with limited liability and an indirect subsidiary of the Company   |
| “HK\$”                                | Hong Kong dollars, the lawful currency of Hong Kong  |
| “%”                                   | per cent.  |

\* For identification purpose only

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LETTER FROM THE BOARD

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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

*Provisional Liquidators*

Mr. Yen Ching Wai David  
Ms. So Kit Yee Anita  
Mr. Keiran William Hutchison

*Registered office:*

Cricket Square, Hutchins Drive  
PO Box 2681, Grand Cayman  
KY1-1111 Cayman Islands

*Executive Directors:*

Mr. Rong Changjun *(duties suspended)*  
Mr. Zhang Wenrong  
Mr. Yuan Beisheng  
Mr. Yeung Shing Wai  
Mr. Chen Tian Gang  
Mr. Li Shu Wang  
Mr. Zhang Shao Wu

*Principal place of*

*business in Hong Kong:*

Flat O, 10/F.  
Yue Cheung Centre  
1-3 Wong Chuk Yeung Street  
Fo Tan, New Territories  
Hong Kong

*Independent non-executive Directors:*

Mr. Chu Kin Ming  
Mr. Chiam Tat Yiu  
Mr. Chan Wai Cheung Admiral  
Mr. Cha Ho Wa

19 March 2021

*To the Shareholders*

*Dear Sir or Madam,*

- (1) SUBSCRIPTION OF NEW SHARES  
UNDER SPECIFIC MANDATE;  
(2) SUBSCRIPTION OF CONVERTIBLE BONDS  
UNDER SPECIFIC MANDATE;  
(3) CREDITORS' SCHEMES;  
(4) APPLICATION FOR WHITEWASH WAIVER;  
(5) SPECIAL DEAL; AND  
(6) NOTICE OF EXTRAORDINARY GENERAL MEETING**

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## LETTER FROM THE BOARD

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### INTRODUCTION

References are made to (i) the announcements of the Company dated 30 September 2020 and 30 December 2020 in relation to, among others, the quarterly update on suspension of trading in the Shares and the Proposed Restructuring; (ii) the Announcement in relation to, among other things, the Subscriptions, the CB Subscriptions, the granting of the Specific Mandate, the Creditors' Schemes, the Whitewash Waiver and the Special Deal; and (iii) the announcement of the Company dated 15 March 2021 in relation to, among other things, the Supplemental Subscription Agreement and the Supplemental CB Subscription Agreement.

The purpose of this circular is to provide you with among other things, (i) details of the Subscriptions, the CB Subscriptions, the Specific Mandate, the Creditors' Schemes, the Whitewash Waiver and the Special Deal; (ii) the recommendation of the Independent Board Committee in relation to the Subscriptions, the CB Subscriptions, the Specific Mandate, the Creditors' Schemes, the Whitewash Waiver and the Special Deal; (iii) a letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in relation to the Subscriptions, the CB Subscriptions, the Specific Mandate, the Creditors' Schemes, the Whitewash Waiver and the Special Deal; and (iv) a notice convening the EGM.

### SUBSCRIPTION OF NEW SHARES UNDER SPECIFIC MANDATE

On 23 December 2020 (after trading hours of the Stock Exchange), the Company entered into the Subscription Agreement with the Subscribers pursuant to which the Company has conditionally agreed to allot and issue, and the Subscribers have conditionally agreed to subscribe for, 1,140,059,454 Subscription Shares at the Subscription Price of HK\$0.0307693 per Subscription Share.

On 15 March 2021 (after trading hours of the Stock Exchange), the Company and the Subscribers entered into the Supplemental Subscription Agreement pursuant to which the parties agreed to make the following amendments to the terms of the Subscription Agreement: (i) the total number of Subscription Shares was revised from 1,140,059,454 Subscription Shares (as to 900,646,969 Subscription Shares to the First Subscriber, 195,710,206 Subscription Shares to the Second Subscriber and 43,702,279 Subscription Shares to the Third Subscriber) to 1,900,099,090 Subscription Shares (as to 1,501,078,281 Subscription Shares to the First Subscriber, 326,247,014 Subscription Shares to the Second Subscriber and 72,773,795 Subscription Shares to the Third Subscriber); (ii) the Subscription Price was revised from HK\$0.0307693 per Subscription Share to HK\$0.01941712 per Subscription Share; (iii) the First Consideration for the First Subscription Shares was revised from HK\$27,712,277 to HK\$29,146,610.04; (iv) the Second Consideration for the Second Subscription Shares was revised from HK\$6,021,866 to HK\$6,334,775.88; and (v) the Third Consideration for the Third Subscription Shares was revised from HK\$1,344,689 to HK\$1,413,057.17. Save for the above amendments, all other material terms and conditions of the Subscription Agreement remain unchanged and in full force and effect. Set out below are the principal terms of the Subscription Agreement (as revised by the Supplemental Subscription Agreement).

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## LETTER FROM THE BOARD

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### **The Subscription Agreement**

Date: 23 December 2020

Issuer: The Company

First Subscriber: BAINENG Holdings Limited

Second Subscriber: Richmax Investment (H.K.) Limited

Third Subscriber: New Origins International Limited

### **The Supplemental Subscription Agreement**

Date: 15 March 2021

Issuer: The Company

First Subscriber: BAINENG Holdings Limited

Second Subscriber: Richmax Investment (H.K.) Limited

Third Subscriber: New Origins International Limited

The First Subscriber is a company incorporated in Hong Kong with limited liability and is principally engaged in investment holding. It is beneficially owned as to 36% by Mr. Sun Jiusheng, 32% by Ms. Zhou Jing and 32% by Mr. Zhang Chao.

Mr. Sun Jiusheng, aged 28, graduated from the People's Public Security University of China with a bachelor's degree in law. Mr. Sun has over five years of experience in the energy industry. He is currently the chairman of each of 北京博睿新航科技有限公司 (Beijing Borui Xinhang Technology Company Limited\*) and 天津若水能源科技有限公司 (Tianjin Ruoshui Energy Technology Company Limited\*).

Ms. Zhou Jing, aged 35, graduated from the School of Foreign Studies at Chang' An University with a bachelor's degree in English studies. She has over six years of experience in the gaming industry. She is currently the general manager of 長沙鑰藏文化傳媒有限公司 (Changsha Yaozang Culture Media Company Limited\*).

Mr. Zhang Chao, aged 39, graduated from Yanshan University with a Master of Business Administration degree. He has over 15 years of experience in the electric power and energy industry. Mr. Zhang was previously employed by 北京大唐聯合電力科技有限公司 (Beijing Datang United Power Technology Company Limited\*) from January 2005 to December 2017 with his last position as general manager. He was the chairman of 正信科技有限公司 (Zhengxin Technology Company Limited\*) from January 2020 to November 2020.

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## LETTER FROM THE BOARD

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The Second Subscriber is a company incorporated in Hong Kong with limited liability and is principally engaged in investment holding. It is beneficially owned as to 40% by Mr. Cheung Yuen Chau, 46.67% by Mr. David Chu, 6.67% by Ms. Tsang Siu Lan and 6.66% by Ms. Ip Tsang Katherine Man Tung. Ms. Tsang Siu Lan is the spouse of Mr. David Chu.

The Third Subscriber is a company incorporated in the British Virgin Islands with limited liability and is principally engaged in investment holding. It is beneficially wholly-owned by Ms. To Sau Man.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, (i) the Subscribers and their respective ultimate beneficial owners are Independent Third Parties; and (ii) immediately prior to entering into of the Subscription Agreement, none of the Subscribers nor their respective ultimate beneficial owners had any interests in the Shares.

### **Intention of the First Subscriber**

It is the intention of the First Subscriber to continue carrying on the businesses of the Group and to continue the employment of the employees of the Group. The First Subscriber has no intention to introduce any major changes to the businesses of the Group including redeployment of the fixed assets of the Group.

### **Subscription Shares**

The Company has conditionally agreed to allot and issue, and the Subscribers have conditionally agreed to subscribe for, 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).

Subject to the requirement that not less than 25% of the enlarged issued share capital of the Company shall be held by public Shareholders upon completion of the Subscriptions, in the event that the Second Subscriber and/or the Third Subscriber does not subscribe any or all of the Second Subscription Shares and/or Third Subscription Shares pursuant to the Subscription Agreement, the First Subscriber shall be entitled, but not obliged, to take up all or part of the Unsubscribed Shares at the Subscription Price on the Completion Date in place of the Second Subscriber and/or the Third Subscriber (as the case may be) as if it was the original signing party to the Subscription Agreement as the Second Subscriber and/or the Third Subscriber (as the case may be).

The total number of 1,900,099,090 Subscription Shares (of an aggregate nominal value of approximately HK\$7,600,396) to be allotted and issued under the Subscriptions represents (i) 500% of the issued share capital of the Company as at the Latest Practicable Date; and (ii) 75% of the issued share capital of the Company as enlarged by the allotment and issue of the Subscription Shares and the Creditors' Shares (assuming that there is no change in the issued share capital of the Company from the Latest Practicable Date and up to Completion other than as a result of the Subscriptions and the issue of Creditors' Shares).

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## LETTER FROM THE BOARD

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The Subscriptions will be subject to the Independent Shareholders' approval. The EGM will be convened and held for the purposes of considering of, and if thought fit, approving, among other things, the Subscriptions and the Specific Mandate to issue Shares.

### **Ranking of the Subscription Shares**

The Subscription Shares, when allotted and issued, will rank equally in all respects among themselves and with the Shares in issue on the date of allotment and issue of the Subscription Shares.

### **Subscription Price**

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

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

As trading in the Shares has been suspended since 2 July 2019, the comparison of the Subscription Price with the closing price per Share as quoted on the Stock Exchange on the Latest Practicable Date is inapplicable.

The Company had an unaudited consolidated net liabilities per Share of approximately HK\$0.26 as at 30 September 2020 (based on the latest published unaudited consolidated net liabilities of the Group attributable to the Shareholders of approximately HK\$99,391,000 and 380,019,818 Shares in issue as at 30 September 2020).

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

The Subscription Price was arrived at after arm's length negotiations between the Company and the Subscribers with reference to (i) the prevailing financial position of the Group and that the Group is currently insolvent; (ii) the amount of funds required to be raised by the Company for the Resumption Plan; and (iii) the fact that trading in the Shares on the Stock Exchange has been suspended since 2 July 2019 and the Proposed Restructuring is the only viable resumption proposal to rescue the Company to avert the delisting of the Shares on the Stock Exchange. In light of the above, the Company encounters practical difficulties to issue the Subscription Shares without substantial discount to the Subscription Price. Taking into account the above, the Directors (excluding the independent non-executive Directors, whose opinion is set forth in the Letter from the Independent Board Committee in this circular) consider that the Subscription Price is fair and reasonable and in the interests of the Company and the Shareholders as a whole.

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## LETTER FROM THE BOARD

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### **Payment of the consideration for the Subscription Shares**

#### *The First Consideration*

The First Consideration for the First Subscription Shares shall be HK\$29,146,610.04, which shall be satisfied by the First Subscriber in the following manner:

- (a) firstly, as to HK\$5,000,000, by way of application and set-off of the Non-Refundable Deposit in the amount of HK\$5,000,000 received by the Company pursuant to the MOU;
- (b) secondly, as to an amount equivalent to the Outstanding Debt (which as at the Latest Practicable Date, amounted to approximately HK\$8 million), by way of the application and set-off of the Outstanding Debt on dollar-for-dollar basis pursuant to the Deed of Set-Off against and towards the payment of the First Consideration for such amount equal to the Outstanding Debt on the Completion Date; and
- (c) finally, the balance of the First Consideration shall be payable by the First Subscriber (or its nominee) to the Company by way of cash on the Completion Date.

#### *The Second Consideration*

The Second Consideration for the Second Subscription Shares shall be HK\$6,334,775.88, which shall be payable by the Second Subscriber (or its nominee) to the Company in cash on the Completion Date.

#### *The Third Consideration*

The Third Consideration for the Third Subscription Shares shall be HK\$1,413,057.17, which shall be payable by the Third Subscriber (or its nominee) to the Company in cash on the Completion Date.

### **Conditions precedent**

Completion is conditional upon the fulfillment or satisfaction of the following conditions:

- (a) the Subscribers being reasonably satisfied with the results of the due diligence review of the assets, liabilities, operations and affairs of the Group to be conducted;
- (b) all necessary consents, licences and approvals required to be obtained on the part of the Company (including (i) the passing of the necessary resolution(s) by the Independent Shareholders at the EGM; and (ii) the passing of the necessary resolution(s) by the Board) in respect of the Subscription Agreement and the transactions contemplated thereunder having been obtained and remain in full force and effect;

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## LETTER FROM THE BOARD

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- (c) all necessary consents, licences and approvals required to be obtained on the part of the Subscribers (including the passing of the necessary resolution(s) by the board of directors of each of the Subscribers) in respect of the Subscription Agreement and the transactions contemplated thereunder having been obtained and remain in full force and effect;
- (d) the representations and warranties given by the Company remaining true, accurate and complete in all respects;
- (e) the passing of the necessary resolution(s) by the Independent Shareholders at the EGM to approve, among others, (i) the Subscription Agreement; (ii) the granting of the Specific Mandate; (iii) the Creditors' Schemes; (iv) the Whitewash Waiver; and (v) the Special Deal;
- (f) the Listing Committee of the Stock Exchange granting or agreeing to grant the listing of and permission to deal in all of the Subscription Shares, and such permission not having been subsequently revoked or withdrawn;
- (g) the Resumption Plan having been submitted to the Stock Exchange and the Company having satisfied all resumption conditions;
- (h) the meetings of the Creditors having approved the Hong Kong Scheme and the Cayman Scheme;
- (i) the sanction from the Hong Kong Court on the Hong Kong Scheme having been obtained;
- (j) the sanction from the Cayman Court on the Cayman Scheme having been obtained;
- (k) the conditions precedent to the implementation of the Creditors' Schemes having been fulfilled or waived (as the case may be) (save for the condition that the Subscription Agreement having become unconditional);
- (l) the Executive or his delegate granting the Whitewash Waiver to the First Subscriber and the satisfaction of all conditions (if any) attached to the Whitewash Waiver granted;
- (m) the consent of the Executive in relation to the Creditors' Schemes and the transactions contemplated thereunder as a "special deal" under Rule 25 of the Takeovers Code having been obtained and not revoked prior to Completion;
- (n) all winding up petition(s) against the Company having been unconditionally withdrawn or dismissed and the Provisional Liquidators having been discharged; and
- (o) the CB Subscription Agreement having become unconditional (other than the condition for the Subscription Agreement to become unconditional).

Save as disclosed above, the Company and the Subscribers are not aware of any other consent, licence or approval that is required to be obtained under conditions (b) and (c) above.



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## LETTER FROM THE BOARD

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Any Subscriber may at any time waive by notice in writing to the Company the conditions (a) and (d) above. Save for conditions (a) and (d) above, none of the conditions above are capable of being waived. In the event the conditions above are not fulfilled (or as the case may be, waived) by 30 June 2021 or such later date as the Company and the Subscribers may agree in writing, all rights, obligations and liabilities of the Company and the Subscribers in relation to the Subscriptions shall cease and terminate and none of the parties thereto shall have any claim against the others in respect of the Subscriptions save for any antecedent breach and/or any rights or obligations which may have accrued under the Subscription Agreement prior to such termination.

As at the Latest Practicable Date, none of the above conditions had been fulfilled or satisfied.

### **Company's undertaking**

The Company has undertaken to each of the Subscribers that save for the Subscriptions, the CB Subscriptions and the Creditors' Shares, it shall not or shall not agree to issue any further shares, convertibles, options, warrants or derivative in howsoever nature which will have the effect on any alteration in the capital structure of the Company from the date of the Subscription Agreement (whether under the Share Option Scheme or otherwise) up to the Completion Date without the prior written consent from all of the Subscribers.

### **Completion**

Subject to the conditions specified in the Subscription Agreement being fulfilled or waived (as the case may be), Completion shall take place contemporaneously with CB Completion in accordance with the terms of the CB Subscription Agreement at the office of the Company (or such other place as may be agreed between the Company and the Subscribers) at 4:00 p.m. on the Completion Date.

### **Application for listing**

Application will be made by the Company to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Subscription Shares.

### **SUBSCRIPTION OF CONVERTIBLE BONDS UNDER SPECIFIC MANDATE**

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

On 15 March 2021 (after trading hours of the Stock Exchange), the Company and the Subscribers entered into the Supplemental CB Subscription Agreement pursuant to which the parties agreed to make the following amendments to the terms of the CB Subscription Agreement: (i) each of the aggregate principal amount of the Convertible Bonds and the CB Subscription Price was revised from HK\$4,921,216 (as to HK\$3,887,760.64 to the First Subscriber, HK\$844,808.75 to the Second Subscriber and HK\$188,646.61 to the Third Subscriber) to HK\$3,105,556.91 (as to HK\$2,453,389.96 to the First Subscriber, HK\$533,224.12 to the Second Subscriber and HK\$118,942.83) to the Third Subscriber); and (ii) the Conversion Price was revised from HK\$0.0307693 per Conversion Share to

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## LETTER FROM THE BOARD

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HK\$0.01941712 per Conversion Share. Save for the above amendments, all other material terms and conditions of the CB Subscription Agreement remain unchanged and in full force and effect. Set out below are the principal terms of the CB Subscription Agreement (as revised by the Supplemental CB Subscription Agreement).

### **The CB Subscription Agreement**

Date: 23 December 2020

Issuer: The Company

First Subscriber: BAINENG Holdings Limited

Second Subscriber: Richmax Investment (H.K.) Limited

Third Subscriber: New Origins International Limited

### **The Supplemental CB Subscription Agreement**

Date: 15 March 2021

Issuer: The Company

First Subscriber: BAINENG Holdings Limited

Second Subscriber: Richmax Investment (H.K.) Limited

Third Subscriber: New Origins International Limited

### **Subscription of Convertible Bonds**

The Company has conditionally agreed to issue, and the Subscribers have conditionally agreed to subscribe for, the Convertible Bonds in the aggregate principal amount of HK\$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).

In the event that the Second Subscriber and/or the Third Subscriber does not subscribe any or all of the principal amount of Convertible Bonds that they are entitled to (the “**Unsubscribed Bonds**”) pursuant to the CB Subscription Agreement, the First Subscriber shall be entitled, but not obliged, to take up all or part of the Unsubscribed Bonds on the CB Completion Date in place of the Second Subscriber and/or the Third Subscriber (as the case may be) as if it was the original signing party to the CB Subscription Agreement as the Second Subscriber and/or the Third Subscriber (as the case may be).

At the CB Completion, the Subscribers shall pay the Company or as the Company may direct the CB Subscription Price in the aggregate 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) in the manner as to be agreed by the Company and the Subscribers.

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## LETTER FROM THE BOARD

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### Principal terms of the Convertible Bonds

|                          |   |
|--------------------------|---|
| Principal amount:        | HK\$3,105,556.91  |
| Interest rate:           | The Convertible Bonds shall not bear any interest.  |
| Maturity date:           | Unless previously converted and cancelled, any outstanding principal amount of the Convertible Bonds shall be cancelled on 16 March 2025 (or, if that is not a Business Day, the first Business Day thereafter).  |
| Redemption:              | The Company shall not have any obligation to redeem or pay to the Subscribers the principal amount of the Convertible Bonds.  |
| Ranking:                 | The Convertible Bonds constitute direct, unconditional, unsubordinated and unsecured obligations of the Company and shall at all times rank pari passu and without any preference among themselves.   |
| Conversion:              | Any part or all of the principal amount of the Convertible Bonds shall be automatically converted into Conversion Shares at the Conversion Price of HK\$0.01941712 per Share (subject to adjustments) during the Conversion Period upon the exercise of any Outstanding Share Options under the Share Option Scheme according to the Formula.   |
| Conversion Period:       | The period commencing from the date of issue of the Convertible Bonds and ending on the Maturity Date (if such date is not a Business Day, the Business Day immediately preceding this date).   |
| Conversion Price:        | The Conversion Price is initially HK\$0.01941712 per Conversion Share, subject to adjustment as set out below.  |
| Conversion restrictions: | (i) any conversion of the Convertible Bonds shall not trigger a mandatory offer obligation under Rule 26 of the Takeovers Code; and (ii) the public float of the Shares shall not be less than 25% (or any given percentage as required by the GEM Listing Rules for the minimum percentage of Shares being held by the public as per Rule 11.23(7) of the GEM Listing Rules) of the issued Shares of the Company at the time in compliance with the GEM Listing Rules. |
| Voting:                  | The Subscribers shall not be entitled to attend or vote at any general meetings of the Shareholders by reason only it being the holders of the Convertible Bonds.   |

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## LETTER FROM THE BOARD

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Transfer: The Convertible Bonds shall not be assigned or transferred, in whole or in part, to any person.

Adjustment events: The Conversion Price shall from time to time be subject to adjustment upon occurrence of certain events:

- (i) If and whenever the Shares by reason of any consolidation or subdivision become of a different nominal amount, the Conversion Price in force immediately prior thereto shall be adjusted by multiplying it by the revised nominal amount and dividing the result by the former nominal amount. Each such adjustment shall be effective from the close of business in Hong Kong on the day immediately preceding the date on which the consolidation or sub-division becomes effective.
- (ii) If and whenever the Company shall issue (other than in lieu of a cash dividend) any Shares credited as fully paid by way of capitalisation of profits or reserves (including any share premium account or capital redemption reserve fund), the Conversion Price in force immediately prior to such issue shall be adjusted by multiplying it by the aggregate nominal amount of the issued Shares immediately before such issue and dividing the result by the sum of such aggregate nominal amount and the aggregate nominal amount of the Shares issued in such capitalisation. Each such adjustment shall be effective (if appropriate retroactively) from the commencement of the day following the record date for such issue.
- (iii) If and whenever the Company shall make any capital distribution to holders of Shares (whether on a reduction of capital or otherwise) or shall grant to such holders rights to acquire for cash assets of the Company or any of its subsidiaries, the Conversion Price in force immediately prior to such distribution or grant shall be adjusted by multiplying it by the following fraction:

$$\frac{A - B}{A}$$

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## LETTER FROM THE BOARD

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where:

A = the market price on the date on which the capital distribution or, as the case may be, the grant is publicly announced or (failing any such announcement) next preceding day of the capital distribution or, as the case may be, of the grant; and

B = the fair market value on the day of such announcement or (as the case may require) the next preceding day, as determined in good faith by the auditors of the Company, of the portion of the capital distribution or of such rights which is attributable to one Share. For avoidance of doubt, if the capital distribution is distributions in cash, the fair market value shall be the cash value and determination by the auditors of the Company is not required.

Provided that:

- (a) if in the opinion of the auditors of the Company, the use of the fair market value as aforesaid produces a result which is significantly inequitable, it may instead determine (and in such event the above formula shall be construed as if B meant) the amount of the said market price which should properly be attributed to the value of the capital distribution or rights; and
- (b) the provisions of this sub-paragraph (iii) shall not apply in relation to the issue of Shares paid out of profits or reserves and issued in lieu of a cash dividend.

Each such adjustment shall be effective (if appropriate retroactively) from the commencement of the day following the record date for the capital distribution or grant.

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## LETTER FROM THE BOARD

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- (iv) If and whenever the Company shall offer to holders of Shares new Shares for subscription by way of rights, or shall grant to holders of Shares any options or warrants to subscribe for new Shares, at a price which is less than the market price on the date of the announcement of the terms of the offer or grant, the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately before the date of the announcement of such offer or grant by a fraction of which the numerator is the number of Shares in issue immediately before the date of such announcement plus the number of Shares which the aggregate of the amount (if any) payable for the rights, options or warrants and of the amount payable for the total number of new Shares comprised therein would purchase at such market price and the denominator is the number of Shares in issue immediately before the date of such announcement plus the aggregate number of Shares offered for subscription or comprised in the options or warrants. Such adjustment shall be effective (if appropriate retroactively) from the commencement of the day following the record date for the offer or grant. Provided however that no such adjustment shall be made if the Company shall make a like offer or grant (as the case may be) at the same time to the holders of the Convertible Bonds (subject to such exclusions or other arrangements as the directors of the Company may deem necessary or expedient in relation to fractional entitlements or having regard to any restrictions or obligations under the laws of, or the requirements of any recognised regulatory body or any stock exchange in any territory outside Hong Kong) as if the outstanding Convertible Bonds of the relevant holder of the Convertible Bonds had been fully converted.

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## LETTER FROM THE BOARD

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- (v) (a) If and whenever the Company shall issue wholly for cash any securities which by their terms are convertible into or exchangeable for or carry rights of subscription for new Shares, and the total Effective Consideration per Share initially receivable for such securities is equal to or less than the Conversion Price, the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately prior to the issue by a fraction of which the numerator is the number of Shares in issue immediately before the date of the issue plus the number of Shares which the total Effective Consideration receivable for the securities issued would purchase at such market price and the denominator is the number of Shares in issue immediately before the date of the issue plus the number of Shares to be issued upon conversion or exchange of, or the exercise of the subscription rights conferred by, such securities at the initial conversion or exchange rate or subscription price. Such adjustment shall become effective (if appropriate retroactively) from the close of business in Hong Kong on the Business Day next preceding whichever is the earlier of the date on which the issue is announced and the date on which the Company determines the conversion or exchange rate or subscription price.

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## LETTER FROM THE BOARD

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- (b) If and whenever the rights of conversion or exchange or subscription attached to any such securities as are mentioned in section (a) of this sub-paragraph (v) are modified so that the total Effective Consideration per Share initially receivable for such securities shall be equal to or less than the Conversion Price, the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately prior to such modification by a fraction of which the numerator is the number of Shares in issue immediately before the date of such modification plus the number of Shares which the total Effective Consideration receivable for the securities issued at the modified conversion or exchange price would purchase at such market price and of which the denominator is the number of Shares in issue immediately before such date of modification plus the number of Shares to be issued upon conversion or exchange of or the exercise of the subscription rights conferred by such securities at the modified conversion or exchange rate or subscription price. Such adjustment shall become effective as at the date upon which such modification shall take effect. A right of conversion or exchange or subscription shall not be treated as modified for the foregoing purposes where it is adjusted to take account of rights or capitalisation issues and other events normally giving rise to adjustment of conversion or exchange terms.



