



中油港燃能源集團控股有限公司

CHINA OIL GANGRAN ENERGY GROUP HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 8132

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2014

CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET (“GEM”) OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE “STOCK EXCHANGE”)

GEM has been positioned as a market designed to accommodate 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. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.

Given the emerging nature of companies listed on GEM, 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.

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

This announcement, for which the directors (the “Directors”) of China Oil Gangran Energy Group Holdings Limited (the “Company”) collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on GEM of the Stock Exchange (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.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 September 2014

	Note	Three months ended		Six months ended	
		30 September		30 September	
		2014	2013	2014	2013
		HK\$	HK\$	HK\$	HK\$
		(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Turnover	5	19,180,831	37,571,379	42,693,669	80,409,490
Cost of sales		<u>(15,656,541)</u>	<u>(28,796,987)</u>	<u>(35,022,829)</u>	<u>(63,160,451)</u>
Gross profit		3,524,290	8,774,392	7,670,840	17,249,039
Other income	6	17,051,116	102,025	17,259,474	155,638
Selling expenses		<u>(1,383,962)</u>	(1,512,805)	<u>(2,825,527)</u>	(3,128,458)
Administrative expenses		<u>(81,844,407)</u>	<u>(51,082,602)</u>	<u>(105,535,955)</u>	<u>(57,957,560)</u>
Loss from operations		(62,652,963)	(43,718,990)	(83,431,168)	(43,681,341)
Gain on disposal of subsidiaries	7	–	26,648	–	26,648
Finance costs	8	<u>(3,611,890)</u>	<u>(544,157)</u>	<u>(8,322,826)</u>	<u>(627,487)</u>
Loss before tax		(66,264,853)	(44,236,499)	(91,753,994)	(44,282,180)
Income tax credit/(expense)	9	<u>1,375,932</u>	<u>(143,238)</u>	<u>2,744,140</u>	<u>(349,739)</u>
Loss for the period	10	(64,888,921)	(44,379,737)	(89,009,854)	(44,631,919)
Other comprehensive income, net of tax:					
<i>Items that may be reclassified to profit or loss:</i>					
Exchange differences on translating foreign operations		<u>(488,833)</u>	9	<u>(481,038)</u>	<u>127,890</u>
Total comprehensive income for the period		<u>(65,377,754)</u>	<u>(44,379,728)</u>	<u>(89,490,892)</u>	<u>(44,504,029)</u>

	Three months ended		Six months ended	
	30 September		30 September	
	2014	2013	2014	2013
<i>Note</i>	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)

Loss for the period attributable to:

Owners of the Company	(64,838,190)	(44,332,311)	(88,906,486)	(44,584,493)
Non-controlling interests	(50,731)	(47,426)	(103,368)	(47,426)
	<u>(64,888,921)</u>	<u>(44,379,737)</u>	<u>(89,009,854)</u>	<u>(44,631,919)</u>

Total comprehensive income

for the period attributable to:

Owners of the Company	(65,327,023)	(44,332,302)	(89,387,524)	(44,456,603)
Non-controlling interests	(50,731)	(47,426)	(103,368)	(47,426)
	<u>(65,377,754)</u>	<u>(44,379,728)</u>	<u>(89,490,892)</u>	<u>(44,504,029)</u>

Loss per share (*HK\$ cents*)

Basic	<i>12(a)</i>	<u>(0.88)</u>	<u>(0.68)</u>	<u>(1.21)</u>	<u>(0.74)</u>
Diluted	<i>12(b)</i>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 September 2014

		30 September 2014 <i>HK\$</i> (Unaudited)	31 March 2014 <i>HK\$</i> (Audited)
	<i>Note</i>		
Non-current assets			
Property, plant and equipment	13	10,556,604	21,349,582
Goodwill		91,489,805	91,489,805
Intangible assets		81,492,703	92,152,900
Deposits paid for acquisition of subsidiaries	14	23,000,000	15,000,000
Deposits paid for acquisition of property, plant and equipment		4,432,315	9,982,315
		<u>210,971,427</u>	<u>229,974,602</u>
Current assets			
Inventories		11,280,849	14,391,476
Trade and other receivables	15	70,544,423	33,622,229
Contingent consideration receivables		18,515,103	4,669,000
Derivative components of convertible bonds		18,486,000	26,683,000
Bank and cash balances	16	195,881,209	91,155,559
		<u>314,707,584</u>	<u>170,521,264</u>
Current liabilities			
Trade and other payables	17	25,374,126	27,904,063
Due to a director		–	911,255
Due to shareholders		5,791,590	3,745,895
Promissory notes	18	49,864,086	64,036,519
Convertible bonds	19	17,194,909	7,913,460
Borrowings	20	6,637,252	4,444,173
Current tax liabilities		5,865,698	5,668,788
		<u>110,727,661</u>	<u>114,624,153</u>
Net current assets		<u>203,979,923</u>	<u>55,897,111</u>
Total assets less current liabilities		<u>414,951,350</u>	<u>285,871,713</u>

