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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

DECONSOLIDATION OF SUBSIDIARIES OF THE GROUP

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

Reference is made to the announcement of the Company dated 2 April 2020 (the “**Announcement**”) in relation to, among other things, the quarterly update on suspension of trading and updates on business operations of the Group. Capitalised terms used herein shall have the same meanings as those defined in the Announcement unless the context requires otherwise.

As set out in the Announcement, during the course of the audit of the Group’s financial statements for FY2019, the board (the “**Board**”) of directors (the “**Directors**”) of 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 Jiangxi China Oil and Zhoushan China Oil (the “**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 time maintained and controlled by Jiangxi China Oil. The Group had formally requested the Subsidiaries to provide necessary assistance in relation to the audit and the preparation of the Group’s management accounts. Despite repeated demands and requests from the Company, the Subsidiaries did not respond to the Company’s requests and have failed to provide the Books and Records to the Company. As such, the Company is not able to prepare the consolidated financial statements of the Group for FY2019 involving the financial information of the Subsidiaries.

In light of the above, the Company has engaged the legal advisers (the “**PRC Legal Advisers**”) in the People’s Republic of China 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 Subsidiaries; (b) exposure, or rights, to variable returns from its involvement with the Subsidiaries; or (c) the ability to use its power over the Subsidiaries to affect the amount of the Company’s returns. Due to the above reasons, the Directors considered that the Group was unable to exercise its rights as the sole shareholder either to control the assets and operations of the Subsidiaries or to exercise the decision-making rights over the Subsidiaries. As such, the Directors further considered that it is inappropriate to consolidate the financial results of the Subsidiaries into the Group. Therefore, the Subsidiaries will be deconsolidated effective from the last quarter of FY2019, that is from 1 January 2019 (the “**Deconsolidation**”), on the basis that the Books and Records for audit purpose were not obtainable.

The Subsidiaries are engaged in the Group’s trading of refined oil and chemicals business, which accounted for over 80% of the Group’s total revenue for the financial year ended 31 March 2018 and over 40% of the Group’s total assets as at 31 March 2018. The Deconsolidation would result in a deconsolidation of assets, liabilities and certain reserves in the financial statements of the Subsidiaries, which would lead to a substantial loss to the Group. As such, the Board expects that the Deconsolidation would have a significant impact on the financial statements of the Group for FY2019. Despite the above financial impact on the Group, the Directors are of the opinion that the Group will have sufficient working capital to carry out its businesses. Based on the preliminary discussions with the Company’s auditors, HLM CPA Limited (“**HLM**”), there is a reasonable likelihood that the consolidated financial statements of the Group for FY2019 will be qualified in respect of the financial results of the Subsidiaries and the net assets of the Subsidiaries attributable to the Group will be considered written off. As at the date of this announcement, the Company is in the course of quantifying the financial impacts of the Deconsolidation on the Group with the assistance of HLM.

In addition to taking up the recommendations from the PRC Legal Advisers, the Company will work with Elite Partners Risk Advisory Services Limited, being the internal control consultant, to review and to improve the relevant internal controls of the Group in place.

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

By order of the Board
China Oil Gangran Energy Group Holdings Limited
(Provisional Liquidators Appointed)
(For Restructuring Purposes)
Yeung Shing Wai
Executive Director

Hong Kong, 14 May 2020

As at the date of this announcement, the executive Directors are Mr. Rong Changjun, Mr. Zhang Wenrong, Mr. Yuan Beisheng, Ms. Hui Sai Ha (duties suspended), Mr. Yeung Shing Wai, Mr. Chen Tian Gang, Mr. Li Shu Wang and Mr. Zhang Shao Wu and the independent non-executive Directors are Mr. Chu Kin Ming, Mr. Chiam Tat Yiu and Mr. Chan Wai Cheung Admiral.

This announcement, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the GEM Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this announcement is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this announcement misleading.

This announcement will remain on the “Latest Company Announcements” page of the GEM website at <http://www.hkgem.com> for at least 7 days from the date of its posting and on the websites of the Company at www.chinaoilgangran.com and <http://chinaoilgangran.todayir.com>.