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## LETTER FROM THE BOARD

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For the purposes of this sub-paragraph (v), the “**total Effective Consideration**” receivable for the securities issued shall be deemed to be the consideration receivable by the Company for any such securities plus the additional minimum consideration (if any) to be received by the Company upon (and assuming) the conversion or exchange thereof or the exercise of such subscription rights, and the total Effective Consideration per Share initially receivable for such securities shall be such aggregate consideration divided by the number of Shares to be issued upon (and assuming) such conversion or exchange at the initial conversion or exchange rate or the exercise of such subscription rights at the initial subscription price, in each case without any deduction for any commissions, discounts or expenses paid, allowed or incurred in connection with the issue.

- (vi) If and whenever the Company shall issue wholly for cash any Shares at a price per Share which is equal to or less than the Conversion Price, the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately before the date of such announcement by a fraction of which the numerator is the number of Shares in issue immediately before the date of such announcement plus the number of Shares which the aggregate amount payable for the issue would purchase at such market price and the denominator is the number of Shares in issue immediately before the date of such announcement plus the number of Shares so issued. Such adjustment shall become effective on the date of the issue.

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## LETTER FROM THE BOARD

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(vii) If and whenever the Company shall issue Shares for the acquisition of asset at a total Effective Consideration per Share (as defined below) which is equal to or less than the Conversion Price, the Conversion Price shall be adjusted in such manner as may be determined by the auditors of the Company. Such adjustment shall become effective on the date of issue. For the purpose of this sub-paragraph (vii) **“total Effective Consideration”** shall be the aggregate consideration credited as being paid for such Shares by the Company on acquisition of the relevant asset without any deduction of any commissions, discounts or expenses paid, allowed or incurred in connection with the issue thereof, and the **“total Effective Consideration per Share”** shall be the total Effective Consideration divided by the number of Shares issued as aforesaid.

(viii) If and whenever the Company shall issue Shares credited as fully paid by way of capitalization of profits or reserves (including any share premium account or capital redemption reserve fund), except in certain circumstances specified in the articles of association of the Company, Shares paid up out of distributable profits or reserves and/or share premium account or capital redemption reserve fund issued in lieu of the whole or any part of a relevant cash dividend, being a scrip dividend (but only to the extent that the market value of such Shares not exceeding 100% of the amount of such relevant cash dividend or the relevant part thereof) and which would not have constituting equity share capital of the Company, credited as fully paid to Shareholders, the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately before the issue of such Shares by the following fraction:

$$\frac{A + B}{A + C}$$

where:

A = the aggregate nominal amount of the issued Shares immediately before such issue;

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## LETTER FROM THE BOARD

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B = the aggregate nominal amount of Shares issued by way of such scrip dividend multiplied by a fraction of which (i) the numerator is the amount per Share of the whole, or the relevant part, of the relevant cash dividend and (ii) the denominator is the market value of the number of Shares issued in respect of each existing share in lieu of the whole, or the relevant part, of the relevant cash dividend; and

C = the aggregate nominal amount of Shares issued by way of such scrip dividend;

or by making such other adjustment as the auditors of the Company shall certify is fair and reasonable.

Such adjustment shall become effective on the date of issue of such Shares.

### **Automatic conversion of the Convertible Bonds**

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

$$\text{Number of Conversion Shares} = 3 \times N \times \text{Number of Shares issued upon the exercise of the Outstanding Share Options pursuant to the Share Option Scheme}$$

where N = 79.00% for the First Subscriber;

N = 17.17% for the Second Subscriber; and

N = 3.83% for the Third Subscriber.

The number of Conversion Shares shall be rounded down to nearest integral.

### **Maturity Date**

The Maturity Date of the Convertible Bonds shall fall on 16 March 2025, being the latest maturity date of the Outstanding Share Options. In the event that the Convertible Bonds are not fully converted by the Maturity Date, the outstanding principal amount of the Convertible Bonds will forthwith be cancelled on the Maturity Date.

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## LETTER FROM THE BOARD

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### Number of Conversion Shares

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

### Ranking of Conversion Shares

The Conversion Shares will rank *pari passu* in all respects with the Shares in issue as at the date of allotment and issue of the Conversion Shares.

### Conversion Price

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

The Conversion Price represents:

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

As trading in the Shares has been suspended since 2 July 2019, the comparison of the Conversion Price with the closing price per Share as quoted on the Stock Exchange on the Latest Practicable Date is inapplicable.

The Conversion Price was arrived at after arm's length negotiations between the Company and the Subscribers with reference to (i) the Subscription Price, given that the Company and the Subscribers have agreed to enter into the CB Subscription Agreement for anti-dilution purpose; (ii) the prevailing financial position of the Group and that the Group is currently insolvent; (iii) the amount of funds required to be raised by the Company for the Resumption Plan; and (iv) the fact that trading in the Shares on the Stock Exchange has been suspended since 2 July 2019 and the Proposed Restructuring is the only viable resumption proposal to rescue the Company to avert the delisting of the Shares on the Stock Exchange. In light of the above, the Company encounters practical difficulties to issue the Convertible Bonds without substantial discount to the Conversion Price. Taking into account the above, the Directors (excluding the independent non-executive Directors, whose opinion is set forth in the Letter from the Independent Board Committee in this circular) consider that the Conversion Price is fair and reasonable and in the interests of the Company and the Shareholders as a whole.

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## LETTER FROM THE BOARD

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### Conditions precedent

The CB Completion is conditional upon the fulfillment or satisfaction of the following conditions:

- (a) the passing of the necessary resolution(s) by the Independent Shareholders at the EGM to approve, among others, (i) the CB Subscription Agreement and the transactions contemplated thereunder; and (ii) the granting of the Specific Mandate;
- (b) the Listing Committee of the Stock Exchange having granted the listing of and permission to deal in the Conversion Shares;
- (c) the representations and warranties remaining true, accurate and complete in all material respects;
- (d) all necessary consents and approvals required to be obtained on the part of the Company (including (i) the passing of the necessary resolution(s) by the Independent Shareholders at the EGM; and (ii) the passing of the necessary resolution(s) by the Board) in respect of the CB Subscription Agreement and the transactions contemplated thereunder having been obtained;
- (e) all necessary consents and approvals required to be obtained on the part of the Subscribers (including the passing of the necessary resolution(s) by the board of directors of each of the Subscribers) in respect of the CB Subscription Agreement and the transactions contemplated thereunder having been obtained; and
- (f) the Subscription Agreement having become unconditional (other than the condition for the CB Subscription Agreement to become unconditional).

Save as disclosed above, the Company and the Subscribers are not aware of any other consent, licence or approval that is required to be obtained under conditions (d) and (e) above.

Any Subscriber may at any time by notice in writing to the Company waive the condition (c) above in respect of its subscription of the Convertible Bonds. Save for condition (c) above, none of the conditions above are capable of being waived by either the Company or the Subscribers. In the event the conditions above are not fulfilled (or as the case may be, waived) by 30 June 2021 or such later date as the Company and the Subscribers may agree in writing, all rights, obligations and liabilities of the Company and the Subscribers in relation to the CB Subscriptions shall cease and terminate and none of the parties thereto shall have any claim against the others in respect of the CB Subscriptions save for any antecedent breach and/or any rights or obligations which may have accrued under the CB Subscription Agreement prior to such termination.

As at the Latest Practicable Date, none of the above conditions had been fulfilled or satisfied.

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## LETTER FROM THE BOARD

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### **CB Completion**

Subject to the conditions specified in the CB Subscription Agreement being fulfilled or waived (as the case may be), CB Completion shall take place contemporaneously with Completion in accordance with the terms of the Subscription Agreement at the office of the Company (or such other place as may be agreed between the Company and the Subscribers) at 4:00 p.m. on the CB Completion Date.

### **Application for listing**

Application will be made by the Company to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Conversion Shares. No application will be made for listing of, or permission to deal in, the Convertible Bonds on the Stock Exchange or any other stock exchange.

### **REASONS FOR THE SUBSCRIPTIONS AND CB SUBSCRIPTIONS AND USE OF PROCEEDS**

The Company is an investment holding company and the Group is principally engaged in the following businesses: (i) power and data cords business; (ii) trading of refined oil and chemicals business; and (iii) trading of commodities.

As set out in the announcement of the Company dated 29 October 2019, having duly and carefully considered the then financial position of the Group, including the cash flow status of the Company and that it was then unable to pay its debts when they fall due and would be insolvent within the meaning of section 93 of the Companies Act of the Cayman Islands, on 22 October 2019 (Cayman Islands time), the Company had filed with the Cayman Court a winding up petition under section 94 of the Companies Act of the Cayman Islands. The Subscriptions form a vital part of the Resumption Plan as it would provide the Company with the necessary financing to resolve the debts of the Company by the implementation of the Creditors' Schemes.

The Subscribers were interested in the Subscriptions and the CB Subscriptions given that they considered the power and data cords business of the Group to be promising. Upon completion of the Subscriptions, the CB Subscriptions and the Creditors' Schemes, it is expected that most of the claims against, and liabilities of, the Company will be compromised and discharged in full and the Company will have the financial resources to develop the businesses of the Group.

After the Subscription Agreement and the CB Subscription Agreement were entered into between the Company and the Subscribers in December 2020, the Company and the Creditors had further discussions recently in relation to the proposed terms of the Creditors' Schemes. In particular, some of the Creditors had requested the Company to consider allotting and issuing Shares to the Creditors as part of the Creditors' Schemes. Taking into account the above, in addition to the previous proposal of cash payment of approximately HK\$20,000,000 to the Creditors, the Company has proposed to expand the terms of the Creditors' Schemes by way of allotting and issuing 253,346,545 Creditors' Shares for the benefit of the Creditors. Hence, the Company and the Subscribers have agreed to enter

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## LETTER FROM THE BOARD

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into the Supplemental Subscription Agreement and the Supplemental CB Subscription Agreement for anti-dilution purpose. Upon Completion and issue of the Creditors' Shares, the Subscribers' will, as under the previous proposal, in aggregate hold 75% of the total issued Shares as enlarged by the allotment and issue of the Subscription Shares and the Creditors' Shares.

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

As at the Latest Practicable Date, the Company has 53,313,050 Outstanding Share Options granted pursuant to the Share Option Scheme, which are convertible into a maximum of 53,313,050 Shares. Based on the commercial terms agreed between the Company and the Subscribers, the Subscribers shall hold an aggregate of 75% of the enlarged share capital of the Company immediately after Completion. In order to ensure that the Subscribers' shareholding in the Company will not be diluted by the number of Shares issued upon the exercise of the Outstanding Share Options pursuant to the Share Option Scheme, the Company and the Subscribers have agreed to enter into the CB Subscription Agreement for anti-dilution purpose.

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

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

The Board is aware of the intention of the First Subscriber in respect of the Group and is pleased to learn that (i) the First Subscriber intends to continue carrying on the businesses of the Group and to continue the employment of the employees of the Group; and (ii) the First Subscriber has no intention to introduce any major changes to the businesses of the Group including redeployment of the fixed assets of the Group.

## LETTER FROM THE BOARD

In view of the above, the Directors (excluding the independent non-executive Directors, whose opinion is set forth in the Letter from the Independent Board Committee in this circular) consider that the Subscription Agreement and the CB Subscription Agreement were entered into upon normal commercial terms following arm's length negotiations between the Company and the Subscribers and that the terms of the Subscription Agreement and the CB Subscription Agreement are fair and reasonable and are in the interests of the Company and the Shareholders as a whole.

### EFFECT OF THE SHAREHOLDING STRUCTURE OF THE COMPANY

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

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



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## LETTER FROM THE BOARD

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*Notes:*

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

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## LETTER FROM THE BOARD

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### THE CREDITORS' SCHEMES

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

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

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

Scheme Company A will be established to hold part of the proceeds from the Subscriptions in the total amount of approximately HK\$20,000,000 and/or to hold the Creditors' Shares. Scheme Company B will be established to hold all the Company's claims, rights to claims, rights to any assets and the entire equity interests of the Deconsolidated Subsidiaries.

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

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

|   |  |
|---|--|
| Issuer:   | The Company  |
| Value of the Creditors' Shares to be issued to the Creditors: | In aggregate, up to approximately HK\$4.92 million for the Creditors, subject to adjudication.   |
| Issue Price:  | HK\$0.01941712 per Creditors' Share, which represents: <ul style="list-style-type: none"><li>(i) a discount of approximately 87.55% to the closing price of HK\$0.156 per Share as quoted on the Stock Exchange on the Last Trading Day; and</li></ul> |

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## LETTER FROM THE BOARD

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

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

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

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

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

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

Listing: Application will be made by the Company to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Creditors' Shares.

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

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

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

The Issue Price was determined with reference to (i) the Subscription Price and the Conversion Price; (ii) the prevailing financial position of the Group and that the Group is currently insolvent; and (iii) the acceptability of the Creditors towards the terms of the Creditors' Schemes. Taking into account the above, the Directors (excluding the independent non-executive Directors, whose opinion is set forth in the Letter from the Independent Board Committee in this circular) consider that the Issue Price is fair and reasonable and in the interests of the Company and the Shareholders as a whole.

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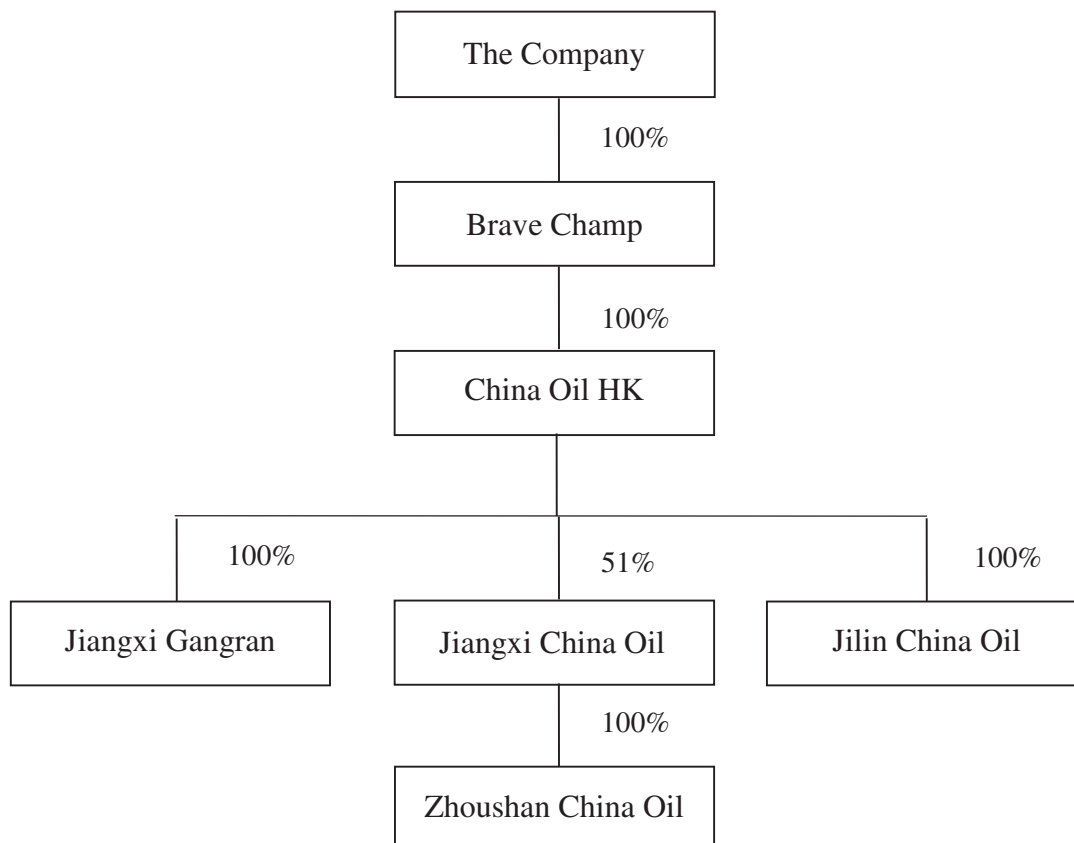
## LETTER FROM THE BOARD

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### Group structure of the Deconsolidated Subsidiaries

The Deconsolidated Subsidiaries are principally engaged in the trading of refined oil and chemicals business. The following chart show the group structure of the Deconsolidated Subsidiaries in the Group (i) as at the Latest Practicable Date; and (ii) immediately after implementation of the Creditors' Schemes.

*As at the Latest Practicable Date*

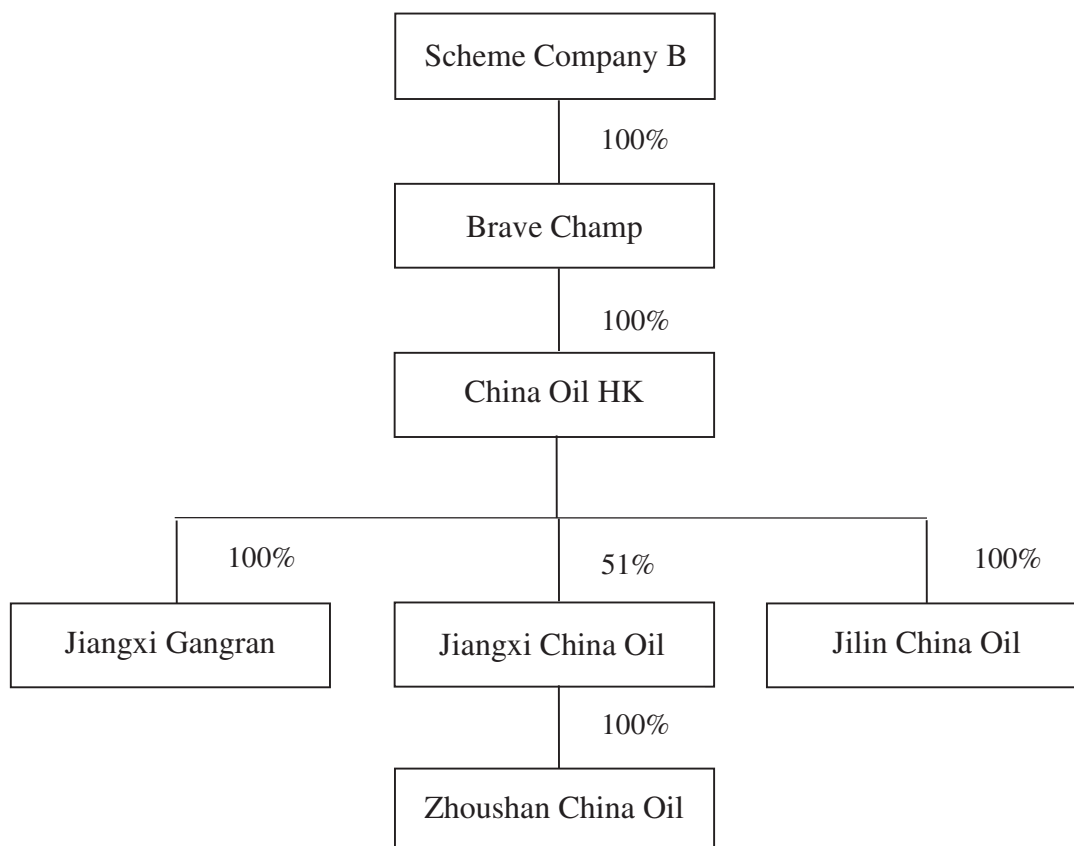


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## LETTER FROM THE BOARD

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*Immediately after implementation of the Creditors' Schemes*



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

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

### **Conditions precedent to the Creditors' Schemes**

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

- (i) approval from a majority of the Creditors (representing more than 50% in number and not less than 75% in value of those Creditors present and voting at the Scheme Meetings);

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## LETTER FROM THE BOARD

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- (ii) the Cayman Court sanctions the Cayman Scheme and an official copy of the order of the Cayman Court sanctioning the Cayman Scheme is delivered to the Registrar of Companies in the Cayman Islands for registration;
- (iii) the Hong Kong Court sanctions the Hong Kong Scheme and an official copy of the order of the Hong Kong Court sanctioning the Hong Kong Scheme is delivered to the Registrar of Companies in Hong Kong for registration;
- (iv) the passing of the necessary resolution(s) by the Independent Shareholders at the EGM to approve, among others, the Creditors' Schemes and the Special Deal;
- (v) all of the conditions precedent to the Subscription Agreement and CB Subscription Agreement having been fulfilled (or as the case may be, waived) (save for the condition that the Creditors' Schemes having become unconditional); and
- (vi) the Listing Committee of the Stock Exchange having granted the listing of and permission to deal in the Creditors' Shares.

None of the above conditions can be waived. As at the Latest Practicable Date, none of the conditions has been fulfilled.

As at the Latest Practicable Date, the Company has one secured creditor who shall be excluded from the Creditors' Schemes. Pursuant to a loan agreement dated 24 July 2019 and entered into between the Secured Creditor, as the lender, and the Company, as the borrower, the Secured Creditor agreed to make available to the Company a loan in the principal amount of HK\$5,000,000 with interest at the rate of 12% per annum for a term of three months from the drawdown date, subject to the terms and conditions therein. The Company agreed to provide, as security for the loan, the share pledge over 51% of the equity interests in Able One in favour of the Secured Creditor. Able One is an investment holding company and its subsidiaries are principally engaged in the power and data cords business and general trading business. On 15 March 2021, the Company and the Secured Creditor entered into the supplemental loan agreement pursuant to which both parties agreed to, among others, extend the repayment date of the relevant loan to 30 June 2024 and to waive any default interest accruing thereon from the original repayment date up to the date of Resumption. The Company may early repay part or all of the relevant loan without penalty provided that the Company shall have given the Secured Creditor not less than one Business Day's prior notice in writing specifying the amount and date of early repayment. The said supplemental loan agreement is conditional upon the Resumption. As at the Latest Practicable Date, the outstanding loan and interest amounted to approximately HK\$6 million (exclusive of default interest, if any). As the Secured Creditor shall be excluded from the Creditors' Schemes, the Company would have an obligation to repay the outstanding loan and interest to the Secured Creditor even if the Creditors' Schemes become effective.

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## LETTER FROM THE BOARD

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Subject to the fulfillment of the conditions above, the Creditors' Schemes shall become effective and legally binding on the Company and all the Creditors, including those voting against the Creditors' Schemes and those not voting. Upon the Creditors' Schemes taking effect, save for the outstanding loan and interest in the amount of approximately HK\$6 million owed to the Secured Creditor, all the claims against, and liabilities of the Company will be compromised and discharged in full.

### **Reasons for the Creditors' Schemes**

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

### **FUND RAISING ACTIVITIES IN THE PAST TWELVE MONTHS**

The Company had not conducted any equity fund raising activities involving the issue of its equity securities in the 12 months immediately preceding the Latest Practicable Date.

### **IMPLICATIONS UNDER THE TAKEOVERS CODE**

#### **Application for Whitewash Waiver**

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

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

An application has been made by the First Subscriber to the Executive for the Whitewash Waiver pursuant to Note 1 on dispensations from Rule 26 of the Takeovers Code. The Whitewash Waiver, if granted by the Executive, would be subject to, among other things, the approval of the Independent Shareholders at the EGM by way of poll. Under the Takeovers Code, the resolution(s) in relation to the Whitewash Waiver shall be approved by at least 75% of the independent votes that are casted either in person or by proxy by the Independent Shareholders at the EGM by way of poll, and the Subscriptions, the CB Subscriptions, the granting of the Specific Mandate, the Creditors' Schemes, the Special Deal and the transactions contemplated thereunder would be subject to, among others, the

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## LETTER FROM THE BOARD

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approval by more than 50% of the Independent Shareholders at the EGM by way of poll. The Executive may or may not grant the Whitewash Waiver. As it is a condition precedent to the Completion that the Whitewash Waiver is granted by the Executive, the Subscriptions will not proceed if the Whitewash Waiver is not granted by the Executive.

If the Whitewash Waiver is approved by the Independent Shareholders, the maximum potential holding of voting rights of the Company held by the First Subscriber and parties acting in concert with it upon Completion will exceed 50% of the voting rights of the Company. The First Subscriber and parties acting in concert with it may further increase their holdings of voting rights of the Company without incurring any further obligations under Rule 26 of the Takeovers Code to make a general offer.

### **The Special Deal**

It is proposed that the Creditors' Schemes will be implemented as detailed in this circular. Based on the records currently available to the Provisional Liquidators, the Company is indebted to Mr. Zou Donghai and Dr. Zheng Jian Peng, each being a Creditor and a former executive Director, for an aggregate amount of approximately HK\$3.81 million. Mr. Zou Donghai and Dr. Zheng Jian Peng are the beneficial owners of in aggregate 37,640,000 Shares, representing approximately 9.9% of the issued share capital of the Company, as at the Latest Practicable Date.

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

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

### **IMPLICATIONS UNDER THE GEM LISTING RULES**

As the Subscription Shares, the Conversion Shares and the Creditors' Shares will be allotted and issued under the Specific Mandate to be obtained at the EGM, the Subscriptions, the CB Subscriptions, and the Creditors' Schemes are subject to the Independent Shareholders' approval.



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## LETTER FROM THE BOARD

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Pursuant to Rule 10.44A of the GEM Listing Rules, the Company may not undertake a rights issue, open offer or specific mandate placing that would result in a theoretical dilution effect of 25% or more (on its own or when aggregated with any other rights issues, open offers, and/or specific mandate placings announced by the Company within the 12-month period immediately preceding the announcement of the proposed issue), unless the Company can satisfy the Stock Exchange that there are exceptional circumstances. The Subscription, the CB Subscription and the issue of the Creditors' Shares will result in a theoretical dilution effect of 77.2%, which is over the 25% threshold as specified under Rule 10.44A of the GEM Listing Rules. However, the Company considers there are exceptional circumstances given that the Subscriptions, the CB Subscriptions and the issue of the Creditors' Shares form part of the rescue proposal i.e. the Resumption Proposal.

### GENERAL

An Independent Board Committee, comprising all independent non-executive Directors in compliance with Rule 2.8 of the Takeovers Code, has been established to advise the Independent Shareholders as to whether the terms of the Subscriptions, the CB Subscriptions, the Specific Mandate, the Creditors' Schemes, the Whitewash Waiver and the Special Deal are fair and reasonable as well as in the interests of the Company and the Independent Shareholders as a whole, and to advise the Independent Shareholders on how to vote, taking into account the recommendations of the Independent Financial Adviser.