		30 September	31 March
		2014	2014
	<i>Note</i>	HK\$	HK\$
		(Unaudited)	(Audited)
Non-current liabilities			
Promissory notes	<i>18</i>	43,177,406	35,720,960
Convertible bonds	<i>19</i>	2,202,369	3,696,205
Borrowings	<i>20</i>	167,816	–
Deferred tax liabilities		21,070,869	24,011,919
		<u>66,618,460</u>	<u>63,429,084</u>
NET ASSETS		<u>348,332,890</u>	<u>222,442,629</u>
Capital and reserves			
Share capital	<i>21</i>	871,740	726,450
Reserves		347,636,724	221,788,385
		<u>348,508,464</u>	<u>222,514,835</u>
Equity attributable to owners of the Company		348,508,464	222,514,835
Non-controlling interests		(175,574)	(72,206)
		<u>348,332,890</u>	<u>222,442,629</u>
TOTAL EQUITY		<u>348,332,890</u>	<u>222,442,629</u>

NOTES TO THE CONDENSED FINANCIAL STATEMENTS

For the six months ended 30 September 2014

1. BASIS OF PREPARATION

These condensed financial statements have been prepared in accordance with Hong Kong Accounting Standard 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”) and the applicable disclosures required by the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited.

2. ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

In the current period, the Group has adopted all the new and revised Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the HKICPA that are relevant to its operations and effective for its accounting year beginning on 1 April 2014. HKFRSs comprise Hong Kong Financial Reporting Standards (“HKFRS”); Hong Kong Accounting Standards (“HKAS”); and Interpretations. The adoption of these new and revised HKFRSs did not result in significant changes to the Group’s accounting policies, presentation of the Group’s financial statements and amounts reported for the current period and prior years.

The Group has not applied the new HKFRSs that have been issued but are not yet effective. The Group has already commenced an assessment of the impact of these new HKFRSs but is not yet in a position to state whether these new HKFRSs would have a material impact on its results of operations and financial position.

3. SIGNIFICANT ACCOUNTING POLICIES

These condensed financial statements should be read in conjunction with the 2014 annual financial statements. The accounting policies and methods of computation used in the preparation of these condensed financial statements are consistent with those used in the annual financial statements for the year ended 31 March 2014 except as stated below.

Intangible assets

Intangible assets which represent motor vehicle registration mark with indefinite useful life are stated at cost less any impairment losses. Impairment is reviewed annually or when there is any indication that the motor vehicle registration mark has suffered an impairment loss. The useful life of the motor vehicle registration mark is reviewed annually to determine whether indefinite life assessment continues to be supportable. If not, the change in the useful life assessment from indefinite to finite is accounted for on a prospective basis.

4. FAIR VALUE MEASUREMENT

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The following disclosures of fair value measurements use a fair value hierarchy that categorises into three levels the inputs to valuation techniques used to measure fair value:

Level 1 inputs: quoted prices (unadjusted) in active markets for identical assets or liabilities that the Group can access at the measurement date.

Level 2 inputs: inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3 inputs: unobservable inputs for the asset or liability.

The Group's policy is to recognise transfers into and transfers out of any of the three levels as of the date of the event or change in circumstances that caused the transfer.

(a) Disclosures of level in fair value hierarchy

	Fair value measurements as at 30 September 2014 using level 3 HK\$
Description	
Recurring fair value measurements:	
Contingent consideration receivables	18,515,103
Derivative components of convertible bonds	18,486,000
Total recurring fair value measurements	<u>37,001,103</u>
	Fair value measurements as at 31 March 2014 using level 3 HK\$
Description	
Recurring fair value measurements:	
Contingent consideration receivables	4,669,000
Derivative components of convertible bonds	26,683,000
Total recurring fair value measurements	<u>31,352,000</u>

There were no transfer within levels 1, 2 and 3 during the period.