An Independent Financial Adviser has been appointed to advise the Independent Board Committee and the Independent Shareholders as to whether the terms of the Subscriptions, the CB Subscriptions, the Specific Mandate, the Creditors' Schemes, the Whitewash Waiver and the Special Deal are fair and reasonable and to advise the Independent Shareholders on how to vote.

The EGM will be convened and held for the Independent Shareholders to consider and, if thought fit, approve the Subscriptions, the CB Subscriptions, the granting of the Specific Mandate, the Creditors' Schemes, the Whitewash Waiver, the Special Deal and the transactions contemplated thereunder. The following persons shall abstain from voting on the resolutions to approve the Subscriptions, the CB Subscriptions, the Specific Mandate, the Creditors' Schemes, the Whitewash Waiver and the Special Deal: (i) the Creditors (including Mr. Zou Donghai and Dr. Zheng Jian Peng, each being a former executive Director), their close associates and parties acting in concert with any one of them; (ii) the Subscribers, their close associates and parties acting in concert with them; (iii) those who are involved in or interested in the Subscription Agreement, the CB Subscriptions Agreement, the Whitewash Waiver and/or the Special Deal; and (iv) those who are required to abstain from voting under the Takeovers Code and the GEM Listing Rules.

None of the Directors hold any Shares or has any material interest in the Subscription Agreement, the CB Subscriptions Agreement, the Creditors' Schemes, the Whitewash Waiver and/or the Special Deal. As such, none of the Directors are required to abstain from voting on the resolutions of the Board in respect of the Subscriptions, the CB Subscriptions, the Creditors' Schemes, the Whitewash Waiver and/or the Special Deal.

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## LETTER FROM THE BOARD

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The register of members of the Company will be closed from Thursday, 1 April 2021 to Friday, 9 April 2021 (both days inclusive) to determine the eligibility of the Shareholders to attend and vote at the EGM. No transfer of Shares will be registered during this period.

A notice convening the EGM to be held at R1, United Conference Centre, 10/F, United Centre, 95 Queensway, Admiralty, Hong Kong on Friday, 9 April 2021 at 2:00 p.m. is set out on pages EGM-1 to EGM-5 of this circular. A form of proxy for use at the EGM is enclosed. Whether or not you intend to attend the EGM, you are requested to complete the accompanying form of proxy in accordance with the instructions printed thereon and return the same to the branch share registrars of the Company in Hong Kong, Tricor Investor Services Limited, Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong as soon as possible and in any event no later than Wednesday, 7 April 2021 at 2:00 p.m. (Hong Kong time). Completion and return of the form of proxy shall not preclude you from attending and voting in person at the EGM or any adjournment thereof should you so desire.

### RECOMMENDATION

The Directors (excluding the independent non-executive Directors, whose opinion is set forth in the Letter from the Independent Board Committee in this circular) consider that the terms of the Subscriptions, the CB Subscriptions, the Specific Mandate, the Creditors' Schemes, the Whitewash Waiver and the Special Deal are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

### CONTINUED SUSPENSION OF TRADING IN THE SHARES

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

**Shareholders and potential investors should note that Resumption is subject to various conditions which may or may not be fulfilled. There is no guarantee that Resumption will take place. Shareholders and potential investors should exercise extreme caution when dealing in the Shares, and if they are in any doubt about their position, they should consult their professional advisers.**

### FURTHER INFORMATION

Your attention is drawn to the letter from the Independent Board Committee set out on pages 45 and 46 of this circular which contains its recommendation to the Independent Shareholders as to voting at the EGM and the letter from Octal Capital set out on pages 47 to 74 of this circular which contains its advice to the Independent Board Committee and Independent Shareholders in relation to the terms of the Subscriptions, the CB Subscriptions, the Specific Mandate, the Creditors' Schemes, the Whitewash Waiver and the Special Deal.

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## LETTER FROM THE BOARD

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Your attention is also drawn to the additional information set out in the appendices to this circular.

Yours faithfully,  
For and on behalf of the Board  
**China Oil Gangran Energy Group Holdings Limited**  
**(Provisional Liquidators Appointed)**  
**(For Restructuring Purposes)**  
**Yeung Shing Wai**  
*Executive Director*



**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**

19 March 2021

*To the Independent Shareholders*

Dear Sir or Madam

- (1) SUBSCRIPTION OF NEW SHARES  
UNDER SPECIFIC MANDATE;  
(2) SUBSCRIPTION OF CONVERTIBLE BONDS  
UNDER SPECIFIC MANDATE;  
(3) CREDITORS' SCHEMES;  
(4) APPLICATION FOR WHITEWASH WAIVER;  
(5) SPECIAL DEAL; AND  
(6) NOTICE OF EXTRAORDINARY GENERAL MEETING**

We refer to the circular of the Company dated 19 March 2021 (the “**Circular**”) to the Shareholders, of which this letter forms part. Capitalised terms used in this letter shall have the same meanings as defined in the Circular unless the context otherwise requires.

We have been appointed by the Board as members to form the Independent Board Committee and to advise the Independent Shareholders as to whether the terms of the Subscriptions, the CB Subscriptions, the Specific Mandate, the Creditors' Schemes, the Whitewash Waiver and the Special Deal are fair and reasonable and to advise the Independent Shareholders on how to vote, taking into account the recommendations of the Independent Financial Adviser. Octal Capital has been appointed as the Independent Financial Adviser to advise you and us in this respect.

We wish to draw your attention to (i) the letter of advice from Octal Capital as set out on pages 47 to 74 of this circular; and (ii) the letter from the Board as set out on pages 11 to 44 of this circular and the additional information set out in the appendices to the Circular.

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## LETTER FROM INDEPENDENT BOARD COMMITTEE

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Having taken into account the principal reasons and factors considered by, and the advice of, the Independent Financial Adviser, we are of the opinion that the Subscriptions, the CB Subscriptions, the Specific Mandate, the Creditors' Schemes, the Whitewash Waiver and the Special Deal are on normal commercial terms, in the interests of the Company and the Independent Shareholders as a whole, and the terms of which are fair and reasonable insofar as the Company and the Independent Shareholders are concerned. Accordingly, we recommend the Independent Shareholders to vote in favour of the ordinary resolutions to be proposed at the EGM to approve the Subscriptions, the CB Subscriptions, the Specific Mandate, the Creditors' Schemes, the Whitewash Waiver and the Special Deal.

Yours faithfully,

For and on behalf of

Independent Board Committee of

**China Oil Gangran Energy Group Holdings Limited**

|                               |                               |                               |                               |
|-------------------------------|-------------------------------|-------------------------------|-------------------------------|
| <b>Mr. Chu Kin Ming</b>       | <b>Mr. Chiam Tat Yiu</b>      | <b>Mr. Chan Wai Cheung</b>    | <b>Mr. Cha Ho Wa</b>          |
| <i>Independent</i>            | <i>Independent</i>            | <b>Admiral</b>                | <i>Independent</i>            |
| <i>non-executive Director</i> | <i>non-executive Director</i> | <i>Independent</i>            | <i>non-executive Director</i> |
|                               |                               | <i>non-executive Director</i> |                               |

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## LETTER FROM OCTAL CAPITAL

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*The following is the full text of the letter from Octal Capital Limited, the Independent Financial Adviser, for the purpose of inclusion in this circular.*



801-805, 8/F, Nan Fung Tower  
88 Connaught Road Central  
Hong Kong

19 March 2021

*To the Independent Board Committee and the Independent Shareholders*

Dear Sirs,

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

### INTRODUCTION

We refer to our engagement as the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in respect of the Subscriptions, the CB Subscriptions, the granting of the Specific Mandate, the Creditors' Schemes, the Whitewash Waiver and the Special Deal, details of which are contained in the circular to the Shareholders dated 19 March 2021 (the "**Circular**"), of which this letter forms part. Unless the context requires otherwise, capitalised terms used in this letter shall have the same meanings as those defined in the Circular.

On 23 December 2020 and 15 March 2021 (after trading hours of the Stock Exchange), the Company and the Subscribers entered into the Subscription Agreement and the Supplemental Subscription Agreement respectively. Pursuant to the Subscription Agreement and the Supplemental Subscription Agreement, the Company has conditionally agreed to allot and issue, and the Subscribers have conditionally agreed to subscribe for 1,900,099,090 Subscription Shares at the Subscription Price of HK\$0.01941712 per Subscription Share.

On 23 December 2020 and 15 March 2021 (after trading hours of the Stock Exchange), the Company and the Subscribers entered into the CB Subscription Agreement and the CB Supplemental Subscription Agreement, respectively. Pursuant to the CB Subscription Agreement and the CB Supplemental Subscription Agreement, the Company has conditionally agreed to allot and issue, and the Subscribers have conditionally agreed to subscribe for 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).

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## LETTER FROM OCTAL CAPITAL

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The Company proposed that the Creditors' Schemes will be implemented by (i) making cash payment of approximately HK\$20.0 million from the consideration to be received by the Company from the Subscriptions; (ii) allotment and issue of Creditors' Shares; and (iii) any receivables from the realisation of the Deconsolidated Subsidiaries.

The Subscription Shares, Conversion Shares and Creditors' Shares will be allotted and issued pursuant to the Specific Mandate to be sought for approval from the Independent Shareholders at the EGM. The Creditors' Schemes will be also subject to the approval from the Independent Shareholders at the EGM.

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

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

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

The Whitewash Waiver, if granted by the Executive, would be subject to, among others, the approval of the Independent Shareholders at the EGM by way of poll. Under the Takeovers Code, the resolution(s) in relation to the Whitewash Waiver shall be approved by at least 75% of the independent votes that are casted either in person or by proxy by the Independent Shareholders at the EGM by way of poll, and the Subscriptions, the CB Subscriptions, the granting of the Specific Mandate, the Creditors' Schemes, the Special Deal and the transactions contemplated thereunder would be subject to, among others, the approval by more than 50% of the Independent Shareholders at the EGM by way of poll.

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## LETTER FROM OCTAL CAPITAL

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### INDEPENDENT BOARD COMMITTEE

The Independent Board Committee comprising all of the independent non-executive Directors, namely Mr. Chu Kin Ming, Mr. Chiam Tat Yiu, Mr. Chan Wai Cheung Admiral, and Mr. Cha Ho Wa, has been established. The Independent Board Committee will advise the Independent Shareholders whether the terms of the Subscriptions, the CB Subscriptions, the granting of the Specific Mandate, the Creditors' Schemes, the Whitewash Waiver and the Special Deal are fair and reasonable and in the interests of the Company and the Independent Shareholders as a whole and to advise the Independent Shareholders on how to vote at the forthcoming EGM taking into account the advice of the Independent Financial Adviser.

We, Octal Capital Limited, have been appointed by the Company as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in relation to the Subscriptions, the CB Subscriptions, the granting of the Specific Mandate, the Creditors' Schemes, the Whitewash Waiver and the Special Deal and to make recommendations as to, among others, whether the terms of the Subscriptions, the CB Subscriptions, the granting of the Specific Mandate, the Creditors' Schemes, the Whitewash Waiver and the Special Deal are fair and reasonable and as to the voting thereon. Our appointment has been approved by the Independent Board Committee in accordance with Rule 2.1 of the Takeovers Code.

### OUR INDEPENDENCE

During the last two years, there was no engagement between the Company or the Subscribers and us. Apart from normal professional fee payable to us by the Company in connection with this appointment, no arrangement exists whereby we will receive any fees or benefits from the Group or the Directors, chief executive and substantial Shareholders or the Subscribers or any of its subsidiaries or their respective associates, and any parties acting in concert with them. Therefore, we consider ourselves eligible to act as the independent financial adviser to the Company under the requirements of the GEM Listing Rules. As at the Latest Practicable Date, there is no financial and business relationship between us and the Directors, chief executives of the Company, substantial Shareholders and the Subscribers or any of their respective subsidiaries or associates, and any parties acting in concert with them, and are therefore considered independent and suitable to give independent advice to the Independent Board Committee and the Independent Shareholders pursuant to Rule 2.6 of the Takeovers Code.

In formulating our opinion, we have relied on the accuracy of the information and representations contained in the Circular and have assumed that all information and representations made or referred to in the Circular were true at the time they were made and continue to be true as at the Latest Practicable Date. We have also relied on our discussions with the management of the Company regarding the Group, the Subscribers, the Subscriptions, the CB Subscriptions and the Creditors' Schemes including the information and representations contained in the Circular. We have also assumed that all statements of belief, opinion and intention made by the Directors and the Company in the Circular were reasonably made after due enquiry. We consider that we have reviewed sufficient information to reach an informed view, to justify our reliance on the accuracy of the information contained in the Circular and to provide a reasonable basis for our advice. We have no reason to suspect that any material facts have been omitted or withheld from the information contained or opinions expressed in the Circular nor to doubt the truth, accuracy and completeness of



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## LETTER FROM OCTAL CAPITAL

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the information and representations provided to us by the Directors. We have not, however, conducted an independent in-depth investigation into the business and affairs of the Group, the Subscribers and their respective associates nor have we carried out any independent verification of the information supplied.

As set out in the responsibility statement in Appendix II to the Circular, 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 the Circular (other than information relating to the Subscribers and parties acting in concert with any of them) 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 (other than the information relating to the Subscribers and parties acting in concert with any of them) or the Circular misleading.

The Directors jointly and severally accept full responsibility for the accuracy of the information contained in the Circular (other than information relating to the Subscribers and parties acting in concert with any of them) and confirm, having made all reasonable inquiries, that to the best of their knowledge, opinions expressed in the Circular (other than those expressed by the directors of the Subscribers) have been arrived at after due and careful consideration and there are no other facts not contained in the Circular, the omission of which would make any statement in the Circular misleading.

The directors of the Subscribers jointly and severally accept full responsibility for the accuracy of the information contained in the Circular (other than those relating to the Group) and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in the Circular (other than those expressed by the Directors) have been arrived at after due and careful consideration and there are no other facts not contained in the Circular, the omission of which would make any statement in the Circular misleading.

Should there be any material changes of our opinion after the Latest Practicable Date, we will notify the Independent Board Committee and the Independent Shareholders as soon as possible.

### **I. THE SUBSCRIPTION AGREEMENT AND CB SUBSCRIPTION AGREEMENT**

#### **PRINCIPAL FACTORS AND REASONS CONSIDERED**

In formulating our opinion and recommendation to the Independent Board Committee and the Independent Shareholders in respect of the Subscriptions, the CB Subscriptions and the Creditors' Scheme, we have taken into account the following principal factors and reasons.

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## LETTER FROM OCTAL CAPITAL

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### 1. Background of the Group

The Group is engaged in the following businesses: (i) manufacture and sales of power and data cords business; (ii) trading of refined oil and chemicals business; and (iii) trading of commodities. The manufacturing base of the Group is located in Shenzhen, China. Since the Group is undergoing a restructuring, the Group is currently focusing on the manufacture and sales of power and data cords business which have three product groups including (i) power and data cords for mobile handsets and personal care products; (ii) medical control devices; and (iii) power cords and inlet sockets for household electric appliances.

Trading in Shares has been suspended since 2 July 2019.

### 2. Financial information of the Group

#### *Review of financial performance*

The Group has been recording loss since the year ended 31 March 2012. The table below summarises the financial information of the Group for the years ended 31 March 2019 and 2020 and the nine months ended 31 December 2019 and 2020 as extracted from the annual report of the Company for the year ended 31 March 2020 (the “**Annual Report**”) and the third quarterly report of the Company for the nine months ended 31 December 2020 (the “**Third Quarterly Report**”), respectively:

|                                     | Year ended 31 March |           | Nine months ended |             |
|-------------------------------------|---------------------|-----------|-------------------|-------------|
|                                     | 2019                | 2020      | 31 December       | 2020        |
|                                     | HK\$'000            | HK\$'000  | HK\$'000          | HK\$'000    |
|                                     | (Audited)           | (Audited) | (Unaudited)       | (Unaudited) |
| Power and data cords, inlet sockets | 57,793              | 63,904    | 34,269            | 94,928      |
| Refined oil and chemicals           | 37,005              | —         | —                 | —           |
| Trading of commodities              | 7,540               | 113       | —                 | —           |
| Revenue                             | 102,338             | 64,017    | 34,269            | 94,928      |
| Cost of sales                       | (86,577)            | (48,409)  | (23,067)          | (76,877)    |
| Gross profit                        | 15,761              | 15,608    | 11,202            | 18,051      |
| Gross profit margin                 | 15.4%               | 24.4%     | 32.7%             | 19.0%       |
| Loss for the year/period            | (238,155)           | (26,665)  | (18,447)          | (5,461)     |

Source: Annual Report and Third Quarterly Report

Note: On 1 January 2019, the Group lost control of the Deconsolidated Subsidiaries, which were engaged in the sales of refined oil and chemicals retail business. Hence, the Group no longer consolidated the financial position and performance of the Deconsolidated Subsidiaries starting from 1 January 2019.

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## LETTER FROM OCTAL CAPITAL

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*Year ended 31 March 2020 vs Year ended 31 March 2019*

The Group recorded revenue of approximately HK\$102.3 million and approximately HK\$64.0 million for the years ended 31 March 2019 and 2020, respectively. The reduction in revenue by approximately 37.4% was mainly due to the deconsolidation of the financial performance and position of the Deconsolidated Subsidiaries. During the period from April 2018 to December 2018, the revenue contributed by Deconsolidated Subsidiaries amounted to approximately HK\$37.0 million. From 1 January 2019, the Group no longer recorded revenue from the Deconsolidated Subsidiaries and mainly derived revenue from the sales of power and data cords and inlet sockets. During the two years ended 31 March 2019 and 2020, the sales of power and data cords and inlet sockets contributed approximately HK\$57.8 million and HK\$63.9 million of revenue to the Group, representing approximately 56.5% and 99.8% of the respective annual revenue.

Gross profit of the Group was approximately HK\$15.8 million and HK\$15.6 million for the two years ended 31 March 2019 and 2020, respectively. The gross profit margin of the Group increased from approximately 15.4% for the year ended 31 March 2019 to approximately 24.4% for the year ended 31 March 2020, mainly attributable to the deconsolidation of the Deconsolidated Subsidiaries which contributed lower gross profit margin to the Group. During the year ended 31 March 2019, the trading of refined oil and chemicals segment (which is operated by the Deconsolidated Subsidiaries) recorded a segment loss of approximately HK\$7.5 million as compared to the segment profit of the power and data cords and general trading business of approximately HK\$3.1 million.

During the year ended 31 March 2019, the Group recorded a substantial amount of loss of approximately HK\$238.2 million which is mainly attributed to the recognition of one-off net loss of approximately HK\$140.6 million arising from the deconsolidation of Deconsolidated Subsidiaries. Excluding such one-off nature of net loss, the Group still recorded a loss of approximately HK\$97.5 million. During the year ended 31 March 2020, the loss was reduced to approximately HK\$26.7 million. The improvement is mainly attributable to (i) the absence of the net loss arising from the Deconsolidated Subsidiaries of approximately HK\$140.6 million; (ii) the absence of impairment loss on amount due from the Deconsolidated Subsidiaries of approximately HK\$43.7 million; and (iii) a decrease in administrative expenses by approximately HK\$22.0 million after the deconsolidation of Deconsolidated Subsidiaries.

The auditors of the Company issued a disclaimer of opinion for the consolidated financial statements of the Group for the three years ended 31 March 2018, 2019 and 2020. Regarding the disclaimer of opinion for the year ended 31 March 2020, the auditors were concerned with the material uncertainties in relation to the Group's that may cast significant doubt on the Group's ability as a going concern, including (i) insufficient financial resources to repay the outstanding debt; (ii) the winding up petitions from various petitioners presented in the Cayman Court and Hong Kong Court against the Company; and (iii) the completion of the debt restructuring of the Group. 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 have not been reflected in the consolidated financial statements of the Group. The auditors also expressed that they have not been able to obtain sufficient appropriate audit evidence in relation to trade deposits, prepayment to a service provider, contingent liabilities and commitments of Deconsolidated Subsidiaries, and opening

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## LETTER FROM OCTAL CAPITAL

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balance and corresponding figures as at 1 April 2019. As disclosed in the announcement of the Company dated 30 December 2020, the Company expects that all audit qualifications will be removed by the year ending 31 March 2023, whereas the figures for the year ending 31 March 2022 and the comparative figure for the year ending 31 March 2021 will be subject to certain audit qualifications.

### *Nine months ended 31 December 2020 vs Nine months ended 31 December 2019*

During the nine months ended 31 December 2019 and 31 December 2020, the Deconsolidated Subsidiaries were no longer included in the consolidated financial statements of the Group.

The Group's revenue, which was solely derived from the sales of power and data cords and inlet sockets business, improved by approximately 177.0% from approximately HK\$34.3 million for the nine months ended 31 December 2019 to approximately HK\$94.9 million for the nine months ended 31 December 2020. The improvement was mainly attributable to the introduction of two new products namely hospital room control hub and headsets for adults and kids which contributed revenue of approximately HK\$41.5 million to the Group during the nine months ended 31 December 2020.

The gross profit of the Group was approximately HK\$18.1 million for the nine months ended 31 December 2020, representing an increment of approximately HK\$6.8 million from the nine months ended 31 December 2019. The gross profit margin of the Group decreased from approximately 32.7% for the nine months ended 31 December 2019 to approximately 19.0% for the nine months ended 31 December 2020. We understand from the management of the Group that the decrease in gross profit margin is attributable to the abovementioned new products which generated relatively lower gross profit margin due to their higher component costs than other products.

The administrative expenses of the Group for the nine months ended 31 December 2020 decreased by approximately HK\$12.5 million due to the decrease of directors' emoluments and share based payment expense. The finance costs of the Group also reduced by approximately HK\$3.8 million because a loan with an indebted sum of approximately HK\$21.4 million became matured on 15 May 2019. Despite the significant improvement in revenue and the reduction in the administrative expenses, the Group still recorded a net loss of approximately HK\$5.5 million for the nine months ended 31 December 2020 as compared to a net loss of approximately HK\$18.4 million for the nine months ended 31 December 2019.

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### *Review of financial position*

As set out in the table below, the major items of the unaudited consolidated financial statement of the Group as at 30 September 2020 extracted from the interim report for the six months ended 30 September 2020 of the Group (the “**Interim Report**”) is summarised as below:

|   | <b>As at<br/>30 September<br/>2020</b><br><i>HK\$'000</i><br><i>(Unaudited)</i> |
|---|---|
| Non-current assets                        | 46,761  |
| Current assets                            |   |
| - Trade receivables                       | 44,974  |
| - Other receivables                       | 26,187  |
| - Bank balances and cash                  | 21,751  |
| - Inventories                             | 7,075   |
|   | 99,987  |
| <b>Total assets</b>                       | <b>146,748</b>  |
| Non-current liabilities                   |   |
| - Promissory notes payable                | 20,830  |
| - Borrowings                              | 10,000  |
| - Others                                  | 14,106  |
|   | 44,936  |
| Current liabilities                       |   |
| - Trade and other payables                | 84,046  |
| - Promissory notes payable                | 51,862  |
| - Borrowings                              | 44,247  |
| - Convertible notes                       | 12,894  |
| - Others                                  | 8,154   |
|   | 201,203   |
| <b>Total liabilities</b>                  | <b>246,139</b>  |
| <b>Net current liabilities</b>            | <b>101,216</b>  |
| <b>Net liabilities</b>                    | <b>99,391</b>   |
| <b>Total debts</b> <sup><i>Note</i></sup> | <b>139,833</b>  |

*Source: Interim Report*

*Note:* The total debts include the current portion and non-current portion of borrowings, promissory notes and convertible notes.

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## LETTER FROM OCTAL CAPITAL

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As at 30 September 2020, the Group had current assets of approximately HK\$100.0 million and current liabilities of approximately HK\$201.2 million, resulting in net current liabilities of approximately HK\$101.2 million. The total assets and total liabilities of the Group are approximately HK\$146.7 million and HK\$246.1 million, respectively, leading to a net liability position of approximately HK\$99.4 million.

The Group's indebtedness as at 30 September 2020 mainly includes promissory notes, borrowings and convertible notes in the aggregate amount of approximately HK\$139.8 million.

Taking into account its latest net liability and limited internal cash, the Group does not have sufficient financial resources to fulfil the repayment obligations of its current and non-current liabilities on or before their maturity date. Therefore, the Company is planning to implement the Creditors' Schemes to resolve the debts of the Group.

### *Industry overview*

The Group has been engaged in the power and data cord industry for over 30 years. The products of the power and data cord business segment can be broadly categorized into three products, namely (i) power and data cords for mobile handsets and personal care products; (ii) medical control devices; and (iii) power cords and inlet sockets for household electric appliances. The customers of the Group are mainly located in the PRC and the United States of America.

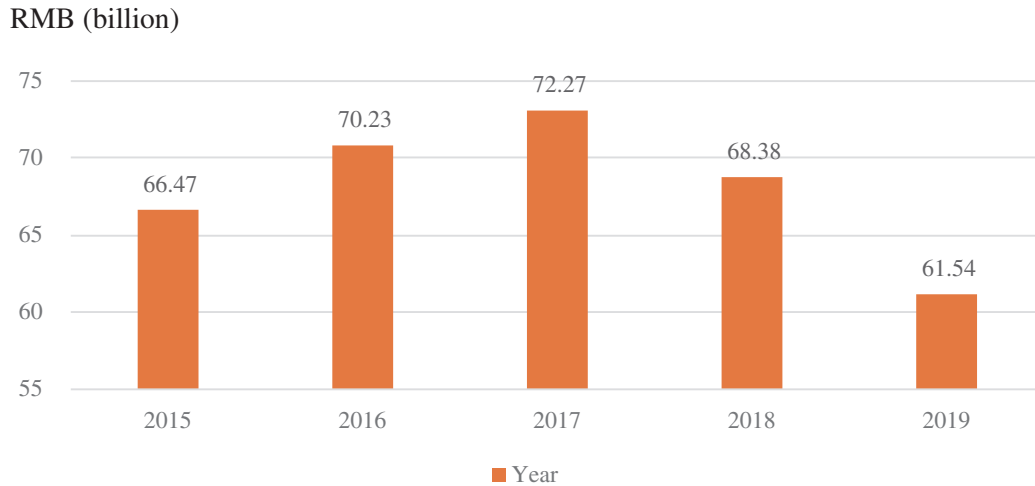
In order to understand the outlook of the power and data cord business segment, we have looked into the total sales of household appliances and audio equipment in the PRC, which is related to the products of the Group. The graph below illustrates the total sales of household appliance and audio equipment in the PRC during 2015 to 2019. Its total sales maintain an upward trend during the years from 2015 to 2017 and slowed down during 2018 and 2019. Despite the recent downward trend in sales, the home appliance and audio equipment in the PRC still recorded a substantial sales amount of approximately RMB61.54 billion during 2019.

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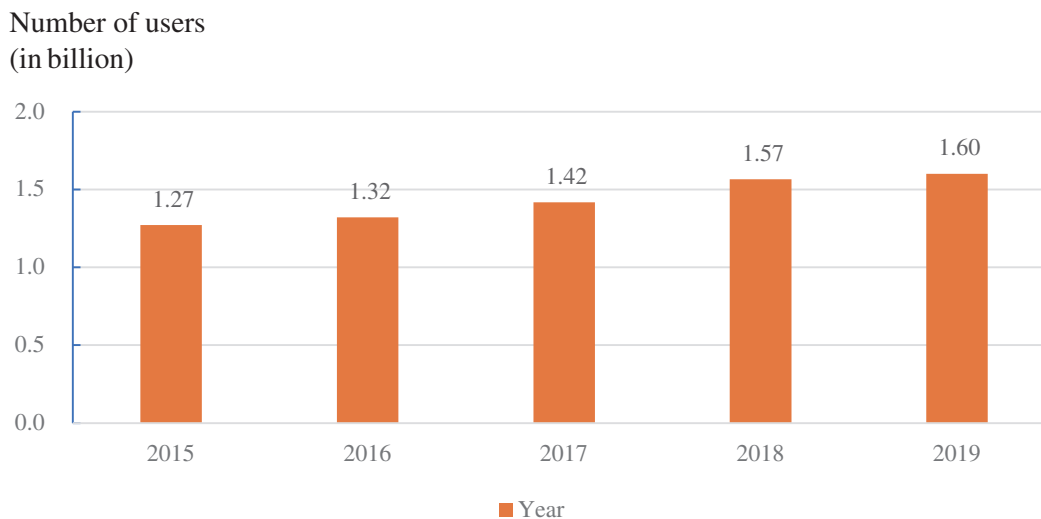
### Total sales of household appliance and audio equipment in the PRC



Source: National Bureau of Statistics of China

We also looked into the total users of mobile phones in the PRC, which is related to the products of the Group. The graph below illustrates the number of mobile phone users in the PRC during 2015 to 2019. The total users of mobile phones are growing at a compound annual growth rate of approximately 5.9% from 2015 to 2019 and reached approximately 1.6 billion of users at the end of 2019.

### Number of mobile phone users in the PRC



Source: National Bureau of Statistics of China

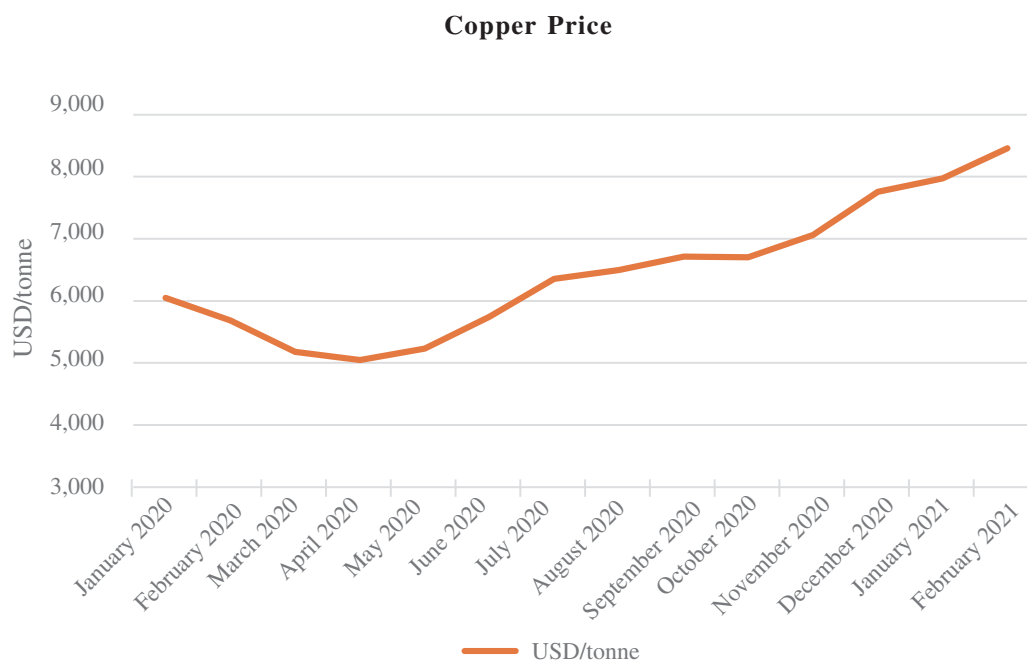
A major material of power and data cord products is copper. The copper price has direct impact to the cost of sales of the Group. The copper price in the PRC is mainly determined with reference to the copper price quoted on the London Metal Exchange.

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## LETTER FROM OCTAL CAPITAL

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The chart below illustrates the movement of the average monthly cash price of copper quoted from the London Metal Exchange during the period from January 2020 and February 2021.



Source: Website of London Metal Exchange.

During the period from February 2020 to February 2021, the copper price maintains an upward trend. The copper price was approximately USD6,049 per tonne in January 2020 and dropped to approximately USD5,048 per tonne in April 2020, then gradually increased to approximately USD8,460 per tonne in February 2021.

### ***Business development of the Group***

After the deconsolidation of the Deconsolidated Subsidiaries, the Group has been concentrating on the sale of power and data cords, and inlet sockets.

As mentioned in the announcement of the Company dated 30 December 2020, after the Directors have conducted a detailed review of the business operation and financial position of the Group, the Directors considered that it would be in the interest of the Company and the Shareholders as a whole to prioritise and place the Group's financial resources and management resources on the power and data cords business which generates higher profit margin and sustainable revenue growth.

Despite the deconsolidation of the Deconsolidated Subsidiaries, the Group still intends to continue the operation of the trading of refined oil and chemicals business but will take a conservative approach with regards to any development and/or expansion plan for this business segment. The trading of refined oil and chemicals business is currently managed by the two executive Directors, Mr. Li Shu Wang (“**Mr. Li**”) and Mr. Zhang Shao (“**Mr. Zhang**”). As set out in the “Directors and Senior Management of the Company — Executive Directors” section in Appendix II of the Circular, Mr. Li and Mr. Zhang worked in various energy-related companies in the PRC and held a senior position in



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ENN Energy Holdings Limited (Stock code: 2688), which is engaged in the retail and wholesale of natural gas in the PRC. In view of Mr. Li and Mr. Zhang's working experiences in the energy-related industry in the PRC, the Directors consider that Mr. Li and Mr. Zhang are capable to manage the business of the trading of refined oil and chemicals segment at this stage. As disclosed in the announcement of the Company dated 30 December 2020, the Group continued to explore opportunities in the clean energy segment. The Group has entered into a legally binding consultancy contract with a gas company in relation to planning and development of the customers' energy business. However, due to the outbreak of the COVID-19 pandemic, the completion of the said contract will be delayed to August 2021. The Group also entered into a legally binding contract with an energy company in relation to the provision of liquefied natural gas to the energy company for the period from July 2020 to December 2020. The management of the Group is currently in negotiation with the said energy company to extend the commencement date of the contract to May 2021. No revenue from the above two contracts was generated pursuant to the Third Quarterly Report.

Upon the fulfilment of all the resumption conditions and the resumption of trading of the Shares, the Directors will explore development opportunities of the trading of refined oil and chemicals business; and recruit suitable personnel for this business segment when necessary.

### **3. Background of the Subscribers**

The First Subscriber is a company incorporated in Hong Kong with limited liability and is principally engaged in investment holding. It is beneficially owned as to 36% by Mr. Sun Jiusheng, 32% by Ms. Zhou Jing and 32% by Mr. Zhang Chao.

The Second Subscriber is a company incorporated in Hong Kong with limited liability and is principally engaged in investment holding. It is beneficially owned as to 40% by Mr. Cheung Yuen Chau, 46.67% by Mr. David Chu, 6.67% by Ms. Tsang Siu Lan and 6.66% by Ms. Ip Tsang Katherine Man Tung. Ms. Tsang Siu Lan is the spouse of Mr. David Chu.

The Third Subscriber is a company incorporated in the British Virgin Islands with limited liability and is principally engaged in investment holding. It is beneficially wholly-owned by Ms. To Sau Man.

#### ***Future intention of the First Subscriber regarding the Group***

It is the intention of the First Subscriber to continue carrying on the businesses of the Group and to continue the employment of the employees of the Group. The First Subscriber has no intention to introduce any major changes to the businesses of the Group including redeployment of the fixed assets of the Group. As at the Latest Practicable Date, no definitive proposals or agreements have been reached for any possible future business investment.

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## LETTER FROM OCTAL CAPITAL

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#### 4. Use of Proceeds

According to the Letter from the Board, the gross proceeds from the Subscriptions are expected to be approximately HK\$36.9 million, among of which HK\$5.0 million will be used to set off the Non-Refundable Deposit, approximately HK\$9.5 million will be used for the settlement of the Outstanding Debt due to the First Subscriber pursuant to the Deed of Set-Off and approximately HK\$2.4 million for the settlement of relevant expenses incidental to the Subscriptions. The net proceeds from the Subscriptions will be approximately HK\$20.0 million which will be used to settle the outstanding amount due to the Creditors (subject to adjustment) under the Creditors' Schemes and the Scheme Cost. The gross proceeds from the CB Subscriptions are expected to be approximately HK\$3.1 million. After deduction of the relevant expenses incidental to the CB Subscriptions, the net proceeds from the CB Subscriptions will be approximately HK\$2.9 million which will be used as restructuring costs and general working capital of the Group.

#### 5. Reasons for and the benefits of the Subscriptions and CB Subscriptions

##### *Indebtedness position of the Group*

Trading in Shares has been suspended since 2 July 2019 and the resumption of trading of Shares is pending from the fulfilment of all the resumption conditions by the Company.

The Company had appointed the Provisional Liquidators on 5 November 2019 on the basis that the Board would retain management of the Company while the Provisional Liquidators would have the power to develop and propose a restructuring of the Company's indebtedness in a manner to allow the Company and the Group to continue as a going concern. As at the date of appointment of the Provisional Liquidators, to the best knowledge of the Company and based on the available books and records of the Group, the total amount of the claims against and liabilities of the Company is approximately HK\$149.8 million. It is proposed that the Creditors' Schemes will be implemented as follows:

- a cash payment of approximately HK\$20.0 million, being part of the proceeds from the Subscriptions, will be transferred to the Creditors' Schemes and held by Scheme Company A for distribution (after making a reserve for the settlement of the Scheme Cost) to the Creditors subject to adjudication;
- the Company will allot and issue the Creditors' Shares for the benefit of the Creditors. The Creditors' Shares will be issued by the Company to the Scheme Administrators or Scheme Company A or such other nominee(s) for distribution to the Creditors subject to adjudication; and
- the Company will transfer its claims, rights to claims, rights to any assets and the entire equity interests of the Deconsolidated Subsidiaries to Scheme Company B at a cash consideration of HK\$1. After such transfer, dividend distributed by such subsidiaries or recovery from those subsidiaries, if any, will be distributed for the benefit of the Creditors subject to adjudication.

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As discussed in the above section headed “Financial Information of the Group”, the Group is at a net liability position of approximately HK\$99.4 million as at 30 September 2020 and the Group has been recording loss since the year ended 31 March 2012. Moreover, after the deconsolidation of the Deconsolidated Subsidiaries, the Group is currently focusing on its power and data cords business. However, this business segment is generating a thin segment profit which is approximately HK\$3.1 million and HK\$6.1 million for the years ended 31 March 2019 and 2020, respectively, which is insufficient to support the immediate debt repayment obligations of the Group. Therefore, the Group is in need of urgent capital to fulfil its debt repayment obligation under the Creditors’ Schemes and finance the costs in relation to the Resumption Plan.

### *Advanced payment made by the First Subscriber*

Reference is made to the announcement of the Company dated 23 December 2019, the Company and the then potential investor (namely Hong Lin Investments L.P.) entered into the MOU pursuant to which the then potential investor agreed to subscribe and the Company agreed to allot and issue certain Shares and bonds. In consideration of the Company entering into the MOU, the then potential investor paid the Non-Refundable Deposit to the Company for the Group’s general working capital. However, the MOU was subsequently assigned and novated to the First Subscriber pursuant to the Deed of Assignment and Novation. Moreover, according to the loan agreement dated 17 July 2020 (as amended by the Supplemental Loan Agreements) and entered into between the Company as borrower and the First Subscriber as lender, the First Subscriber agreed to grant a loan facility of up to HK\$4.5 million to the Company at the interest rate of 18% per annum which is due to be repaid on 30 June 2021. On 23 December 2020, the Company (as borrower) and the First Subscriber (as lender) entered into the Second Loan Agreement pursuant to which the First Subscriber agreed to grant an uncommitted loan facility in the principal amount of up to HK\$5.0 million of the Company for financing the Resumption Plan. As at the Latest Practicable Date, the Outstanding Debt is approximately HK\$8.0 million. The Directors consider that the Group, with its latest net liability position, is facing extreme difficulties to repay the outstanding loans and interests due to the First Subscriber when the loans fall due. Given that the First Subscriber is willing to finance the Resumption Plan, we concur with the Directors that the entering into the Subscription Agreement can fulfil the debt repayment obligations of the Group in full by the arrangements contemplated under the Creditors’ Schemes.

### *Other financing methods*

As advised by the Company, other than the Subscriptions and CB Subscriptions, the Company considered the feasibility of other fundraising methods such as debt financing from bank or money lenders and other forms of equity financing to raise sufficient funding to finance the Creditors’ Schemes, the restructuring cost and the general working capital.

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## LETTER FROM OCTAL CAPITAL

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During the years ended 31 March 2019 and 2020, and the nine months ended 31 December 2020, the Group recorded finance costs of approximately HK\$16.3 million, HK\$17.8 million and HK\$9.3 million, representing approximately 103.4%, 113.9% and 51.6% of the gross profit for the corresponding periods. For debt financing from banks or money lenders, the Directors considered that it will incur further interest expenses and leverage on the Group. Due to the prolonged loss-making performance of the Group and the currently high leverage status of the Group, it may not be feasible for the Group to obtain additional debt financing with terms favorable to the Group. Debt financing from banks or money lenders may also be subject to lengthy due diligence and internal risk assessment by banks. Under such circumstances, the debt financing from banks or money lenders is not a preferable choice.

In light of the prolonged loss-making record of the Group and the suspension of trading of Shares, if the Company raises the necessary funds by way of placing, rights issue or open offer of new Shares, we concur with the Directors that the public may not be interested in a listed company with financial difficulties and going-concern issue. Moreover, the placing, rights issue or open offer of new Shares is a relatively lengthy process, including issue of prospectus, appointment of placing agents and underwriters. The transaction cost is also higher than the Subscriptions and CB Subscriptions because of placing and underwriting commission. The Directors consider that placing, rights issue or open offer of new Shares is not cost-effective to the Group. On the other hand, it is noted that the Group had previously made several attempts to seek for new capital through placing of shares and subscription of shares in 2019 but such proposed equity fund raising exercises failed to be completed.

Having considered that (i) the Group recorded net loss since the year ended 31 March 2012 with its latest net liability position; (ii) the Group has no sufficient financial resources to meet its debt repayment obligations as at 30 September 2020 as disclosed in the Interim Report; (iii) it is not cost-effective nor feasible for the Group to obtain debt financing and/or carry out other forms of equity financing; and (iv) the completion of the debt restructuring of the Group is essential for the implementation of the Creditors' Schemes, we concur with the Directors that the Subscriptions and CB Subscriptions are desirable ways to raise capital and is in the interest of the Company and the Shareholders as a whole.

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## LETTER FROM OCTAL CAPITAL

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### 6. The Subscriptions and CB Subscriptions

#### *The Subscription Agreement*

The principal terms of the Subscription Agreement and the Supplemental Subscription Agreement are summarised as below:

|                      |   |
|----------------------|---|
| Date:                | 23 December 2020 and 15 March 2021  |
| Issuer:              | The Company   |
| First Subscriber:    | BAINENG Holdings Limited  |
| Second Subscriber:   | Richmax Investment (H.K.) Limited   |
| Third Subscriber:    | New Origins International Limited   |
| Subscription Shares: | 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)<br><br>The total number of 1,900,099,090 Subscription Shares to be allotted and issued under the Subscriptions represents (i) 500% of the issued share capital of the Company as at the Latest Practicable Date; and (ii) 75% of the issued share capital of the Company as enlarged by the allotment and issue of the Subscription Shares and the Creditors' Shares (assuming that there is no change in the issued share capital of the Company from the Latest Practicable Date and up to Completion other than as a result of the Subscriptions and the Creditors' Shares) |
| Subscription Price:  | HK\$0.01941712 per Subscription Share   |

For further details, please refer to the section headed "The Subscription Agreement" of the Letter from the Board of the Circular.

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## LETTER FROM OCTAL CAPITAL

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### *The CB Subscription Agreement*

The principal terms of the CB Subscription Agreement and the Supplemental CB Subscription Agreement are summarised as below:

|                    |   |
|--------------------|---|
| Date:              | 23 December 2020 and 15 March 2021  |
| Issuer:            | The Company   |
| First Subscriber:  | BAINENG Holdings Limited  |
| Second Subscriber: | Richmax Investment (H.K.) Limited   |
| Third Subscriber:  | New Origins International Limited   |
| Principal amount:  | HK\$3,105,556.91  |
| Interest rate:     | The Convertible Bonds shall not bear any interest   |
| Maturity date:     | Unless previously converted and cancelled, any outstanding principal amount of the Convertible Bonds shall be cancelled on 16 March 2025 (or, if that is not a Business Day, the first Business Day thereafter)   |
| Conversion Price:  | HK\$0.01941712 per Conversion Share, subject to adjustment.   |
| Conversion Shares: | Based on the Conversion Price of HK\$0.01941712 per Conversion Share, a maximum number of 159,939,150 Conversion Shares will be allotted and issued under the Mandatory Conversion Mechanism, which represent (i) approximately 42.09% of the issued share capital of the Company as at the Latest Practicable Date; and (ii) approximately 5.9% of the issued share capital of the Company as to be enlarged by the allotment and issue of the Subscription Shares, the Conversion Shares and the Creditors' Shares, assuming new Shares have been allotted and issued pursuant to the full exercise of all Outstanding Share Options. |

For further details, please refer to the section headed "the CB Subscription Agreement" in the Letter from the Board of the Circular.

The Subscription Price, the Conversion Price and the Issue Price represent:

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

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## LETTER FROM OCTAL CAPITAL

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In assessing the fairness and reasonableness of the Subscription Price, we identified restructuring transactions announced and/or completed by the companies listed on the Stock Exchange (the “**Resumption Comparables**”) which (i) either published announcement or circular during the period from 1 January 2017 to 31 December 2020; (ii) suspended for trading more than 12 months prior to the publication of the restructuring announcement; and (iii) conducted resumption plan which involved creditors’ schemes and application of whitewash waiver. Based on these criteria, we identified eight Resumption Comparables as below and they are exhaustive. Despite that the business and operation of the Resumption Comparables are not the same as the Group, the research result of Resumption Comparable can demonstrate the market practice of similar restructuring transactions conducted by the suspended companies during the selected period.

| <b>Date of circular/<br/>announcement</b> | <b>Company name<br/>(stock code)</b>  | <b>Date of<br/>resumption<br/>of trading</b> | <b>Discount of the<br/>subscription price<br/>to the closing<br/>price on the last<br/>trading date</b> | <b>Theoretical<br/>dilution effect<sup>5</sup></b> |
|---|---|--|---|--|
| 31 December 2020 <sup>2</sup>             | Up Energy (307)   | N/A  | 0.00%   | N/A <sup>6</sup>                                   |
| 18 June 2020 <sup>4</sup>                 | Flyke In’t (1998)   | N/A  | 83.82%  | 51.58%   |
| 29 November 2019 <sup>2</sup>             | China Lumena (67)   | N/A  | 99.52% <sup>1</sup>   | 74.64%   |
| 29 May 2019 <sup>2</sup>                  | Union Asia Enterprise<br>(8173)   | 14 November<br>2019                          | 85.90% <sup>1</sup>   | 94.40%   |
| 27 April 2019 <sup>2</sup>                | China Agrotech<br>(1073)<br>(currently known as<br>Da Yu Financial<br>Holdings Limited) | 26 July 2019                                 | 78.80% <sup>1</sup>   | 71.80%   |
| 5 June 2017 <sup>3</sup>                  | Golden Shield (2123)  | N/A  | 75.00% <sup>1</sup>   | N/A <sup>6</sup>                                   |
| 20 March 2017 <sup>4</sup>                | Flyke Int’l (1998)  | N/A  | 74.08% <sup>1</sup>   | N/A <sup>6</sup>                                   |
| 27 February 2017 <sup>3</sup>             | China Solar (155)   | N/A  | 91.67%  | N/A <sup>6</sup>                                   |
|   |   | Maximum                                      | 99.52%  | 94.40%   |
|   |   | Minimum                                      | 0.00%   | 51.58%   |
|   |   | Average                                      | 73.60%  | 73.11%   |
|   | Subscription Price  |  | 87.55%  | 77.2%  |

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*Note 1:* The closing price on the last trading day has been adjusted for the effect of capital reorganization based on the respective resumption plan.

*Note 2:* Restructuring plans were approved by the respective shareholders.

*Note 3:* Restructuring plans were pending for the approval by the respective shareholders.

*Note 4:* The company was delisted on 29 January 2021.

*Note 5:* The theoretical dilution effect is calculated based on the Main Board Listing Rule 7.27B and GEM Listing Rule 10.44A.

*Note 6:* No information in relation to the theoretical dilution effect is disclosed in the relevant circular/announcement.

*Source:* *Monthly Prolonged Suspension Status Report (Main Board and GEM) as at 31 December 2020 published by the Stock Exchange and the website of Stock Exchange*

The subscription prices of the Resumption Comparables recorded a discount against respective closing price/adjusted closing price on their last trading day before the suspension of share trading. The discount ranged from approximately 0.00% to 99.52% and the average discount of the Resumption Comparables is approximately 73.60%. The Subscription Price, which represents a discount of approximately 87.55% against the closing price of HK\$0.156 per Share on the Last Trading Day, is within the abovementioned range and higher than the average discount of the Resumption Comparables.

Having considered (i) the Group recorded net liabilities as at 30 September 2020 and has been loss-making since the year ended 31 March 2012; (ii) the reasons for and benefits of the Subscriptions as aforementioned; and (iii) the proceeds from the Subscriptions are an essential component of the Resumption Plan and failing which the Company may be delisted, we are of the view that the Subscription Price is fair and reasonable.

None of the Resumption Comparables involves the issuance of convertible bonds. Since the Company has been suspended trading from 2 July 2019, the closing price of the Company on the Last Trading Day is no longer reflective of the current financial condition and value of the Company. We believe that it is not sensible to assess the fairness and reasonableness of the Conversion Price by making reference to those issuance of convertible securities conducted by the listed companies whose shares are traded in the market.

The Convertible Bonds are zero coupon bonds. We consider that the Convertible Bonds do not place heavy burden on the finance cost to the Group. The maturity period of the Convertible Bonds on 16 March 2025, being the latest maturity date of the Outstanding Share Options which allows the Mandatory Conversion Mechanism in place to maintain the public float of the Shares after the Resumption. In view of the nature of the Convertible Bond which is used to regulate the public float of the Company upon the exercise of any Outstanding Share Options, we are of the view that the terms of CB Subscription Agreement are fairly determined.



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## LETTER FROM OCTAL CAPITAL

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In light of the special circumstance of the Company that (i) the Group is in financial difficulties and unable to pay off the costs in relation to the Resumption Plan; (ii) the reasons for and benefits of the CB Subscriptions as aforementioned; (iii) the CB Subscriptions also form part of the Resumption Plan and failing which the Company may be delisted; and (iv) the Company is not obligated to redeem or pay the Subscribers the principal amount of the Convertible Bonds and the Convertible Bonds closely resemble to an equity fund raising transaction, even though the Conversion Price (which is same as the Subscription Price) is issued at a deep discount, we are of the view that the Conversion Price is fair and reasonable.

Taking into account the principal terms of the Subscriptions and the CB Subscriptions as highlighted above, we are of the view that the terms of the Subscriptions and the CB Subscriptions are fair and reasonable and in the interest of the Company and Independent Shareholders as a whole.

### 7. Background to and reasons for the Creditors' Schemes

#### *Background of the Creditors' Schemes*

##### *Winding up petition and appointment of Provisional Liquidators*

On 26 April 2019, the Company received a petition from Glory Sun Securities Limited filed in the Hong Kong Court under the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32, Laws of Hong Kong) that the Company may be wound up by the Hong Kong Court on the ground that the Company is insolvent and unable to pay its debt.

On 22 October 2019, having duly and carefully considered the then financial position of the Group, including the cash flow status of the Company and that it was then unable to pay its debts when they fall due and would be insolvent within the meaning of section 93 of the Companies Act of the Cayman Islands, the Company filed with the Cayman Court a winding up petition under section 93 of the Cayman Companies Act.

On 5 November 2019, Mr. Yen Ching Wai David and Ms. So Kit Yee Anita, both of Ernst & Young Transactions Limited, and Mr. Keiran William Hutchison of Ernst & Young Ltd were appointed as Provisional Liquidators in relation to the Proposed Restructuring.

##### *Listing status of the Company*

Trading in the Shares has been suspended since 2 July 2019. The Company received the resumption guidance from the Stock Exchange on 15 July 2019, 8 November 2019 and 18 May 2020 (collectively "**Resumption Guidance**") and the conditions set out in the Resumption Guidance are summarised as below.

- (i) to publish all outstanding financial results required by the GEM Listing Rules and address any audit qualifications;

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## LETTER FROM OCTAL CAPITAL

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- (ii) to inform the market of all material information for Shareholders and investors to appraise its position;
- (iii) to demonstrate that the Company has in place adequate internal control systems to meet the obligations under the GEM Listing Rules;
- (iv) to 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;
- (v) to 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; and
- (vi) to demonstrate the Company's compliance with Rule 17.26 of the GEM Listing Rules.

The latest status of the fulfilment of the resumption conditions have been disclosed in the announcement of the Company dated 30 December 2020. The Company will publish quarterly updates announcements from time to time about the status of the fulfilment of the resumption conditions.

### *Principal terms of the Creditors' Schemes*

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

- (i) a cash payment of approximately HK\$20.0 million, being part of the proceeds from the Subscriptions, will be transferred to the Creditors' Schemes and held by Scheme Company A for distribution (after making a reserve for the settlement of the Scheme Cost) to the Creditors subject to adjudication;
- (ii) the Company will allot and issue the Creditors' Shares for the benefit of the Creditors. The Creditors's Shares will be issued by the Company to the Scheme Administrators or Scheme Company A or such other nominee(s) for distribution to the Creditors subject to adjudication; and
- (iii) the Company will transfer its claims, rights to claims, rights to any assets and the entire equity interests of the Deconsolidated Subsidiaries to Scheme Company B at a cash consideration of HK\$1. After such transfer, dividend distributed by such subsidiaries or recovery from those subsidiaries, if any, will be distributed for the benefit of the Creditors subject to adjudication.

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## LETTER FROM OCTAL CAPITAL

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Principal terms for the allotment and issue of the Creditors' Shares are summarized as below

|   |  |
|---|--|
| Issuer:   | The Company  |
| Issue price:  | HK\$0.01941712   |
| Value of the Creditors' Shares to be issued to the Creditors: | Approximately HK\$4.92 million   |
| Total number of Creditors' Shares to be issued:               | 253,246,545 Creditors' Shares, representing (i) approximately 66.67% of the issued share capital of the Company as at the Latest Practicable Date; and (ii) 10% of the issued share capital of the Company as enlarged by the allotment and issue of the Subscription Shares and the Creditors Shares. |

For the further details, please refer to the section headed "The Creditors' Schemes" in the Letter from the Board of the Circular.

The Issue Price was determined with reference to (i) the Subscription Price and the Conversion Price; (ii) the prevailing financial position of the Group and that the Group is currently insolvent; and (iii) the acceptability of the Creditors towards the terms of the Creditors' Schemes. The Issue Price is same as the Subscription Price and the Conversion Price. Based on the above analysis on the Subscription Price, the Issue Price is within the range of discount and higher than the average discount of the Resumption Comparables.

The cash payment of approximately HK\$20.0 million, the issue of the Creditors' Shares (equivalent to approximately HK\$4.92 million based on the Issue Price) as well as any receivables from the realisation of the Deconsolidated Subsidiaries will be applied for the settlement of the Scheme Cost and final settlement of the Creditors' Schemes to the Creditors.

Scheme Company A will be established to hold part of the proceeds from the Subscriptions in the total amount of approximately HK\$20.0 million and/or to hold the Creditors' Shares. Scheme Company B will be established to hold all the Company's claims, rights to claims, rights to any assets and the entire equity interests of the Deconsolidated Subsidiaries. As disclosed in the Annual Report, the Company recorded one-off loss arising from deconsolidating the Deconsolidated Subsidiaries based on the aggregate amounts of assets and liabilities of the Deconsolidated Subsidiaries as at 1 January 2019. As at the Latest Practicable Date, the Company lost control of the Deconsolidated Subsidiaries and did not receive the latest information in relation to the operation and financial status of the Deconsolidated Subsidiaries.

The Creditors' Schemes is conditional upon the fulfillment of the conditions precedent, details of which are disclosed in the Letter from the Board in the Circular.

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### *Reasons for the Creditors' Schemes*

As mentioned above, the Company received winding up petitions and the Share has been suspended in trading more than 18 months and the Company may be subject to the delisting review by the Stock Exchange. On 30 June 2020, the Company has submitted the resumption proposal to the Stock Exchange. As one of the resumption conditions is having the winding up petitions against the Company withdrawn or dismissed and the appointment of liquidators discharged, thus, if the Subscriptions, CB Subscriptions and the Creditors' Schemes and the transactions contemplated were not approved by the Independent Shareholders at the EGM, the Company would have to suggest another proposal acceptable to the Creditors for settling their claims and to withdraw the winding-up petitions against the Company.

As at the date of appointment of the Provisional Liquidators, to the best knowledge of the Company and based on the available books and records of the Group, the total amount of the claims against and liabilities of the Company is approximately HK\$149.8 million. We note that from the Interim Report that the Group had bank balances and cash of approximately HK\$21.8 million and recorded net liabilities of approximately HK\$99.4 million as at 30 September 2020. As such, it is unlikely that the Company would be able to fully settle the claims from the Creditors through internal resources.

Under the Creditors' Schemes, the Company will mainly use HK\$20.0 million of the proceeds from the Subscriptions and the Creditors' Shares to discharge and release the claims owed by the Company to the Creditors subject to adjudication. According to the Interim Report, the borrowings of approximately HK\$13.3 million as at 30 September 2020 will be settled by the Company through its internal resources. Moreover, on 15 March 2021, the Company and the Secured Creditor entered into the supplemental loan agreement pursuant to which both parties agreed to extend the repayment date of the relevant loan amounted to HK\$5.0 million to 30 June 2024 and to waive any default interest accruing thereon from the original repayment date up to the date of Resumption. The Company may early repay part or all of the relevant loan without penalty provided that the Company shall have given the Secured Creditor not less than one Business Day's prior notice in writing specifying the amount and date of early repayment. The said supplemental loan agreement is conditional upon the Resumption. The Directors advised that such repayment will be financed by the Group's internal resources. We consider that the Creditors' Schemes would significantly reduce the debt level of the Group and fulfil one of the resumption conditions.

Taking into account that (i) the Creditors' Scheme will enable most of the claims against the Company by the Creditors to be discharged and compromised in full; (ii) the implementation of the Creditors' Schemes is an integral part of the Resumption Plan; and (iii) the issue of Creditors' Shares not only can settle the debt due to the Creditors, but also strengthen the capital base, we concur with the Directors that the Creditors' Scheme is fair and reasonable so far as the Independent Shareholders are concerned, and the Creditors' Schemes is in the interests of the Company and the Shareholders as a whole.

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### 8. Possible dilution effect on the shareholding interests of the public Shareholders

With reference to the shareholding table in the section headed “Effect of the Shareholding Structure of the Company” disclosed in the Letter from the Board, the shareholding interests of the public Shareholders would be diluted from 90.10% as at the Latest Practicable Date to (i) 15.02% immediately after Completion, assuming that there are no change in the issued share capital of the Company from the Latest Practicable Date up to the Completion other than the issue of the Subscription Shares; (ii) 13.51% 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 the Subscription Shares and the Creditors’ Shares); and (iii) 14.26% immediately after Completion, issue of the Creditors’ Shares and conversion of the Conversion Bonds (subject to the public float requirement) in full (assuming there is no change in the issued share capital of the Company other than the issue of all Subscription Shares, Creditors’ Shares and Conversion Shares as well as the full exercise of the outstanding Share Options under the Share Option Scheme).

Further, the Subscription, the CB Subscription and the issue of the Creditors’ Shares will result in a theoretical dilution effect of 77.2%, which is over the 25% threshold as specified under Rule 10.44A of the GEM Listing Rules. Based on our analysis of eight Resumption Comparables, we noted that four of the Resumption Comparables recorded a theoretical dilution effect in the range from approximately 51.58% to approximately 94.40% and the theoretical dilution effect of the Proposed Restructuring of approximately 77.2% is within the range of the said comparables. Despite the said dilution to the public Shareholders, we take into account, in particular, the following factors:

1. the Group currently has no sufficient financial resources to repay the outstanding debts under the Creditors’ Schemes;
2. the Subscriptions and the issue of the Creditors’ Shares (which is equivalent to approximately HK\$4.92 million) provide an opportunity for the Group to settle the amount due to the Creditors under the Creditors’ Schemes and repay all outstanding liabilities due to the First Subscriber;
3. the CB Subscriptions with no interest bearing are mainly for anti-dilution purpose and provide funding for the Group to conduct the Proposed Restructuring and the general working capital of the Group; and
4. The Subscriptions and CB Subscriptions provide an opportunity for various winding up petitions against the Company to be withdrawn or dismissed and the Provisional Liquidators to be discharged, which in turn will facilitate the Company to fulfil all the resumption conditions set by the Stock Exchange and resume the trading of Shares.

We consider that the abovementioned benefits of the Subscriptions, CB Subscriptions and the issuance and allotment of Creditors’ Shares outweigh the said dilution impact to the public Shareholders, and hence we are of the view that the dilution effect on the shareholding interests of the public Shareholders is acceptable.

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## LETTER FROM OCTAL CAPITAL

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### 9. Financial Effect of Subscriptions, CB Subscriptions and Creditors' Schemes

#### *Net assets/(liabilities) and gearing*

As disclosed in the Interim Report, the Group had net liabilities of approximately HK\$99.4 million as at 30 September 2020. The gearing ratio of the Group, which was calculated by total debts divided by total assets, was approximately 0.95 as at 30 September 2020. The allotment and issue of the Subscription Shares and the Creditors' Shares to settle the indebtedness due to the Creditors under the Creditors' Schemes would reduce the liabilities of the Company

The Convertible Bonds, when being booked into the financial statements of the Group, will consist of an equity portion and a liability portion which will be subject to assessment and valuation by a professional valuer in accordance with the Hong Kong Financial Reporting Standards.

Assuming the asset position of the Group has no material change as compared to the asset position of the Group as at 30 September 2020, upon the Completion, the CB Completion and the completion of the Creditors' Schemes, the liabilities and the gearing ratio of the Group are expected to reduce, leading to an improvement to the financial position of the Group.

#### *Working capital*

As the indebtedness due to the Creditors would be mainly settled by the proceeds from the Subscriptions and the Creditors' Shares, substantial future cash outflow from the Group would be avoided in repaying the claims in cash. Following the Completion, the CB Completion and the completion of the Creditors' Schemes, the indebtedness due to the Creditors would be settled and the liabilities of the Group is expected to decrease, which would improve the working capital of the Group.

It should be noted that the aforementioned analyses are for illustrative purposes only and do not purport to represent how the financial performance and the financial position of the Group will be upon the Completion, the CB Completion and the completion of the Creditors' Schemes.

## II. THE WHITEWASH WAIVER AND THE SPECIAL DEAL

With reference to the Letter from the Board, the First Subscriber and parties acting in concert with it did not hold, own, control or have direction over any Shares, outstanding options, warrants or any securities that are convertible into Shares or any derivatives in respect of the securities in the Company, or hold any relevant securities in the Company.

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

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

With reference to the Letter from the Board, based on the records currently available to the Provisional Liquidators, the Company is indebted to Mr. Zou Donghai and Dr. Zheng Jian Peng, each being a Creditor and a former executive Director, for an aggregate amount of approximately HK\$3.81 million. Mr. Zou Donghai and Dr. Zheng Jian Peng are the beneficial owners of in aggregate 37,640,000 Shares, representing approximately 9.9% of the issued share capital of the Company, as at the Latest Practicable Date.

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

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

Given that the grant of the Whitewash Waiver and the consent for the Special Deal by the Executive are part of the conditions for the Subscriptions, the Creditors' Schemes would not proceed if the Whitewash Waiver and the Special Deal are voted down by the Independent Shareholders at the EGM. Having considered that (i) as one of the conditions in the Resumption Plan is having the winding up petitions against the Company having been unconditionally withdrawn or dismissed and the Provisional Liquidators having been discharged, if the Creditors' Schemes is voted down at the EGM, the Company would have to suggest another proposal acceptable to the Creditors for settling their claims, which the approval from the Creditors is not guaranteed; (ii) the Company had been loss making and recorded net liabilities in recent financial years and is in unfavourable financial conditions which render it lacking the ability to repay the claims through internal resources; (iii) the Subscriptions and the CB Subscriptions form part of the Proposed Restructuring that would enable the Company to implement the Creditors' Schemes if the Creditors' Schemes is approved at the EGM; and

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(iv) the issue of the Subscription Shares and the Convertible Bonds would reduce the debt level and support the costs in relation to the Resumption Plan; we are of the opinion that the approval of the Whitewash Waiver and the Special Deal, which is a prerequisite for the Completion and CB Completion, is in the interests of the Company and the Independent Shareholders as a whole.

### RECOMMENDATION

#### Subscription Agreement and CB Subscription Agreement

Having considered the abovementioned principal factors and reason, in particular that:

- (i) the Group is incapable to generate sufficient cashflow from its power and data cords and inlet sockets business as well as obtaining external financing facilities to repay the indebtedness due to the Creditors;
- (ii) the proceeds from the Subscriptions will be transferred to the Creditors' Schemes for distribution to the Creditors subject to adjudication, and upon implementation of the Creditors' Schemes, it will discharge and release the indebtedness due to the Creditors by the Company in full;
- (iii) the Group is in an imminent need of cash to finance the costs in relation to the Resumption Plan; and
- (iv) the proceeds from the Subscriptions and CB Subscriptions are an essential component of the Resumption Plan;

we consider that the terms of the Subscription Agreement and the CB Subscription Agreement, and the transactions contemplated thereunder are on normal commercial terms and fair and reasonable so far as the Independent Shareholders are concerned, and are in the interest of the Company and the Shareholders as a whole. Accordingly, we recommend the Independent Shareholders, and advise the Independent Board Committee to recommend the Independent Shareholders, to vote in favour of the ordinary resolutions to be proposed at the EGM to approve the Subscription Agreement, and the CB Subscription Agreement and the transactions contemplated thereunder.

#### Creditors' Schemes

As mentioned in the section headed "7. Background to and reasons for the Creditors' Scheme", the Company received winding up petitions and the Shares have been suspended for trading since 2 July 2019. Having considered that (i) one of the resumption conditions is having the winding up petitions against the Company to be withdrawn or dismissed and the appointment of liquidators to be discharged; and (ii) the Group is incapable to repay the indebtedness due to the Creditors, we are of the view that the Creditors Schemes is fair and reasonable so far as the Independent Shareholders are concerned, and the Creditors' Schemes is in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend the Independent Shareholders, and advise the Independent Board Committee to recommend the Independent Shareholders, to vote in favour of the ordinary resolutions to be proposed at the EGM to approve the Creditors' Schemes and the transactions contemplated thereunder.



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### Special Deal

In view of (i) the aforesaid reasons for and benefits of the Creditors' Schemes; (ii) the terms of the Creditors' Schemes are fair and reasonable and in the interest of the Independent Shareholders; and (iii) the Special Deal is one of the conditions precedent for the Subscriptions and the CB Subscriptions, we are of the view that the Special Deal is fair and reasonable so far as the Independent Shareholders are concerned, and the Special Deal is in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend the Independent Shareholders, and advise the Independent Board Committee to recommend the Independent Shareholders, to vote in favour of the ordinary resolutions to be proposed at the EGM to approve the Special Deal and the transactions contemplated thereunder.

### Whitewash Waiver

In view of (i) the aforesaid reasons for and benefits of the Subscriptions and CB Subscriptions; and (ii) the Whitewash Waiver is one of the conditions precedent for the Subscriptions and the CB Subscriptions, we are of the view that the Whitewash Waiver is fair and reasonable so far as the Independent Shareholders are concerned, and the Whitewash Waiver is in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend the Independent Shareholders, and advise the Independent Board Committee to recommend the Independent Shareholders, to vote in favour of the ordinary resolutions to be proposed at the EGM to approve the Whitewash Waiver and the transactions contemplated thereunder.

Yours faithfully,

For and on behalf of

**Octal Capital Limited**

**Alan Fung**                      **Wong Wai Leung**

*Managing Director*            *Executive Director*

*Note:* Mr. Alan Fung has been a responsible officer of Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities since 2003. Mr. Fung has more than 25 years of experience in corporate finance and investment banking and has participated in and completed various advisory transactions in respect of mergers and acquisitions, connected transactions and transactions subject to the compliance to the Takeovers Code of listed companies in Hong Kong. Mr. Wong Wai Leung has been a responsible officer of Type 1 (dealing in securities), Type 6 (advising on corporate finance) regulated activities since 2008 and is also a responsible officer Type 9 (asset management) regulated activities. Mr. Wong has more than 20 years of experience in corporate finance and investment banking and has participated in and completed various advisory transactions of listed companies in Hong Kong in respect of mergers and acquisitions, connected transactions and transactions subject to the compliance to the Takeovers Code of listed companies in Hong Kong.

**1. SUMMARY OF FINANCIAL INFORMATION OF THE GROUP**

Set out below is a summary of the audited consolidated financial information of the Group for each of the financial years ended 31 March 2018, 2019 and 2020 as extracted from the annual reports of the Company for the financial years ended 31 March 2019 and 2020, and the unaudited consolidated financial information of the Group for the nine months ended 31 December 2020 as extracted from the third quarterly report of the Company for the nine months ended 31 December 2020.

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME**

**Results**

|  | Nine months ended  |                  | Year ended 31 March |                  |
|--|--------------------|------------------|---------------------|------------------|
|  | 31 December 2020   | 2020             | 2019                | 2018             |
|  | <i>HK\$'000</i>    | <i>HK\$'000</i>  | <i>HK\$'000</i>     | <i>HK\$'000</i>  |
|  | <i>(unaudited)</i> | <i>(audited)</i> | <i>(audited)</i>    | <i>(audited)</i> |
| Revenue  | 94,928             | 64,017           | 102,338             | 395,281          |
| Cost of sales  | (76,877)           | (48,409)         | (86,577)            | (367,704)        |
| Gross profit   | 18,051             | 15,608           | 15,761              | 27,577           |
| Other income and gain or (loss), net                                       | 3,624              | 2,223            | (35,713)            | 3,976            |
| Selling expenses   | (1,822)            | (2,155)          | (6,097)             | (14,821)         |
| Administrative expenses  | (14,531)           | (32,400)         | (54,379)            | (97,288)         |
| Gain on disposal of subsidiaries   | —                  | —                | —                   | 628              |
| Net loss arising on deconsolidation of subsidiaries                        | —                  | —                | (140,647)           | —                |
| Gain arising on deregistration of a subsidiary                             | —                  | 5,731            | —                   | —                |
| Finance costs  | (9,315)            | (17,778)         | (16,290)            | (13,652)         |
| Loss before tax  | (3,993)            | (28,771)         | (237,365)           | (93,580)         |
| Taxation   | (1,468)            | 2,106            | (790)               | 3,015            |
| (Loss)/profit for the period/year attributable to:                         |                    |                  |                     |                  |
| Owners of the Company  | (9,877)            | (31,926)         | (235,286)           | (88,168)         |
| Non-controlling interests  | 4,416              | 5,261            | (2,869)             | (2,397)          |
| Total comprehensive (expenses)/income for the period/year attributable to: |                    |                  |                     |                  |
| Owners of the Company  | (9,840)            | (33,558)         | (240,403)           | (75,376)         |
| Non-controlling interests  | 4,515              | 4,398            | 81                  | (364)            |
| Equity attributable to owners of the Company                               | N/A                | (97,369)         | (73,812)            | 112,693          |
| Non-controlling interests  | N/A                | 3,278            | (90)                | (11,036)         |
| Dividends declared and paid to owners of the Company                       | —                  | —                | —                   | —                |
|  | <i>HK cent</i>     | <i>HK cent</i>   | <i>HK cent</i>      | <i>HK cent</i>   |
| Loss per share (Basic and diluted)   | (2.6)              | (8.40)           | (68.46)             | (29.32)          |
| Dividends per share  | —                  | —                | —                   | —                |

Save as disclosed in the consolidated financial statements of the Group for each of the financial years ended 31 March 2018, 2019 and 2020 and the unaudited condensed consolidated financial statements of the Group for the nine months ended 31 December 2020, there were no material items of income or expense for each of the financial years ended 31 March 2018, 2019 and 2020 and for the nine months ended 31 December 2020.

As disclosed in the annual report of the Company for the year ended 31 March 2018, the following modified opinion, was given by HLM CPA Limited, the auditor of the Company:

**“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 54 to 131, which comprise the consolidated statement of financial position as at 31 March 2018, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and 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 2018. 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 and 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. Prepayments to suppliers in connection with purchases of inventories**

*As described in note 22(b)(ii) to the consolidated financial statements, as at 31 March 2018, included in prepayments for purchases, the Group recorded prepayments for purchases of approximately HK\$91,803,000 to certain materials suppliers, including (i) prepayments of approximately RMB36,428,000 (equivalent to approximately HK\$45,524,000); (ii) prepayment of RMB30,000,000 (equivalent to approximately HK\$35,444,000); and (iii) prepayments of approximately RMB8,670,000 (equivalent to approximately HK\$10,835,000) for purchases of chemical products and oxygen-free copper products for trading purpose. Details of these balances are summarised below:*

- (a) *During the year ended 31 March 2018, Jiangxi China Oil Gangran Energy Technology Company Limited (literal translation of the Chinese name 江西中油港燃能源科技有限責任公司) (“Subsidiary A”), an indirectly wholly-owned subsidiary of the Company, entered into an undated annual purchase contract with a supplier (“Company A”) for the purchase of chemical products (“Chemical Purchase Contract”) amounting to a total sum of RMB62,394,000 with effect from 1 July 2017 to 30 June 2018. During the year ended 31 March 2018, pursuant to the Chemical Purchase Contract, Subsidiary A made prepayments amounting to approximately RMB36,428,000 (equivalent to HK\$45,524,000) in aggregate to Company A for purchases of chemical products.*

*Subsequently on 19 June 2018, Subsidiary A sent a letter to Company A to request for the refund of the abovementioned prepayments (“Request Letter”) due to non-performance of the Chemical Purchase Contract by both Subsidiary A and Company A. On 27 June 2018, Subsidiary A received an amount of RMB20,000,000 (equivalent to HK\$24,994,000) from Company A. Management represented that the receipt was a partial refund of the abovementioned prepayments.*

*During the course of our audit and up to the date of this report, we were not provided with sufficient evidence and explanations for this prepayments which could satisfy ourselves for the purpose of our audit.*

- (b) *During the year ended 31 March 2018, Sun Fair Electric Wire & Cable (Shenzhen) Company Limited (literal translation of the Chinese name 三輝電線電纜(深圳)有限公司) (“Subsidiary B”), an indirectly wholly-owned subsidiary of the Company, entered into an undated purchase contract with a supplier (“Company B”) for the purchase of oxygen-free copper products (“Copper Purchase Contract”) amounting to a total sum of RMB33,831,000. On 18 January 2018, Subsidiary B made a prepayment of RMB30,000,000 (equivalent to approximately HK\$35,444,000) to Company B pursuant to the Copper Purchase Contract. During the course of the audit, we did not obtain any documentary evidence to substantiate the Group’s internal assessment of the capability of Company B and evaluation of the terms of the Copper Purchase Contract. We have not obtained direct confirmation reply from Company B to confirm the prepayment made to it during the year ended 31 March 2018 and the related prepayment balances as at 31 March 2018. We were not provided with sufficient evidence and explanations regarding this transaction which could satisfy ourselves for the purpose of our audit.*
- (c) *In March 2018, Subsidiary A made payments in an aggregate of approximately RMB8,670,000 (equivalent to HK\$10,835,000) on behalf of Jilin China Oil Gangran Energy Development Company Limited (literal translation of the Chinese name 吉林中油港燃能源開發有限責任公司) (“Subsidiary C”), an indirectly wholly-owned subsidiary of the Company, to a supplier (“Company C”) for purchase of goods. However, apart from the internal payment instruction documents provided by management, no further information or documents were available in relation to the purchase transaction with Company C.*

*We have not obtained direct confirmation reply from Company C to confirm any prepayment made to it during the year ended 31 March 2018 and the related prepayment balances as at 31 March 2018. We were not provided with sufficient explanations which could satisfy ourselves for the purpose of our audit.*

*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, Company B and Company C as well as nature of abovementioned prepayments made by these subsidiaries during the year ended 31 March 2018 and the related prepayments balances as at 31 March 2018, and whether the effects of these transactions, including the related cash flows, have been properly accounted for and disclosed in the consolidated financial statements as at 31 March 2018 and for the year then ended. Consequently, we were not able to determine whether any adjustment to these amounts and disclosures was necessary.*

**2. Deposits for renovation of vessels and transportation services**

On 15 August 2017, Subsidiary A entered into a vessel renovation and transportation service contract with Company A (“Renovation Contract”). Pursuant to the Renovation Contract, Company A is responsible for the provision of agreed services during the period from 15 August 2017 to 14 August 2018 including (i) renovation services on the oil vessels (“Oil Vessels”) rented by the Subsidiary A in order to meet the requirements of quality inspection standards in the PRC (“Renovation Services”); (ii) installation and maintenance of fire equipment and facilities on the Oil Vessels (“Installation Services”) and (iii) transportation of oil services. On 21 August 2017, Subsidiary A made deposits amounting to RMB22,000,000 (equivalent to HK\$27,493,000) in relation to the Renovation Contract. During the course of the audit and up to the date of this report, we did not receive any progress reports in relation to the Renovation Services and the Installation Services, quality inspection documents or invoices issued by Company A.

As represented by the management, the Renovation Services and Installation Services are still in progress. However, we were unable to obtain sufficient appropriate audit evidence or satisfactory management explanation to ascertain the nature for the Renovation Contract of RMB22,000,000 (equivalent to approximately HK\$27,493,000) made during the year ended 31 March 2018 and the related deposit balance as at 31 March 2018, and whether the effects of these transactions, including the related cash flows, have been properly accounted for and disclosed in the consolidated financial statements as at 31 March 2018 and for the year then ended. Consequently, we were not able to determine whether any adjustment to these amounts and disclosures was necessary.

**3. Deposit paid for procurement of inventory**

As described in note 22(b)(i) to the consolidated financial statements, on 28 September 2017, the Company paid a deposit amounting to HK\$25,000,000 to a supplier (the “Company D”). As represented by the management, the Group will commence a new trading business in the year 2018. However, during the course of our audit, we did not obtain sufficient information, business plan or documents in respect of the above new trading business, purchase orders from customers and any related purchase or sales contracts with Company D. In addition, we have not obtained a direct confirmation reply from Company D to confirm the deposit paid to it during the year or the related deposit balance as at 31 March 2018.

In respect of abovementioned deposit paid amounting to HK\$25,000,000 recorded as at 31 March 2018, we were unable to obtain sufficient appropriate audit evidence or satisfactory management explanation to ascertain the background of the Company D as well as the nature of the deposit made during the year ended 31 March 2018 and the related deposit balance as at 31 March 2018, and whether the effects of these transactions, including the related cash flows, have been properly accounted for and disclosed in the consolidated financial statements as at 31 March 2018 and for the year then ended. Consequently, we were not able to determine whether any adjustment to these amounts and disclosures was necessary.

**4. Other receivables in relation to termination of advertising services**

As described in note 22(b)(iv) to the consolidated financial statements, during the year ended 31 March 2018, the Company entered into an undated graphic design and advertising contract (“Advertising Contract”) with two individual service providers (“Company E”) and (“Company F”) in relation to provision of graphic design and brand promotion of the Group in China and Hong Kong (“Advertising Services”) and made payments to Company E and Company F amounting to HK\$5,000,000 and HK\$2,000,000 respectively on 27 June 2017 and 30 July 2017 pursuant to the Advertising Contract. However, Company E and Company F have not performed any work for the Company as described in the Advertising Contract. Therefore, the Company had later signed an undated refund policy documents (“Refund Policy”) with Company E and Company F in order to claim refund of the above total payments of HK\$7,000,000 with lump-sum interest. Approximately HK\$2,485,000 had been refunded to the Group during the year ended 31 March 2018. As a result, the Group had receivable balances of approximately HK\$4,515,000 outstanding as at 31 March 2018 in relation to the Advertising Contract. Subsequent to the end of the reporting period, on 13 April 2018, the outstanding receivable balances with interests were fully refunded to the Group.

Although we were provided with the above Advertising Contract and Refund Policy and evidence relating to payments and receipts recorded by the Group, we had not obtained direct confirmation reply from the Company E and Company F to confirm the amount paid by and refunded to the Group in relation to Advertising Contract and Refund Policy. Also, we had requested but were not provided with sufficient evidence relating to (i) details of the Advertising Services and (ii) internal assessment of Company E and Company F and the evaluation of the terms of the Advertising Contract and Refund Policy.

In this respect, we were unable to obtain sufficient appropriate audit evidence to ascertain the nature of the above payments made by and refunded to the Group as well as the outstanding receivable balances of HK\$4,515,000 as at 31 March 2018 and whether the effects of these transactions, including the related cash flows, have been properly accounted for and disclosed in the consolidated financial statements as at 31 March 2018 and for the year then ended. Consequently, we were not able to determine whether any adjustment to these amounts and disclosures was necessary.

**5. Insufficient information relating to a subsidiary**

On 21 December 2017, Subsidiary C entered into an agreement with a vendor pursuant to which Subsidiary C acquired the entire equity interest in Naimanqi Xingshi Shakuang Company Limited, (literal translation of the Chinese name 奈曼旗興世砂礦有限公司) (“Company G”) at a consideration of RMB21,000,000. During the course of our audit, we noted that consideration had not been paid by the Group and the books and accounting records of the Company G in respect of year ended 31 March 2018 were found to be incomplete. There were no information or documents to ascertain the acquisition transaction was completed and whether the Group had obtained controls over Company G up to the date of this report. As described above, the books and records of Company G were found to be incomplete. We were unable to carry out satisfactory audit procedures to obtain reasonable assurance regarding the occurrence, completeness, accuracy, valuation, ownership, classification and disclosures of the above transaction of the Group and whether Company G has been consolidated in accordance with HKFRS 3 (revised) “Business Combinations”. In addition, we were

unable to carry out audit procedures that we consider necessary to satisfy ourselves as to the completeness and existence or occurrence of any other significant transactions, inter-group transactions, contingent liabilities, commitments, related party transactions and event after the reporting period relating to Company G as it was not consolidated into the Group.

Any adjustments that might have been found to be necessary in respect of the above would have a consequential significant effect on the Group's net assets as at 31 March 2018 and the financial performance and cash flows of the Group for the year then ended and may have resulted in additional information being disclosed in the consolidated financial statements as to the nature of the transactions and any contingent liabilities, commitments, related party transactions and significant non-adjusting subsequent events relating to the above transaction."

As disclosed in the annual report of the Company for the year ended 31 March 2019, the following modified opinion, was given by HLM CPA Limited, the auditor of the Company:

#### **"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 79 to 175, which comprise the consolidated statement of financial position as at 31 March 2019, 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 2019. 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 and 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. DECONSOLIDATION OF SUBSIDIARIES**

As described in note 2 to the consolidated financial statements, on 2 April 2020, 14 May 2020, 21 May 2020 and 30 June 2020, the Company announced that, the Company became aware in recent months that the Group was unable to obtain the books and records and relevant supporting documents such as bank statements and vouchers (the "Books and Records") from certain subsidiaries located in the People's Republic of China ("PRC"), including 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"). 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 material time maintained and controlled by Jiangxi China Oil, Gangran Trading and Jilin China Oil are indirect wholly-owned subsidiaries of the Company. All the Deconsolidated Subsidiaries were controlled and operated by the same senior management personnel in Jiangxi China Oil.*

*The Company had formally requested the Deconsolidated Subsidiaries to provide necessary assistance in relation to the preparation and the audit of the Group's management accounts. Despite repeated requests from the Company, the Deconsolidated Subsidiaries did not respond to the Company's requests and provide the Books and Records to the Company.*

*In light of the above, the Company has engaged legal advisers (the "PRC Legal Advisers") in the PRC to investigate and prepare a due diligence report (the "Due Diligence Report") on Jiangxi China Oil. Based on the findings in the Due Diligence Report, it was noted, among others, that there were no signs of business activity of Jiangxi China Oil at its registered business address. Notwithstanding that the following actions being taken, including field trips, telephone enquiries and searches on the internet, the PRC Legal Advisers opined that they were unclear whether Jiangxi China Oil had relocated its office and/or whether the business of Jiangxi China Oil was still in operation. Based on the findings in the Due Diligence Report and after careful consideration, the Board was of the view that the Company no longer has: (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.*

*Due to the situation described above, the directors of the Company (the "Directors") considered that the Group was unable to exercise its rights as the shareholder either to control the assets and operations of the Deconsolidated Subsidiaries or to exercise the decision-making rights over the Deconsolidated Subsidiaries. As such, the Directors further considered that it is inappropriate to consolidate the financial results of the Deconsolidated Subsidiaries into the Group. The Directors have resolved to deconsolidate the Deconsolidated Subsidiaries with effect from 1 January 2019, the date when the Directors considered that it had effectively lost control of the Deconsolidated Subsidiaries. In addition, the Directors were of the view that the recoverability of the amounts due from the Deconsolidated Subsidiaries were remote and do not expect to be able to recover the outstanding balances in the foreseeable future. The resulting loss arising from the deconsolidation of the Deconsolidated Subsidiaries of approximately HK\$140,647,000 and impairment loss on amounts due from the Deconsolidated Subsidiaries of approximately HK\$43,745,000 have been recognised in the consolidated statement of profit or loss and other comprehensive income for the year ended 31 March 2019.*

*Under Hong Kong Financial Reporting Standard 10 "Consolidated Financial Statements", the carrying amounts of the assets and liabilities of the Deconsolidated Subsidiaries should be derecognised from the consolidated financial statements of the Group at the date when control over the Deconsolidated Subsidiaries was lost. Since we were unable to gain access to the Books and Records and management personnel of the Deconsolidated Subsidiaries, we were unable to obtain sufficient appropriate audit evidence to assess the appropriateness of the accounting treatment and amounts adopted by the Group of not treating the Deconsolidated Subsidiaries as subsidiaries of the Group on 1 January 2019. We were also unable to obtain sufficient appropriate audit evidence and explanation to satisfy ourselves as to the date when the Group lost control over the Deconsolidated*

*Subsidiaries. There were no alternative audit procedures that we could perform to satisfy ourselves as to whether the resulting loss arising from the deconsolidation of the Deconsolidated Subsidiaries of approximately HK\$140,647,000 recorded in the consolidated statement of profit or loss are free from material misstatement. Any adjustment that would be required may have a consequential significant effect on the net liabilities of the Group and loss and cash flows of the Group for the year ended 31 March 2019, and the related disclosures thereof in the consolidated financial statements.*

*During the audit, due to the absence of complete accounting books and records of the Deconsolidated Subsidiaries being provided to us, we were unable to obtain sufficient appropriate audit evidence to satisfy ourselves about the occurrence, completeness, accuracy, cut-off, classification and presentation and related disclosure of the results and any related party transactions of the Deconsolidated Subsidiaries for the period from 1 April 2018 to 31 December 2018 which had been included in the consolidated statement of profit or loss and other comprehensive income and which have been summarised and disclosed in note 38 to the consolidated financial statements.*

*Any adjustments found to be necessary in respect of the abovementioned matters might have significant consequential significant effects on the net liabilities of the Group as at 31 March 2019 and the loss and cash flows of the Group for the year ended 31 March 2019 and the related disclosure thereof in the consolidated financial statements.*

*In addition, due to circumstances described above, we have not been able to obtain sufficient appropriate audit evidence and explanations as to whether the contingent liabilities and commitments committed by the Group were properly recorded and accounted for and in compliance with the requirements of applicable HKFRSs, including Hong Kong Accounting Standard 37 “Provisions, Contingent Liabilities and Contingent Assets”. There were no alternative audit procedures that we could perform to satisfy ourselves as to whether the contingent liabilities and commitments 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 2019 and loss and cash flows of the Group for the year ended 31 March 2019, and the related disclosures thereof in the consolidated financial statements.*

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

*As described in notes 28, 29 and 30 to the consolidated financial statements respectively, as at 31 March 2019, the Company had outstanding promissory notes payable, borrowings and convertible notes with aggregate principal amounts of approximately HK\$69,211,000, HK\$45,835,000 and HK\$11,211,000, respectively. As at 31 March 2019 and up to the date of this report, all outstanding principal amounts had not been settled.*

*On 26 April 2019, the Company received a petition (“HK Petition”) from Glory Sum 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 may be wound up by the High Court on the ground that the Company is 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, 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 93 of the Cayman 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 Companies Act.*

*On 6 December 2019, the Company announces that it had received the 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 shall be adjourned in order to allow time for the Company to restructure its indebtedness.*

*On 30 January 2020, the Company received the Notice of Hearing (the “Notice of Hearing”) dated 29 January 2020 in relation to the Cayman Petition, which will be held on 31 July 2020.*

*On 22 May 2020, the Company announces that the Board had received the sealed Court Order from the HK High Court in which it was ordered that, among others, including (i) the JPLs be recognised by the HK High Court; (ii) 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) to monitor, oversee and supervise the Board 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). The HK Petition will be adjourned to 24 August 2020.*

*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 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\$235,286,000 for the year ended 31 March 2019 and as of that date, the Group had net current liabilities and net liabilities of approximately HK\$802,000 and approximately HK\$73,902,000 respectively.*

*These conditions indicate the existence of material uncertainties that may cast significant doubt on 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.*

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

*As described in note 22 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 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 above deposits were used for purchase of oil products 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 possible 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 with Trade Suppliers and return the amount of HK\$22,500,000 to the Group, subject to the Company being successful in resumption of trading in the future. Up to the date of this report, these trade deposits have not yet been settled.*

*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 and evaluation of the terms of the Oil Supply Contract. We have not obtained direct confirmation reply from the Trade Suppliers to confirm the Oil Trade Deposits made to it during the year ended 31 March 2019 and the related trade deposits balances as at 31 March 2019. We were also not 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 return the Oil Trade Deposits and (iii) sufficient appropriate audit evidence to satisfy ourselves as to the recoverability of the Oil Trade Deposits.*

*We were also unable to 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 2019 and if any provision for impairment loss is necessary for the year ended 31 March 2019. 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 2019 and the loss and cash flows of the Group for the year ended 31 March 2019, and related disclosures thereof in the consolidated financial statements.*

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

*As described in note 22 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 and development of patents in PRC for the Group's business development. From October to November 2018, the Company made certain prepayments amounting to, in aggregate, HK\$12,770,000 to Company A in accordance with the Patent Agreement. Up to the date of this report, as represented by the management of the Company, the Company was in the negotiation with the Company A for transfer of the patent or otherwise request for refund.*

*During the audit, we have not obtained direct confirmation reply from Company A to confirm the above prepayments made to it during the year ended 31 March 2019 as well as the outstanding prepayment balance as at the 31 March 2019. We were also unable to 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 nature of abovementioned prepayments made by the Company during the year ended 31 March 2019 and the related prepayment balance as at 31 March 2019 and the recoverability of the prepayment balance. There are no alternative audit procedures that we could perform to satisfy ourselves as to the carrying amount 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 2019 and its loss and cash flows for the year then ended and the related disclosures 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 2018, 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 effect of the limitations on the scope of our audit, details of which are set out in our auditor's report dated 29 June 2018.*

*During the course of the audit, due to the limitations described in Point (1) above, we were not provided with the complete accounting books and records of the Deconsolidated Subsidiaries for the purpose of our audit.*

*Therefore, we were unable to obtain sufficient appropriate audit evidence to enable us to assess the possible effects of the disclaimed matters relating to Deconsolidated Subsidiaries, including (i) prepayments to suppliers in connection with purchases of inventories; (ii) deposits for renovation of vessels and transportation services and (iii) deposit paid for procurement of inventory for the year ended 31 March 2018. Any adjustments to the opening balances as at 1 April 2018 found to be necessary may affect the balance of accumulated losses as at 1 April 2018 and the results and related disclosures in the notes to the consolidated financial statements of the Group for the year ended 31 March 2019. The comparative figures shown in the consolidated financial statements may not be comparable with the figures for the current year.”*

As disclosed in the annual report of the Company for the year ended 31 March 2020, the following modified opinion, was given by HLM CPA Limited, the auditor of the Company:

**“DISCLAIMER OF OPINION**

*We were engaged to audit the consolidated financial statements of China Oil Gangran Energy Group Holdings Limited (the “Company”) and its subsidiaries (the “Group”) set out on pages 74 to 167, which comprise the consolidated statement of financial position as at 31 March 2020, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.*

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

**BASIS FOR DISCLAIMER OF OPINION**

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

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

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

*On 22 October 2019, the Company filed a winding up petition with Grand Court of the Cayman Islands (the “Cayman Court”) under section 94 of the Cayman Islands Companies Act (“Cayman Petition”). On 5 November 2019, the Cayman Court ordered that 3 persons be appointed as the Joint Provisional Liquidators (“JPLs”) of the Company with the power to act jointly and severally. The JPLs were authorised to develop and propose a restructuring of the Company’s indebtedness in a manner designed to allow the Company to continue as a going concern, with a view to making a compromise or arrangement with the Company’s creditors, including (without limitation) a compromise or arrangement by way of a scheme of arrangement pursuant to section 86 of the Cayman Islands Companies Act.*

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

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

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

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

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

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

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

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

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

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

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



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

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

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

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

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

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

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

*In May 2020, due to the lost of controls over certain of the Company's subsidiaries in the PRC, the Company's subsidiaries, namely 江西中油港燃能源科技有限責任公司 (transliterated as "Jiangxi China Oil Gangran Energy Technology Company Limited") ("Jiangxi China Oil"), 舟山中油港燃石油化工有限公司 (transliterated as "Zhoushan China Oil Gangran Petroleum and Chemical Company Limited") ("Zhoushan China Oil"), 江西港燃貿易有限公司 (transliterated as "Jiangxi Gangran*

*Trading Company Limited”) (“Gangran Trading”) and 吉林中油港燃能源開發有限公司 (transliterated as “Jilin China Oil Gangran Energy Development Company Limited”) (“Jilin China Oil”) (collectively the “Deconsolidated Subsidiaries”), were deconsolidated from the Group’s consolidated financial statements with effect from 1 January 2019.*

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

*Due to circumstances described above, we had been unable to obtain sufficient appropriate evidence and explanations as to whether the contingent liabilities and commitments associated with the Deconsolidated Subsidiaries had been properly recognised and accounted for and in compliance with the requirements of applicable HKFRSs including HKAS 37 “Provisions, Contingent Liabilities and Contingent Assets”. There were no alternative procedures that we could perform to satisfy ourselves as to whether the contingent liabilities and commitments of the Group were free from material misstatements. Any adjustment that would be required may have a consequential significant effect on the net liabilities of the Group as at 31 March 2020 and loss and cash flows of the Group for the year ended 31 March 2020, and the related disclosures thereof in the consolidated financial statements.*

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

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

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

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

*Save as disclosed above, there were no modified opinion, emphasis of matter or material uncertainty related to going concern contained in the auditors’ report of the Group in respect of each of the three years ended 31 March 2020.*

## 2. AUDITED FINANCIAL INFORMATION

The Company is required to set out or refer to in this circular the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of financial position, the consolidated statement of cash flows, the consolidated statement of changes of equity and any other primary statement as shown in (i) the audited consolidated financial statements of the Group for the year ended 31 March 2018 (the “**2018 Financial Statements**”); (ii) the audited consolidated financial statements of the Group for the year ended 31 March 2019 (the “**2019 Financial Statements**”); (iii) the audited consolidated financial statements of the Group for the year ended 31 March 2020 (the “**2020 Financial Statements**”); (iv) the unaudited consolidated financial statements of the Group for the six months ended 30 September 2020 (the “**2021 Interim Financial Statements**”); and (v) the unaudited consolidated financial statements of the Group for the nine months ended 31 December 2020 (the “**2021 Third Quarterly Financial Statements**”), together with significant accounting policies and the notes to the relevant published financial statements which are of major relevance to the appreciation of the above financial information.

The 2018 Financial Statements and 2019 Financial Statements are set out on pages 72 to 175 of the annual report of the Company for the year ended 31 March 2019, which was published on 6 August 2020 on the websites of the Stock Exchange and the Company, and is accessible via the following hyperlink:

<https://www1.hkexnews.hk/listedco/listconews/gem/2020/0806/2020080601394.pdf>

The 2020 Financial Statements are set out on pages 68 to 167 of the annual report of the Company for the year ended 31 March 2020, which was published on 25 September 2020 on the websites of the Stock Exchange and the Company, and is accessible via the following hyperlink:

<https://www1.hkexnews.hk/listedco/listconews/gem/2020/0925/2020092500462.pdf>

The 2021 Interim Financial Statements are set out on pages 12 to 34 of the interim report of the Company for the six months ended 30 September 2020, which was published on 23 November 2020 on the websites of the Stock Exchange and the Company, and is accessible via the following hyperlink:

<https://www1.hkexnews.hk/listedco/listconews/gem/2020/1123/2020112300263.pdf>

The 2021 Third Quarterly Financial Statements are set out on pages 7 to 13 of the third quarterly report of the Company for the nine months ended 31 December 2020, which was published on 24 February 2021 on the websites of the Stock Exchange and the Company, and is accessible via the following hyperlink:

<https://www1.hkexnews.hk/listedco/listconews/gem/2021/0224/2021022400441.pdf>

### 3. NO MATERIAL CHANGE

Save as disclosed below, the Directors confirm that there has been no material change in the financial or trading position or outlook of the Group for the period commencing since 31 March 2020 (being the date to which the latest published audited financial statements of the Company were made up) up to the Latest Practicable Date:

- (a) as disclosed in the interim report of the Company for the six months ended 30 September 2020, the net liabilities of the Group was approximately HK\$99.4 million as at 30 September 2020;
- (b) as disclosed in the third quarterly report of the Company for the nine months ended 31 December 2020, the loss after tax for the nine months ended 31 December 2020 was approximately HK\$5.5 million, representing a decrease of approximately HK\$12.9 million as compared to that for the nine months ended 31 December 2019; and
- (c) as disclosed in the Announcement and the supplemental announcement of the Company dated 15 March 2021, the Company entered into the Subscription Agreement and the Supplemental Subscription Agreement with the Subscribers pursuant to which the Company has conditionally agreed to allot and issue, and the Subscribers have conditionally agreed to subscribe for, 1,900,099,090 Subscription Shares at the Subscription Price of HK\$0.01941712 per Subscription Share. The Company also entered into the CB Subscription Agreement and the Supplemental CB Subscription Agreement with the Subscribers pursuant to which the Company has conditionally agreed to issue, and the Subscribers have conditionally agreed to subscribe for, the Convertible Bonds in the principal amount of approximately HK\$3.1 million; It is proposed that the Creditors' Schemes will be implemented by, among others, (i) making cash payment of approximately HK\$20 million to the Creditors from the consideration to be received by the Company from the allotment and issue of the Subscription Shares; (ii) allotment and issue of Creditors' Shares for the benefit of the Creditors; and (iii) distribution of any receivables from the realisation of the Deconsolidated Subsidiaries, subject to validity of the claim of the Creditors.

### 4. INDEBTEDNESS

As at 31 January 2021, being the latest practicable date for the purpose of ascertaining the indebtedness of the Group prior to the printing of this circular, the respective indebtedness of the Group is as follows:

#### **Borrowings**

As at 31 January 2021 (being the latest practicable date for the purpose of this indebtedness statement), the Group had outstanding borrowings of approximately HK\$142.7 million, comprising (i) secured bank loan of approximately HK\$6.6 million, which was secured by the Group's building with carrying amount of approximately HK\$9.7 million (equivalent to approximately RMB8.1

million and supported by guarantee provided by a director of a subsidiary; (ii) unsecured interest-bearing bond of approximately HK\$10 million; (iii) secured loan from an independent third party of approximately HK\$5 million, which was secured by shares of a subsidiary of the Company; (iv) secured loan from an independent third party of approximately HK\$7.2 million, which was secured by leasehold land and building of a subsidiary of the Group; (v) unsecured loan from an independent third party of approximately HK\$21.4 million; (vi) unsecured loan from the First Subscriber of approximately HK\$6.5 million; (vii) promissory notes of approximately HK\$73 million; and (viii) convertible notes of approximately HK\$13 million.

#### **Lease liabilities**

As at 31 January 2021 (being the latest practicable date for the purpose of this indebtedness statement), the Group had lease liabilities of approximately HK\$3.8 million and HK\$20.9 million, which are classified under current liabilities and non-current liabilities of the Group respectively, related to the Group's certain factories and office premise.

#### **Pledge of assets**

As at 31 January 2021 (being the latest practicable date for the purpose of this indebtedness statement), the Group had (i) building with carrying amount of approximately HK\$9.7 million (equivalent to approximately RMB8.1 million) pledged to a bank to secure facilities granted to the Group; (ii) leasehold land and building with carrying amount of approximately HK\$2.1 million pledged to a lender to secure facilities granted to the Group; and (iii) 51% equity interest in a subsidiary of the Company pledged to an independent third party to secure a loan to the Group.

Save as aforesaid or otherwise disclosed herein, as at 31 January 2021 (being the latest practicable date for the purpose of this indebtedness statement), the Group did not have any other loan capital issued and outstanding or agreed to be issued but unissued, loans, bank overdrafts or other similar indebtedness, lease liabilities or hire purchase commitment, liabilities under acceptances (other than normal trade bills) or acceptance credits, mortgage, charges, guarantees or other material contingent liabilities.

As at the Latest Practicable Date, the Directors confirm that there were no material changes in terms of indebtedness and contingent liabilities of the Group since 31 January 2021 apart from the unsecured loans from the First Subscriber had increased to approximately HK\$7.5 million.

### **5. SUFFICIENCY OF WORKING CAPITAL**

The Directors are of the opinion that, after taking into account the present financial resources available to the Group, including internally generated funds, the available credit facilities, the estimated net proceeds from the Subscriptions and the CB Subscriptions and the Creditors' Schemes, the Group has sufficient working capital to satisfy its requirements for at least the next twelve months from the date of this circular, in the absence of unforeseeable circumstances.

## 6. BUSINESS REVIEW AND FINANCIAL AND TRADING PROSPECTS

### BUSINESS REVIEW

The Company is an investment holding company and the Group is principally engaged in the following businesses: (i) power and data cords business (the “**Power and Data Cords Business**”); (ii) trading of refined oil and chemicals business (the “**Trading of Refined Oil and Chemicals Business**”); and (iii) trading of commodities (the “**Trading of Commodities Business**”).

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

The three key product groups for the Power and Data Cords Business were (i) power and data cords for mobile handsets and personal care products; (ii) medical control devices; and (iii) power cords and inlet sockets for household electric appliances. Each product Group has its own types of products. During the nine months ended 31 December 2020 (the “**Financial Period**”), the Group manufactured over 40 types of power and data cords for mobile handsets and personal care products, over 450 types of power cords and inlet sockets for household electric appliances. The Group will also continue to involve in the assembly and sale of medical control devices, which are primarily used by patients in hospital wards and the related accessories.

During the Financial Period, the Group’s unaudited revenue from the Power and Data Cords Business amounted to approximately HK\$94.9 million, representing an increase of approximately 177.0% as compared to approximately HK\$34.3 million for the nine months ended 31 December 2019. Such increase was mainly driven by the constant growth in sale of the new products.

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

Due to the deconsolidation of the Deconsolidated Subsidiaries from the Group since 1 January 2019, the Trading of Refined Oil and Chemical Business did not record any revenue during the Financial Period. The Group continued to explore opportunities in the clean energy segment. A legally binding consultancy contract was signed between the Group and a gas company in March 2020 for a term of one year from March 2020 to March 2021 whereby the Group will provide strategic consultancy services regarding the plan and development of the customer’s energy business. The Group’s estimated revenue and gross profit from this contract amount to approximately HK\$2.2 million and HK\$2.2 million respectively. The contract with the said gas company has started in May 2020 but due to the outbreak of the COVID-19 pandemic, completion of the contract is expected to be delayed to August 2021.

Further, a legally binding liquefied natural gas supply contract was signed between the Group and an energy company in March 2020 pursuant to which the Group will provide liquefied natural gas to the customer during the period from July 2020 to December 2020. It is expected that the Group will supply approximately 20,000 tonnes of liquefied natural gas to the said gas company during the contract period. The contract with the said gas company is expected to commence after the Resumption as the Board considered that it would be in the interest of the Company and the Shareholders as a whole to prioritise and place the Group’s financial resources, as well as management and business resources, to focus on the Power and Data Cords Business, which generally has higher

profit margin and sustainable revenue growth after taking into consideration of (i) the current business operations and financial position of the Group; and (ii) the impacts from the COVID-19 Pandemic which is beyond the Group's control. The management of the Group is currently in negotiation with the said gas company to extend the contract period, which is expected to commence in May 2021.

### **Trading of Commodities Business**

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

### **FINANCIAL AND TRADING PROSPECTS**

During the Financial Period, the global economic environment is still deeply fluctuating. The medium-to-long-term economic growth of United States has slowed down. Falling commodity price, the declining global industrial output and depressed trading added to the uncertainties. Despite the challenging macro-economic conditions, the Group recorded an 177.0% increase in unaudited revenue of sales of power and data cords and inlet sockets during the Financial Period as compared to the corresponding period last year. Such increase was mainly driven by the constant growth in sale of the new products. The Group will continue to look for business opportunities in order to increase the revenue and profit of existing products and will expand its business by developing new products.

Despite the deconsolidation of financial position and performance of the Deconsolidated Subsidiaries since 1 January 2019, the Group currently intends to continue the operation of the Trading of Refined Oil and Chemicals Business but will take a conservative approach with regards to any development and/or expansion plans for this business segment. After conducting a detailed review of the business operations and financial position of the Group for the purpose of developing a sustainable business plan or strategy for the Group, the Board considered that it would be in the interest of the Company and its shareholders to place its financial resources, as well as management and business focus on the Power and Data Cords Business, yet will continue to explore business opportunities in Trading of Refined Oil and Chemicals Business.

## 1. RESPONSIBILITY STATEMENT

This circular, 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 circular (other than the information relating to the Subscribers and parties acting in concert with any one of them) 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 (other than the information relating to the Subscribers and parties acting in concert with any one of them) or this circular misleading.

This circular includes particulars given in compliance with the Takeovers Code. The Directors jointly and severally accept full responsibility for the accuracy of the information contained in this circular (other than the information relating to the Subscribers and parties acting in concert with any one of them) and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in this circular (other than those expressed by the directors of the Subscribers) have been arrived at after due and careful consideration and there are no other facts not contained in this circular, the omission of which would make any statement in this circular misleading.

The directors of the Subscribers jointly and severally accept full responsibility for the accuracy of the information contained in this circular (other than those relating to the Group) and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in this circular (other than those expressed by the Directors) have been arrived at after due and careful consideration and there are no other facts not contained in this circular, the omission of which would make any statement in this circular misleading.

## 2. SHARE CAPITAL

The authorised and issued share capital of the Company (i) as at the Latest Practicable Date; and (ii) immediately after Completion, issue of the Creditors' Shares and conversion of the Convertible Bonds (subject to the public float requirement) in full and (assuming there is no change in the issued share capital of the Company other than the issue of the Subscription Shares, the Creditors' Shares, the Conversion Shares and the full exercise of the Outstanding Share Options under the Share Option Scheme) is set out as follows:

*(i) as at the Latest Practicable Date:*

|  |                     |
|--|---------------------|
| Authorised capital:                              | <i>HK\$</i>         |
| <u>2,000,000,000</u> Shares                      | <u>8,000,000.00</u> |
| Issued and fully paid or credited as fully paid: |                     |
| <u>380,019,818</u> Shares                        | <u>1,520,079.27</u> |



(ii) *immediately after Completion, issue of the Creditors' Shares and conversion of the Convertible Bonds (subject to the public float requirement) in full (assuming there is no change in the issued share capital of the Company other than the issue of the Subscription Shares, the Creditors' Shares, the Conversion Shares and the full exercise of the Outstanding Share Options under the Share Option Scheme):*

|                             |                     |
|-----------------------------|---------------------|
| Authorised capital:         | HK\$                |
| <u>2,000,000,000</u> Shares | <u>8,000,000.00</u> |

Issued and fully paid or credited as fully paid:

|                      |  |                      |
|----------------------|--|----------------------|
| 380,019,818          | Shares as at the Latest Practicable Date   | 1,520,079.27         |
| 1,900,099,090        | Number of Subscription Shares to be issued   | 7,600,396.36         |
| 253,346,545          | Number of Creditors' Shares to be issued   | 1,013,386.18         |
| 121,939,150          | Number of Conversion Shares to be issued   | 487,756.60           |
| 53,313,050           | Number of Shares to be issued upon the full exercise of the Outstanding Share Options under the Share Option Scheme  | 213,252.20           |
| <u>2,708,717,653</u> | <u>Shares upon completion of the Subscriptions, issue of the Creditors' Shares, conversion of the Convertible Bonds and the full exercise of the Outstanding Share Options</u> | <u>10,834,870.61</u> |

All the existing issued Shares are fully paid up and rank pari passu in all respects including all rights as to capital, dividends and voting.

All of the Subscription Shares, Conversion Shares and Creditors' Shares to be issued will rank pari passu in all respects with all the Shares in issue as at the date of allotment and issue of the Subscription Shares, Conversion Shares and Creditors' Shares. The Subscription Shares, Conversion Shares and Creditors' Shares to be issued will be listed on the Stock Exchange.

As at the Latest Practicable Date, save for the Outstanding Share Options, the Company had no outstanding options, warrants, derivatives or convertible securities which may confer any right to the holder thereof to subscribe for, convert or exchange into new Shares and no commissions, discounts, brokerages or other special terms have been granted in connection with the issue or sale of any such capital.

The Company had not issued any Shares since 31 March 2020, being the date on which the latest audited financial statements of the Group were made up and up to the Latest Practicable Date.

The Company will apply to the Stock Exchange for the listing of and permission to deal in the Subscription Shares, the Conversion Shares and the Creditors' Shares. No part of the share capital or any other securities of the Company is listed or dealt in on any stock exchange other than the Stock Exchange and no application is being made or is currently proposed or sought for the Shares, the Subscription Shares, the Conversion Shares, the Creditors' Shares or any other securities of the Company to be listed or dealt in on any other stock exchange.

There is no arrangement under which future dividends are/will be waived or agreed to be waived.

### 3. MARKET PRICES

Trading in the Shares has been suspended since 2 July 2019.

### 4. DISCLOSURE OF INTERESTS

#### 1. Director's and chief executive's interests in the Company or its associated corporations

As at the Latest Practicable Date, the interests and short positions, of the Directors and chief executive of the Company in the Shares, underlying Shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) (i) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (iii) which were required to be notified to the Company and the Stock Exchange pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules relating to securities transactions by Directors were as follows:

#### Long positions in the underlying Shares

| Name of directors | Date of grant | Exercise price per Share<br><i>HK\$</i> | Number of share options as at the Latest Practicable Date | Validity period of the share options |
|-------------------|---------------|---|---|--------------------------------------|
| Mr. Rong Changjun | 16 April 2019 | 0.36                                    | 3,000,000   | From 16 April 2019 to 15 April 2022  |
| Mr. Yuan Beisheng | 16 April 2019 | 0.36                                    | 3,500,000   | From 16 April 2019 to 15 April 2022  |
| Mr. Zhang Wenrong | 16 April 2019 | 0.36                                    | 3,000,000   | From 16 April 2019 to 15 April 2022  |

Save as disclosed above, as at the Latest Practicable Date, none of the Directors and chief executive of the Company had or was deemed to have any interests or short positions in the Shares, underlying Shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) (i) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (iii) which were required to be notified to the Company and the Stock Exchange pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules relating to securities transactions by Directors.

**(b) Substantial shareholders and other persons' interests in Shares and underlying Shares**

So far as the Directors are aware, as at the Latest Practicable Date, the following persons (other than the Directors or chief executives of the Company) had an interest and short position in the shares and underlying shares of the Company which would fall to be disclosed to the Company under the provision of Division 2 and 3 of Part XV of the SFO, or who is, directly or indirectly to be interested in 10% or more of the issued share capital of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group.

**Long positions in the Shares**

| Name            | Nature of interest | Number of Shares held | Approximate percentage<br>of shareholding in the<br>Company |
|-----------------|--------------------|-----------------------|---|
| Mr. Zou Donghai | Beneficial owner   | 35,000,000            | 9.21%   |

Save as disclosed above, as at the Latest Practicable Date, there is no person (other than the Directors and the chief executive of the Company) who had an interest or short position in the Shares and underlying Shares which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, was, directly or indirectly, interested in 10% or more of the issued share capital of any class of share capital, including options in respect of such capital, carrying rights to vote in all circumstances at general meeting of any other member of the Group.

Save as disclosed above and so far as is known to the Directors, as at the Latest Practicable Date, none of the Directors or a proposed Director is a director or employee of a company which had, or was deemed to have, an interest or short position in the Shares or underlying Shares which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO.

## 5. DIRECTORS' SERVICE CONTRACTS

The Company has entered into a service agreement with each of Mr. Yeung Shing Wai, Mr. Chen Tian Gang, Mr. Li Shu Wang and Mr. Zhang Shao Wu on 16 February 2020, 5 March 2020, 9 March 2020 and 9 March 2020 respectively. The terms and conditions of each of such service agreements are similar in all material respects. Each of Mr. Yeung Shing Wai, Mr. Chen Tian Gang, Mr. Li Shu Wang and Mr. Zhang Shao Wu was appointed as an executive Director for a term of three years commencing from the respective date of their service agreements, which may be terminated by the Company or the relevant executive Director giving to the other not less than one month's prior notice in writing. Each of Mr. Yeung Shing Wai, Mr. Chen Tian Gang, Mr. Li Shu Wang and Mr. Zhang Shao Wu is entitled to a monthly salary of HK\$20,000 on a twelve months' basis with discretionary bonus. The discretionary bonus will be determined by the Board with reference to the Company's performance and the relevant Director's individual overall performance as a Director, and there is no formula for calculating the discretionary bonus under the service agreement. In light of the financial conditions of the Group, the Company and each of Mr. Yeung Shing Wai, Mr. Chen Tian Gang, Mr. Li Shu Wang and Mr. Zhang Shao Wu subsequently agreed to reduce the Directors' monthly salary from HK\$20,000 to HK\$10,000 with retrospective effect from the respective date of their service agreement. Each of their appointment as an executive Director will be subject to retirement by rotation and re-election of the Company in accordance with the articles of association of the Company.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors had any existing or proposed service contract with the Company or any of its subsidiaries or associated companies which (i) (including both continuous and fixed term contracts) had been entered into or amended within 6 months before the date of the Announcement; or (ii) was a continuous contract with a notice period of 12 months or more; or (iii) was a fixed term contract with more than 12 months to run irrespective of the notice period; or (iv) was not determinable by the employer within one year without payment of compensation (other than statutory compensation).

## 6. DIRECTORS' INTEREST ASSETS

As at the Latest Practicable Date, none of the Directors had any direct or indirect interest in any assets which had been since 31 March 2020 (being the date to which the latest published audited financial statements of the Group were made up) acquired or disposed of by or leased to any member of the Group, or were proposed to be acquired or disposed of by or leased to any member of the Group.

## 7. DIRECTORS' INTEREST IN CONTRACT OR ARRANGEMENT

As at the Latest Practicable Date, there was no contract or arrangement subsisting in which any Director was materially interested and which was significant in relation to any business of the Group.

## 8. COMPETING INTERESTS

As at the Latest Practicable Date, none of the Directors or their respective associates had any interests in businesses which compete or are likely to compete, either directly or indirectly, with the businesses of the Group, other than those businesses where the Directors were appointed as directors to represent the interests of the Company and/or the Group.

**9. ADDITIONAL DISCLOSURE OF DEALINGS AND INTEREST IN THE SECURITIES OF THE COMPANY**

The Subscribers and their respective ultimate beneficial owners have confirmed that none of the Subscribers, their respective ultimate beneficial owners nor any person acting in concert with any one of them:

- (a) save for the Shares as set out in the section headed “Effect of shareholding structure of the Company”, owns, controls or has direction over any Shares and right over Shares, outstanding share options, warrants, or any securities that are convertible into Shares or any derivatives in respect of securities in the Company, or hold any relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) in the Company;
- (b) will make any acquisitions or disposals of voting rights in the Company in the period between the date of this circular and Completion;
- (c) owns or has control or direction over any voting rights or rights over the Shares or any outstanding options, warrants, or any securities that are convertible into Shares or any derivatives in respect of Shares nor has entered into any outstanding derivative in respect of securities in the Company;
- (d) has any arrangement referred to in Note 8 to Rule 22 of the Takeovers Code (whether by way of option, indemnity or otherwise) with any other persons in relation to the relevant securities of the Company or of the Subscribers which might be material to the Subscriptions, the CB Subscriptions, the Specific Mandate, the Creditors’ Schemes, the Whitewash Waiver or the Special Deal;
- (e) other than the consideration payable under the Subscription Agreement and the CB Subscription Agreement, has paid or will pay any other consideration, compensations or benefits in whatever form to the Company or any parties acting in concert with it in relation to the Subscription Shares and the Conversion Shares;
- (f) has received any irrevocable commitment from any Independent Shareholders as to whether they will vote for or against the resolutions to be proposed at the EGM to approve the Subscriptions, the CB Subscriptions, the Specific Mandate, the Creditors’ Schemes, the Whitewash Waiver and/or the Special Deal;
- (g) save for the Subscription Agreement and the CB Subscription Agreement, has any agreements or arrangements to which it is a party which relate to the circumstances in which it may or may not invoke or seek to invoke a pre-condition or a condition to the transactions contemplated under the Subscription Agreement and the CB Subscription Agreement, the Creditors’ Schemes, the Whitewash Waiver and/or the Special Deal;
- (h) has borrowed or lent any relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) in the Company;
- (i) has dealt in any securities of the Company during the Relevant Period; or

- (j) has entered into any derivative in respect of the securities in the Company which are outstanding.

As at the Latest Practicable Date:

- (a) save for the Special Deal, there is no understanding, agreement or arrangement in the nature of a special deal (as defined under Rule 25 of the Takeovers Code) between any of the Subscribers, their ultimate beneficial owners and parties acting in concert with any one of them on the one hand and the Company and any party acting in concert with it on the other hand;
- (b) save for the Special Deal, there is no understanding, agreement or arrangement in the nature of a special deal (as defined under Rule 25 of the Takeovers Code) between (i) any Shareholder, and (ii) any of the Subscribers, their ultimate beneficial owners and parties acting in concert with any one of them; or the Company, its subsidiaries or associated companies;
- (c) save for the Special Deal, there was no agreement, arrangement or understanding (including any compensation arrangement) between (i) any of the Subscribers, their ultimate beneficial owners and parties acting in concert with any one of them; and (ii) any of the Directors, recent Directors, Shareholders or recent Shareholders, having any connection with or dependence upon the Subscriptions, the CB Subscriptions, the Specific Mandate, the Creditors' Schemes, the Whitewash Waiver and/or the Special Deal;
- (d) there was no agreement or arrangement between any Director and any other person which was conditional on or dependent upon the Subscriptions, the CB Subscriptions, the Specific Mandate, the Creditors' Schemes, the Whitewash Waiver and/or the Special Deal or otherwise connected therewith;
- (e) there was no agreement, arrangement or understanding (including any compensation arrangement) between (i) any of the Subscribers, their ultimate beneficial owners and parties acting in concert with any one of them; and (ii) any other persons, in relation to the transfer, charge or pledge of the Shares that may be allotted and issued to the Subscribers under the Subscriptions and CB Subscriptions;
- (f) the Company believes that the Subscriptions, the CB Subscriptions, the Specific Mandate, the Creditors' Schemes, the Special Deal and the transactions contemplated thereunder and the Whitewash Waiver would not give rise to any concerns in relation to compliance with other applicable rules or regulations (including the GEM Listing Rules). If a concern should arise after the release of the Announcement, the Company will endeavour to resolve the matter to the satisfaction of the relevant authority as soon as possible but in any event before the despatch of the whitewash circular. The Company notes that the Executive may not grant the Whitewash Waiver if the Subscriptions, the CB Subscriptions, the Specific Mandate, the Creditors' Schemes, the Special Deal and the transactions contemplated thereunder do not comply with other applicable rules and regulations;

- (g) there was no benefit to be given to any Directors as compensation for loss of office in any member of the Group or otherwise in connection with the Subscriptions, the CB Subscription, the Specific Mandate, the Creditors' Schemes, the Whitewash Waiver and the Special Deal;
- (h) save as disclosed in the paragraph headed "4. Disclosure of Interests" in this appendix, none of the Directors was interested in any Shares, convertible preference shares, convertible securities, warrants, options or derivatives of the Company or similar rights which are convertible or exchangeable into any Shares. In addition, none of the Directors had dealt for value in any Shares, convertible preference shares, convertible securities, warrants, options or derivatives of the Company during the Relevant Period;
- (i) none of the Company and the Directors had owned or controlled, or had dealt for value in, any shares or any securities, convertible securities, warrants, options or derivatives in respect of the shares or securities of any one of the Subscribers;
- (j) none of the directors of any one of the Subscribers were interested in any Shares, convertible preference shares, convertible securities, warrants, options or derivatives of the Company or similar rights which are convertible or exchangeable into any Shares. In addition, none of the directors of any one of the Subscribers had dealt in any Shares, convertible preference shares, convertible securities, warrants, options or derivatives of the Company during the Relevant Period;
- (k) none of the subsidiaries of the Company, pension funds of the Company or of any member of the Group or by a person who is presumed to be acting in concert with the Company by virtue of class (5) of the definition of "acting in concert" or who was an associate of the Company by virtue of class (2) of the definition of "associate" under the Takeovers Code had owned or controlled, or had dealt for value in, any Shares or any securities, convertible securities, warrants, options or derivatives in respect of any Shares or securities of the Company during the Relevant Period;
- (l) there was no material contract entered into by the Subscribers, their respective ultimate beneficial owners nor any person acting in concert with any one of them in which any Director had a material personal interest;
- (m) there was no arrangement of the kind referred to in Note 8 to Rule 22 of the Takeovers Code with the Company or with any person who is presumed to be acting in concert with the Company by virtue of classes (1), (2), (3) and (5) of the definition of acting in concert under the Takeovers Code or who is an associate of the Company by virtue of classes (2), (3) and (4) of the definition of associate under the Takeovers Code, and none of them had dealt for value in any Shares or any securities, convertible securities, warrants, options or derivatives in respect of any Shares or securities of the Company during the Relevant Period;

- (n) save for the 3,000,000 share options of the Company held by Mr. Rong Changjun (*duties suspended*), 3,500,000 share options of the Company held by Mr. Yuan Beisheng and 3,000,000 share options of the Company held by Mr. Zhang Wenrong, none of the Directors has any beneficial shareholdings in the Company that would entitle them to vote at the EGM or has any interest in the securities of the Company;
- (o) no Shares or any securities, convertible securities, warrants, options or derivatives in respect of any Shares or securities of the Company were managed on a discretionary basis by fund managers connected with the Company and no such person had dealt for value in any Shares or any securities, convertible securities, warrants, options or derivatives in respect of any Shares or securities of the Company during the Relevant Period; and
- (p) none of the Company or the Directors had borrowed or lent any Shares, convertible securities, warrants, options or derivatives in respect of any Shares.

## 10. LITIGATION

Save as disclosed in this circular, as at the Latest Practicable Date, no member of the Group was engaged in any litigation or arbitration or claims which would materially or adversely affect the operations of the Company and no litigation, arbitration or claim which would materially or adversely affect the operations of the Company was known to the Directors to be pending or threatened by or against any member of the Group.

## 11. EXPERT AND CONSENT

The following are the qualifications of the expert who has given opinion or advice which are contained in this circular:

| <b>Name</b>   | <b>Qualifications</b>  |
|---------------|--|
| Octal Capital | A corporation licensed to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO |

Octal Capital has given and have not withdrawn their written consent to the issue of this circular with the inclusion herein of their letter, report and/or references to their name in the form and context in which they respective appear.

As at the Latest Practicable Date, Octal Capital did not have any shareholding in any member of the Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

As at the Latest Practicable Date, Octal Capital did not have any direct or indirect interests in any assets which have been, since 31 March 2020 (being the date to which the latest published audited consolidated accounts of the Group were made up), acquired or disposed of by or leased to, any member of the Group, or which are proposed to be acquired or disposed of by or leased to, any member of the Group.



**12. MATERIAL CONTRACTS**

The following contracts (not being contracts in the ordinary course of business) have been entered into by the Company or any of its subsidiaries within the two years immediately preceding the date of the Announcement and up to the Latest Practicable Date and are or may be material:

- (a) the placing agreement dated 21 February 2019 (as amended by the amendment deeds dated 8 March 2019 and 11 March 2019) and entered into between the Company as issuer and Gransing Securities Co., Limited as the placing agent in relation to the placing of up to 55,035,411 Shares at the placing price of HK\$0.316 per Share pursuant to which the Company received gross proceeds of approximately HK\$7.24 million from the said placing;
- (b) the Loan Agreements;
- (c) the Subscription Agreement;
- (d) the Supplemental Subscription Agreement;
- (e) the CB Subscription Agreement; and
- (f) the Supplemental CB Subscription Agreement.

**13. EXPENSES**

The expenses in connection with the Subscriptions and the CB Subscriptions are estimated to be approximately HK\$0.3 million, which are payable by the Company.

**14. CORPORATE INFORMATION**

|   |   |
|---|---|
| Registered Office   | Cricket Square, Hutchins Drive<br>PO Box 2681, Grand Cayman<br>KY1-1111, Cayman Islands   |
| Head office and principal place<br>of business in Hong Kong | Flat O, 10/F.<br>Yue Cheung Centre<br>1-3 Wong Chuk Yeung Street<br>Fo Tan, New Territories<br>Hong Kong  |
| Authorised representatives                                  | Mr. Yeung Shing Wai<br>Mr. Chan Tsang Mo  |
| Compliance officer  | Mr. Yeung Shing Wai   |
| Company Secretary   | Mr. Chan Tsang Mo<br>Unit 601, Ovest<br>77 Wing Lok Street<br>Sheung Wan<br>Hong Kong   |
| Members of the audit committee                              | Mr. Chu Kin Ming ( <i>Chairman</i> )<br>Mr. Chiam Tat Yiu<br>Mr. Chan Wai Cheung Admiral  |
| Legal advisor to the Company                                | <i>As to Hong Kong laws:</i><br>Michael Li & Co.<br>19th Floor, Prosperity Tower<br>39 Queen's Road Central<br>Central<br>Hong Kong<br><br><i>As to Cayman Islands laws:</i><br>Conyers Dill & Pearman, Cayman<br>Cricket Square<br>Hutchins Drive<br>P.O. Box 2681<br>Grand Cayman<br>KY1-1111<br>Cayman Islands |

|   |   |
|---|---|
| Independent financial adviser                                 | Octal Capital Limited<br>801-805, 8/F<br>Nan Fung Tower<br>88 Connaught Road Central<br>Central<br>Hong Kong                                    |
| Joint provisional liquidators<br>(for restructuring purposes) | Mr. Yen Ching Wai David<br>Ms. So Kit Yee Anita<br>Mr. Keiran William Hutchison   |
| Auditor   | HLM CPA Limited<br><i>Certified Public Accountants</i><br>Rooms 1501-8, 15th Floor<br>Tai Yau Building, 181 Johnston Road<br>Wanchai, Hong Kong |
| Principal share registrar                                     | Conyers Trust Company (Cayman) Limited<br>Cricket Square<br>Hutchins Drive<br>PO Box 2681<br>Grand Cayman<br>KY1-1111<br>Cayman Islands         |
| Hong Kong branch share registrar                              | Tricor Investor Services Limited<br>Level 54, Hopewell Centre<br>183 Queen's Road East<br>Hong Kong   |
| Principal bankers   | Bank of China (Hong Kong) Limited<br>Bank of China Tower<br>1 Garden Road<br>Central<br>Hong Kong   |

## 15. INFORMATION OF THE SUBSCRIBERS

|                  |  |
|------------------|--|
| First Subscriber | BAINENG Holdings Limited<br>Room 901, 9/F.<br>Lucky Building<br>39 Wellington Street<br>Central<br>Hong Kong |
|------------------|--|

Shareholders and directors of the  
First Subscriber

Mr. Sun Jiusheng  
Room 901, 9/F.  
Lucky Building  
39 Wellington Street  
Central  
Hong Kong

Ms. Zhou Jing  
Room 901, 9/F.  
Lucky Building  
39 Wellington Street  
Central  
Hong Kong

Mr. Zhang Chao  
Room 901, 9/F.  
Lucky Building  
39 Wellington Street  
Central  
Hong Kong

Second Subscriber

Richmax Investment (H.K.) Limited  
Room 1908  
Cheung Fung Industrial Building  
23-29 Pak Tin Par Street  
Tsuen Wan  
New Territories  
Hong Kong

Shareholders of the Second  
Subscriber

Mr. Cheung Yuen Chau  
Richmax Investment (H.K.) Limited  
Room 1908  
Cheung Fung Industrial Building  
23-29 Pak Tin Par Street  
Tsuen Wan  
New Territories  
Hong Kong

Mr. David Chu  
Richmax Investment (H.K.) Limited  
Room 1908  
Cheung Fung Industrial Building  
23-29 Pak Tin Par Street  
Tsuen Wan  
New Territories  
Hong Kong

|   |   |
|---|---|
|   | Ms. Tsang Siu Lan<br>Richmax Investment (H.K.) Limited<br>Room 1908<br>Cheung Fung Industrial Building<br>23-29 Pak Tin Par Street<br>Tsuen Wan<br>New Territories<br>Hong Kong               |
|   | Ms. Ip Tsang Katherine Man Tung<br>Richmax Investment (H.K.) Limited<br>Room 1908<br>Cheung Fung Industrial Building<br>23-29 Pak Tin Par Street<br>Tsuen Wan<br>New Territories<br>Hong Kong |
| Directors of the Second<br>Subscriber                         | Mr. Cheung Yuen Chau<br>Mr. David Chu   |
| Third Subscriber  | New Origins International Limited<br>Unit 601, 6/F<br>Ovest<br>77 Wing Lok Street<br>Sheung Wan<br>Hong Kong  |
| Sole shareholder and sole director<br>of the Third Subscriber | Ms. To Sau Man<br>Unit 601, 6/F<br>Ovest<br>77 Wing Lok Street<br>Sheung Wan<br>Hong Kong   |

## 16. DIRECTORS AND SENIOR MANAGEMENT OF THE COMPANY

| Name   | Correspondence address   |
|--|--|
| <b>Executive Directors</b>                     |  |
| Mr. Rong Changjun<br><i>(duties suspended)</i> | Flat O, 10/F.<br>Yue Cheung Centre<br>1-3 Wong Chuk Yeung Street<br>Fo Tan, New Territories<br>Hong Kong |
| Mr. Zhang Wenrong                              | Flat O, 10/F.<br>Yue Cheung Centre<br>1-3 Wong Chuk Yeung Street<br>Fo Tan, New Territories<br>Hong Kong |
| Mr. Yuan Beisheng                              | Flat O, 10/F.<br>Yue Cheung Centre<br>1-3 Wong Chuk Yeung Street<br>Fo Tan, New Territories<br>Hong Kong |
| Mr. Yeung Shing Wai                            | Flat O, 10/F.<br>Yue Cheung Centre<br>1-3 Wong Chuk Yeung Street<br>Fo Tan, New Territories<br>Hong Kong |
| Mr. Chen Tian Gang                             | Flat O, 10/F.<br>Yue Cheung Centre<br>1-3 Wong Chuk Yeung Street<br>Fo Tan, New Territories<br>Hong Kong |
| Mr. Li Shu Wang                                | Flat O, 10/F.<br>Yue Cheung Centre<br>1-3 Wong Chuk Yeung Street<br>Fo Tan, New Territories<br>Hong Kong |
| Mr. Zhang Shao Wu                              | Flat O, 10/F.<br>Yue Cheung Centre<br>1-3 Wong Chuk Yeung Street<br>Fo Tan, New Territories<br>Hong Kong |

| Name                                       | Correspondence address   |
|--|--|
| <b>Independent non-executive Directors</b> |  |
| Mr. Chu Kin Ming                           | Flat O, 10/F.<br>Yue Cheung Centre<br>1-3 Wong Chuk Yeung Street<br>Fo Tan, New Territories<br>Hong Kong |
| Mr. Chiam Tat Yiu                          | Flat O, 10/F.<br>Yue Cheung Centre<br>1-3 Wong Chuk Yeung Street<br>Fo Tan, New Territories<br>Hong Kong |
| Mr. Chan Wai Cheung Admiral                | Flat O, 10/F.<br>Yue Cheung Centre<br>1-3 Wong Chuk Yeung Street<br>Fo Tan, New Territories<br>Hong Kong |
| Mr. Cha Ho Wa                              | Flat O, 10/F.<br>Yue Cheung Centre<br>1-3 Wong Chuk Yeung Street<br>Fo Tan, New Territories<br>Hong Kong |

### Executive Directors

**Mr. Rong Changjun** (*duties suspended*), aged 61, was appointed as the Vice Chairman of the Company and an executive Director on 1 December 2014. Mr. Rong has attended Lanzhou University and holds a Master Degree in Economic Law. Mr. Rong is a senior professional in the construction industry. He is a Chartered Builder of the Chartered Institute of Building, a National Registered Constructor and a professor-level senior engineer. Mr. Rong has over 38 years of management and operation experience in the construction industry. He was the general manager of China Construction Eighth Engineering Division East China Sea Development and Construction Corporation (中國建築第八工程局東海開發建設總公司) and the deputy Director of China Construction Eighth Engineering Division (中國建築第八工程局). He is currently the chairman of China Construction International Corporation (中國對外建設總公司).

**Mr. Zhang Wenrong**, aged 64, was appointed as executive Director on 23 October 2018. Mr. Zhang joined PetroChina Company Limited (“**PetroChina**”), a company listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) (stock code: 857) and the Shanghai Stock Exchange (stock code: 601857), in August 1981. From August 1981 to January 2018, Mr. Zhang has been assigned to various subsidiaries of PetroChina. Mr. Zhang was employed by 新疆塔里木石油勘探開發指揮部有限公司 (Xinjiang Tailimu Oil Exploration and Development

Command Co., Ltd.\*) as a senior management from February 1990 to August 1999. He was the director of integrated management division of 中國石油天然氣股份有限公司西北銷售分公司 (China Petroleum and Natural Gas Co., Ltd. Northwest Sales Branch\*) from August 1999 to August 2001, the general manager and party committee secretary of 中國石油天然氣股份有限公司湖北銷售分公司 (China Petroleum and Natural Gas Co., Ltd. Hubei Sales Branch\*) from August 2001 to December 2008, the general manager and party committee secretary of 中國石油天然氣股份有限公司貴州銷售分公司 (China Petroleum and Natural Gas Co., Ltd. Guizhou Sales Branch\*) from December 2008 to December 2012 and the general manager and party committee secretary of 中國石油天然氣股份有限公司江西銷售分公司 (China Petroleum and Natural Gas Co., Ltd. Jiangxi Sales Branch\*) from December 2012 to January 2018, where he was mainly responsible for sales and business development. Mr. Zhang has over 30 years of experience in the oil and gas industry.

**Mr. Yuan Beisheng**, aged 42, was appointed as executive Director of the Company on 22 November 2018. Mr. Yuan holds a graduation certificate for completing an investment course from the School of Continuing Education, Tsinghua University. He is currently the chairman and chief executive officer of Beyond Group DMCC (“DMCC”), a company incorporated in Dubai of the United Arab Emirates and principally engaged in the import and export of oil equipment as well as trading of filters and purification devices, pipes and fittings, water treatment equipment and all kinds of commodities. DMCC entered into a non-legally binding memorandum of understanding with the Company on 10 October 2018 in relation to the proposed formation of the joint venture. Mr. Yuan has also been the chief executive officer of United Company for Engineering, Commerce and Contracts since March 2012 and the chairman and chief executive officer of Maven General Contracting LLC since February 2015. Mr. Yuan has extensive experience in the oil and gas industry.

**Mr. Yeung Shing Wai**, aged 35, was appointed as an executive Director on 16 February 2020. Mr. Yeung has over ten years of working experience in power and data cord industry. He was an executive Director from November 2010 to December 2014. Afterwards, he was engaged in private investments in various industries. He is currently an executive director of On Real International Holdings Limited, a company listed on GEM of the Stock Exchange (stock code: 8245). His father is currently the director and legal representative of certain subsidiaries of the Group.

**Mr. Chen Tian Gang**, aged 47, was appointed as executive Director on 5 March 2020. Mr. Chen was an executive Director from November 2010 to July 2013 and the production manager of a subsidiary of the Group for over 15 years. Afterwards, he was engaged in private businesses in the People’s Republic of China. Recently, Mr. Chen has rejoined the Group as the production manager of a subsidiary of the Group. Mr. Chen graduated from Fujian Agricultural and Forestry University, majoring in tea studies. He has over 20 years of working experience in the power and data cord industry. Mr. Chen is the cousin of Mr. Yeung Shing Wai, an executive Director.



**Mr. Li Shu Wang**, aged 55, was appointed as executive Director on 9 March 2020. Mr. Li holds a Bachelor degree in chemical machinery from Hebei University of Technology and postgraduate degree in business management from American National University. He served as the deputy general manager of 天津石化建安公司 (Tianjin Petrochemical Jianan Company\*) from 1988 to 2002, the director and chief engineer of 華燊燃氣控股有限公司 (Huashen Gas Holdings Company Limited\*) from 2002 to 2004 and the president of 北京中燃偉業燃氣有限公司 (Beijing Zhongran Weiye Gas Company Limited\*) from 2004 to 2006. He then worked at 新奧燃氣工程有限公司 (Xinao Gas Engineering Company Limited\*) from 2007 to 2017 as general manager and concurrently served as the vice president and chief engineer of ENN Energy Holdings Limited, a company listed on the Stock Exchange (stock code: 2688), from 2009 to 2016. He then worked at 新地能源工程技術有限公司 from 2017 to 2019 as vice president and chief engineer. Mr. Li is currently a part time professor at Sun Yat-sen University. Mr. Li has extensive working experience in the petrochemical, construction, gas and energy industry.

**Mr. Zhang Shao Wu**, aged 53, was appointed as executive Director of the Company on 9 March 2020. Mr. Zhang holds a Bachelor Degree in machinery manufacturing process and equipment from Zhengzhou University and an Executive Master of Business Administration from the Guanghua School of Management of Peking University. He worked at 開封博達集團股份有限公司 (Kaifeng Boda Group Company Limited\*) from September 1989 to February 2002 with his last position as deputy general manager. He then served as the deputy general manager at 東莞新奧燃氣有限公司 (Dongguan Xinao Gas Company Limited\*) from February 2005 to October 2010 and the director and general manager of 湛江新奧燃氣有限公司 (Zhanjiang Xinao Gas Company Limited\*) from November 2010 to September 2013. He was the deputy general manager, South China of ENN Energy Holdings Limited, a company listed on the Stock Exchange (stock code: 2688), from October 2013 to December 2018 and concurrently served as the general manager of 廣東新奧能源銷售有限公司 (Guangdong Xinao Energy Sales Company Limited\*) from October 2016 to December 2018. He was the deputy general manager of 廣東新奧能源發展有限公司 (Guangdong Xinao Energy Development Company Limited\*) from December 2018 to February 2020. Mr. Zhang has extensive working experience in the energy industry with a speciality in renewable energy utilization.

### **Independent non-executive Directors**

**Mr. Chu Kin Ming**, aged 40, was appointed as an independent non-executive Director on 16 February 2020. Mr. Chu holds a Bachelor of Arts degree in Accountancy from the Hong Kong Polytechnic University. He is currently the independent non-executive director of SK Target Group Limited, a company listed on GEM of the Stock Exchange (stock code: 8427), Kelfred Holdings Limited, a company listed on the Stock Exchange (stock code: 1134), Optima Automobile Group Holdings Limited, a company listed on GEM of the Stock Exchange (stock code: 8418) and Milestone Builder Holdings Limited, a company listed on the Stock Exchange (stock code: 1667). Mr. Chu has approximately 20 years of experiences in the field of auditing, accounting, management and company secretarial matters. He is currently the company secretary of Sino-Life Group Limited (“**Sino-Life**”), a company listed on GEM of the Stock Exchange (stock code: 8296). Prior to joining Sino-Life, Mr. Chu has worked as senior management in various Hong Kong listed companies and as auditor in international audit firms. Mr. Chu is a fellow member of The Association of Chartered Certified Accountants. He is also a member of The Hong Kong Institute of Certified Public Accountants, The Institute of Chartered Secretaries and Administrators and The Hong Kong Institute of Chartered Secretaries. Mr. Chu has extensive experiences in the field of accounting and financial management.

**Mr. Chiam Tat Yiu**, aged 37, was appointed as an independent non-executive Director on 16 February 2020. Mr. Chiam holds a Bachelor of Business Administration in Accountancy from the Hong Kong University of Science and Technology. He worked in the audit department in Ernst & Young and worked at various management positions in CCB International (Holdings) Limited, CITIC International Assets Management Limited, Tai Shing International (Holdings) Limited, a company listed on GEM of the Stock Exchange (stock code: 8103) and China Huarong Overseas Investment Holdings Company Limited. Mr. Chiam is currently an independent non-executive director of Sino Vision Worldwide Holdings Limited, a company listed on the Stock Exchange (stock code: 8086). Mr. Chiam is a fellow member of The Hong Kong Institute of Certified Public Accountants and a member of The Association of Chartered Certified Accountants. He is also a holder of the Chartered Financial Analyst designation awarded by the CFA Institute. Mr. Chiam has extensive experiences in the field of accounting, risk management and corporate finance.

**Mr. Chan Wai Cheung Admiral**, aged 47, was appointed as an independent non-executive Director on 5 March 2020. Mr. Chan holds a Bachelor of Arts (Honours) in Accountancy from City University of Hong Kong. Mr. Chan is a member of the Hong Kong Institute of Certified Public Accountants. He has extensive experience in the accounting and auditing fields. Mr. Chan is currently an executive director and the company secretary of Energy International Investments Holdings Limited (stock code: 353) and an independent non-executive director of each of SFund International Holdings Limited (stock code: 1367), Zhong Ao Home Group Limited (stock code: 1538) and China Water Affairs Group Limited (stock code: 855), all of which are listed on the Stock Exchange. Mr. Chan was a non-executive director of China Nonferrous Metals Company Limited (stock code: 8306) from June 2015 to May 2019 and an independent non-executive director of Carnival Group International Holdings Limited (stock code: 996) from December 2014 to April 2019, all of which are listed on the Stock Exchange.

**Mr. Cha Ho Wa**, aged 31, obtained his bachelor's degree of Arts in Philosophy from The Chinese University of Hong Kong in 2013 and degree of Juris Doctor in 2015. He is currently a solicitor of the High Court of Hong Kong. Mr. Cha has extensive experience in the areas of legal services. Mr. Cha joined Messrs. Peter K. S. Chan & Co. in 2016, and is now serving as an assistant solicitor.

#### **Company Secretary**

**Mr. Chan Tsang Mo**, aged 36, was appointed as the company secretary of the Company on 22 April 2020. He is a director of Synergy Morton Corporate Services Limited, a professional firm providing corporate secretarial and advisory services. He is a fellow member of The Hong Kong Institute of Certified Public Accountants and holds a degree in Bachelor of Business Administration in Accounting from the City University of Hong Kong. Mr. Chan has over 12 years of experience in the field of accounting and financial management.

**Audit Committee**

The Company established an audit committee on 27 April 2011 with written terms of reference in compliance with Rules 5.28 to 5.29 of the GEM Listing Rules. As at the Latest Practicable Date, the audit committee of the Company comprised three independent non-executive Directors, namely Mr. Chu Kin Ming, Mr. Chiam Tat Yiu and Chan Wai Cheung Admiral. Mr. Chu Kin Ming is the chairman of the audit committee.

To comply with the amendment to the risk management and internal control section of the Corporate Governance Code and Corporate Governance Report of the GEM Listing Rules, which came into effect for the accounting periods beginning on or after 1 January 2016, the terms of reference of the audit committee of the Company has been amended on 5 January 2016.

The primary duties of the audit committee of the Company are to review the internal control policies annually, the financial reporting systems and procedures of the Group, to review consolidated financial statements and reports of the Group, and to review the terms of engagement and scope of audit work of the external auditors.

**17. MISCELLANEOUS**

The English text of this circular shall prevail over Chinese text in case of any inconsistency.

**18. DOCUMENTS AVAILABLE FOR INSPECTION**

Copies of the following documents will be available for inspection (i) at the head office and principal place of business of the Company in Hong Kong at Flat O, 10/F., Yue Cheung Centre, 1-3 Wong Chuk Yeung Street, Fo Tan, New Territories, Hong Kong during normal business hours from 9:00 a.m. to 5:00 p.m., Monday to Friday (except public holidays); and (ii) on the websites of the Company (<http://www.chinaoilgangrans.com>) and the SFC ([www.sfc.hk](http://www.sfc.hk)) between the period from the date of this circular up to and including the date of the EGM:

- (a) the memorandum of association and the articles of association of the Company;
- (b) the articles of association of the First Subscriber;
- (c) the letter from the Board, the text of which is set out on pages 11 to 44 of this circular;
- (d) the letter from the Independent Board Committee, the text of which is set out on pages 45 to 46 of this circular;
- (e) the letter from Octal Capital, the text of which is set out on pages 47 to 74 of this circular;

- (f) the annual reports of the Company for each of the financial years ended 31 March 2018, 2019 and 2020, the interim report of the Company for the six months ended 30 September 2020 and the third quarterly report of the Company for the nine months ended 31 December 2020;
- (g) the written consent referred to in the paragraph headed “11. Expert and consent” in this appendix;
- (h) the service agreements referred to under the paragraphs headed “5. Service Contracts” in this appendix;
- (i) the material contracts as referred to in the paragraph headed “12. Material contracts” in this appendix; and
- (j) this circular.

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## NOTICE OF EGM

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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**

### NOTICE OF EXTRAORDINARY GENERAL MEETING

**NOTICE IS HEREBY GIVEN** that an extraordinary general meeting (the “**Meeting**”) of China Oil Gangran Energy Group Holdings Limited (the “**Company**”) will be held at R1, United Conference Centre, 10/F, United Centre, 95 Queensway, Admiralty, Hong Kong on Friday, 9 April 2021 at 2:00 p.m. to consider and, if thought fit, pass with or without amendments, the following resolutions of the Company (unless otherwise indicated, capitalised terms used in this notice have the same meanings as those defined in the circular of the Company dated 19 March 2021 (the “**Circular**”)):

#### ORDINARY RESOLUTIONS

1. “**THAT**

- (a) the subscription agreement dated 23 December 2020 (as amended by the Supplemental Subscription Agreement dated 15 March 2021) (the “**Subscription Agreement**”) (a copy of which is produced to the Meeting marked “**A**” and signed by the Chairman of the Meeting for the purpose of identification) and entered into between the Company, as the issuer, and BAINENG Holdings Limited (the “**First Subscriber**”), Richmax Investment (H.K.) Limited (the “**Second Subscriber**”) and New Origins International Limited (the “**Third Subscriber**”, together with the First Subscriber and the Second Subscriber, the “**Subscribers**”), as the subscribers, in relation to the subscription for 1,900,099,090 shares of the Company (the “**Subscription Share(s)**”) at the subscription price of HK\$0.01941712 per Subscription Share and the transactions contemplated thereunder be and are hereby approved, confirmed and ratified;
- (b) subject to the Listing Committee of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) granting the listing of and permission to deal in all of the Subscription Shares, the directors of the Company (the “**Directors**”) be and are hereby granted a specific mandate for the allotment and issue of the Subscription Shares in accordance with the terms of the Subscription Agreement; and
- (c) any Director be and is hereby authorised to do all such things and acts and execute all documents (whether under common seal or not) which he considers necessary, desirable or expedient to implement or to give effect to any matters relating to the Subscription Agreement and the transactions contemplated thereunder.”

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## NOTICE OF EGM

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2. **“THAT**

- (a) the subscription agreement dated 23 December 2020 (as amended by the Supplemental CB Subscription Agreement dated 15 March 2021) (the **“CB Subscription Agreement”**) (a copy of which is produced to the Meeting marked “B” and signed by the Chairman of the Meeting for the purpose of identification) and entered into between the Company, as the issuer, and the Subscribers, as the subscribers, in relation to the subscription for the convertible bonds issued by the Company in the aggregate principal amount of approximately HK\$3.1 million and the transactions contemplated thereunder be and are hereby approved, confirmed and ratified;
- (b) subject to the Listing Committee of the Stock Exchange granting the listing of and permission to deal in the Conversion Shares, the Directors be and are hereby granted a specific mandate for the allotment and issue of the Conversion Shares in accordance with the terms of the CB Subscription Agreement; and
- (c) any Director be and is hereby authorised to do all such things and acts and execute all documents (whether under common seal or not) which he considers necessary, desirable or expedient to implement or to give effect to any matters relating to the CB Subscription Agreement and the transactions contemplated thereunder.”

3. **“THAT,**

subject to the applicable laws of the Cayman Islands and Hong Kong and the directions and sanctions of the Grand Court of the Cayman Islands (the **“Cayman Court”**) and the High Court of Hong Kong (the **“Hong Kong Court”**), the approval of the Creditors and to all the other resolutions set out in this notice being passed:

- (a) the scheme of arrangement (the **“Creditors’ Schemes”**) material particulars whereof are disclosed in the scheme of arrangement document of the Company to be despatched to the Creditors (details of the major terms of the scheme of arrangement are set out in the section headed “Letter from the Board — The Creditors’ Schemes” in the Circular), which are to be proposed and effected as a scheme under section 86 of the Companies Act of the Cayman Islands being sanctioned by the Cayman Court and under Part 13 of the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), as parallel, concurrent and inter-conditional schemes of arrangement, be and are hereby approved, confirmed and ratified, subject to any modification thereof or addition thereof approved or imposed by the Cayman Court or the Hong Kong Court (if any);
- (b) the proposed payment of cash to the Creditors in accordance with the terms of the Creditors’ Schemes, funded from the net proceeds of the Subscription Shares under Ordinary Resolution no. 1 be and is hereby approved;
- (c) subject to the Listing Committee of the Stock Exchange granting the listing of and permission to deal in the Creditors’ Shares, the Directors be and are hereby granted a specific mandate for the allotment and issue of the Creditors’ Shares in accordance with the terms of the Creditors’ Schemes;

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## NOTICE OF EGM

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- (d) subject to the consent of the Executive Director of the Corporate Finance Division of the Securities and Futures Commission (the “**Executive**”) pursuant to Rule 25 of the Code on Takeovers and Mergers of Hong Kong (the “**Takeovers Code**”) and any conditions that may be imposed thereon, the proposed settlement under the Creditors’ Schemes of the indebtedness due to such Creditors who are also Shareholders (the “**Special Deal**”) be and is hereby approved, confirmed and ratified; and
- (e) any Director be and is hereby authorised to do all such things and acts and execute all documents (whether under common seal or not) which he considers necessary, desirable or expedient to implement or to give effect to any matters relating to the Creditors’ Schemes, the Special Deal and the transactions contemplated thereunder.”

### SPECIAL RESOLUTION

#### 4. “**THAT**

- (a) the terms of the application for a waiver (the “**Whitewash Waiver**”) granted or to be granted by the Executive to the First Subscriber pursuant to Note 1 on the Dispensations from Rule 26 of the Takeovers Code from an obligation to make a general mandatory offer to the Shareholders in respect of all the Shares and the securities of the Company not already owned or agreed to be acquired by it and parties acting in concert with it as a result of the subscription of the First Subscription Shares under the Subscription Agreement be and are hereby approved, confirmed and ratified; and
- (b) any Director be and is hereby authorised to do all such things and acts and execute all documents (whether under common seal or not) which he considers necessary, desirable or expedient to implement or to give effect to any matters relating to the Whitewash Waiver and the transactions contemplated thereunder.”

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, 19 March 2021

*Registered office:*  
Cricket Square, Hutchins Drive  
PO Box 2681, Grand Cayman  
KY1-1111, Cayman Islands

*Principal place of business in Hong Kong:*  
Flat O, 10/F.  
Yue Cheung Centre  
1-3 Wong Chuk Yeung Street  
Fo Tan, New Territories  
Hong Kong

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## NOTICE OF EGM

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*Notes:*

1. Any member of the Company entitled to attend and vote at a meeting of the Company shall be entitled to appoint another person as his proxy to attend and vote instead of him. A member of the Company who is the holder of two or more shares may appoint more than one proxy to represent him and vote on his behalf at the Meeting. A proxy need not be a member of the Company. In addition, a proxy or proxies representing either a member of the Company who is an individual or a member of the Company which is a corporation shall be entitled to exercise the same powers on behalf of the member of the Company which he or they represent as such member of the Company could exercise.
2. The instrument appointing a proxy shall be in writing under the hand of the appointor or of his attorney duly authorised in writing or, if the appointor is a corporation, either under its seal or under the hand of an officer, attorney or other person authorised to sign the same. In the case of an instrument of proxy purporting to be signed on behalf of a corporation by an officer thereof, it shall be assumed, unless the contrary appears, that such officer was duly authorised to sign such instrument of proxy on behalf of the corporation without further evidence of the fact.
3. To be valid, the form of proxy together with the power of attorney or other authority, if any, under which it is signed, or a notarially certified copy thereof must be deposited at the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited, Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong as soon as possible and in any event no later than Wednesday, 7 April 2021 at 2:00 p.m. (Hong Kong time).
4. The register of members of the Company will be closed from Thursday, 1 April 2021 to Friday, 9 April 2021 (both days inclusive) to determine the eligibility of the Shareholders to attend and vote at the EGM. The record date for determining the entitlement of the Shareholders to attend and vote at the EGM will be on Friday, 9 April 2021. All transfers of shares of the Company accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited, Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong, for registration no later than Wednesday, 31 March 2021 at 4:30 p.m. (Hong Kong time).
5. Delivery of an instrument appointing a proxy shall not preclude a member from attending and voting in person at the Meeting convened and in such event, the instrument appointing a proxy shall be deemed to be revoked.
6. Where there are joint holders of any share, any one of such joint holders may vote, either in person or by proxy, in respect of such share as if he were solely entitled thereto, but if more than one of such joint holders be present at any meeting the vote of the senior who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the votes of the other joint holders, and for this purpose seniority shall be determined by the order in which the names stand in the register of members of the Company in respect of the joint holding.
7. The voting at the Meeting shall be taken by way of poll.
8. Preventive measures at the EGM.
  - (i) as a precautionary safety measure, seating at the EGM will be arranged so as to reduce interaction between participants. As a result, there will be limited capacity for Shareholders to attend the EGM and seats will be allocated in a first come first serve basis;
  - (ii) compulsory body temperature checks will be conducted on every Shareholder, proxy and other attendee at the entrance of the EGM venue. Any person with a body temperature of over 37.5 degrees Celsius will be requested to stay in an isolated place for completing the voting procedures;



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## NOTICE OF EGM

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- (iii) all Shareholders, proxies and other attendees are required to complete and submit at the entrance of the EGM venue a declaration form confirming their names and contact details, and confirming that they have not travelled to, or had physical contact with any person who to their best of knowledge has recently travelled to, any affected countries or areas outside Hong Kong (as per guidelines issued by the Hong Kong Government at [www.chp.gov.hk/en/features/102742.html](http://www.chp.gov.hk/en/features/102742.html)) at any time in the preceding 14 days. Any person who does not comply with this requirement will be requested to stay in an isolated place for completing the voting procedures;
- (iv) every attendee will be required to wear a surgical face mask throughout the EGM. Please note that no masks will be provided at the EGM venue and attendees should bring and wear their own masks;
- (v) seating at the EGM will be arranged in a manner to allow for appropriate social distancing;
- (vi) no refreshments will be served and there will be no corporate gifts; and
- (vii) other measures may be revised by government bodies.