(b) Reconciliation of assets measured at fair value based on level 3:

Description	Contingent consideration receivables <i>HK\$</i>	Derivative components of convertible bonds <i>HK\$</i>
At 1 April 2014	4,669,000	26,683,000
Issues	–	13,678,830
Total gains or losses recognised in condensed consolidated profit or loss ^(#)	<u>13,846,103</u>	<u>(21,875,830)</u>
At 30 September 2014	<u><u>18,515,103</u></u>	<u><u>18,486,000</u></u>
^(#) Include gains or losses for financial assets held at end of reporting period	<u><u>13,846,103</u></u>	<u><u>(21,875,830)</u></u>

Description	Financial assets at fair value through profit or loss <i>HK\$</i>	Contingent consideration receivables <i>HK\$</i>	Available-for- sale financial assets <i>HK\$</i>	Derivative components of convertible bonds <i>HK\$</i>
At 1 April 2013	640	–	1,110,739	–
Issues	–	4,535,000	–	26,815,140
Total gains or losses recognised in consolidated profit or loss ^(#)	–	134,000	–	(132,140)
Disposal of subsidiaries	<u>(640)</u>	<u>–</u>	<u>(1,110,739)</u>	<u>–</u>
At 31 March 2014	<u><u>–</u></u>	<u><u>4,669,000</u></u>	<u><u>–</u></u>	<u><u>26,683,000</u></u>
^(#) Include gains or losses for financial assets held at end of reporting period	<u><u>–</u></u>	<u><u>134,000</u></u>	<u><u>–</u></u>	<u><u>(132,140)</u></u>

The total fair value gains or losses recognised in condensed consolidated profit or loss including those for assets held at end of reporting period are presented in other income and administrative expenses respectively in the condensed consolidated statement of profit or loss and other comprehensive income.

(c) **Disclosure of valuation process used by the Group and valuation techniques and inputs used in fair value measurements at 30 September and 31 March 2014:**

For level 3 fair value measurements, the Group will normally engage external valuation experts with the recognised professional qualifications and recent experience to perform the valuations.

Level 3 fair value measurements

Description	Valuation technique	Unobservable inputs	Range	Effect on fair value for increase of inputs	Fair value 30 September 2014 HK\$
Contingent consideration receivables	Discounted cash flow	Profit forecast	HK\$13,767,681 – HK\$20,651,521	Increase	
		Discount rate	36.74%	Increase	18,515,103
Derivative components of convertible bonds	Monte Carlo simulation method	Dividend yield	0%	Increase	
		Expected volatility	33.36% – 36.14%	Decrease	
		Yield spread	28.08%	Decrease	18,486,000
Description	Valuation technique	Unobservable inputs	Range	Effect on fair value for increase of inputs	Fair value 31 March 2014 HK\$
Contingent consideration receivables	Discounted cash flow	Profit forecast	HK\$30,341,796 – HK\$45,512,694	Increase	
		Discount rate	11.29%	Increase	4,669,000
Derivative components of convertible bonds	Monte Carlo simulation method	Dividend yield	0%	Increase	
		Expected volatility	103.46% – 106.45%	Decrease	
		Yield spread	13.09% – 13.66%	Decrease	26,683,000

There were no changes in valuation techniques during the period.

5. SEGMENT INFORMATION

The Group's reportable segments are determined as follows:

1. Clean energy business – engages in development of liquefied natural gas, compressed natural gas and related clean energy business.
2. Digital application business – engages in activities relating to the provision of programming services, web services, mobile marketing solutions and development of mobile phone games.
3. Power and data cords business – engages in sales and manufacture of power cords and inlet sockets for household electric appliances and power data cords for mobile handsets and medical control devices and raw cables.

The Group's reportable segments are strategic business units that offer different products and services. They are managed separately because each business requires different technology and marketing strategies.

The accounting policies of the operating segments are the same as those described in the Group's financial statements.

Information about reportable segment profit or loss, assets and liabilities:

	Clean energy business <i>HK\$</i> (Unaudited)	Digital application business <i>HK\$</i> (Unaudited)	Power and data cords business <i>HK\$</i> (Unaudited)	Total <i>HK\$</i> (Unaudited)
Six months ended 30 September 2014				
Turnover from external customers	–	1,171	42,692,498	42,693,669
Segment profit/(loss)	(3,087,910)	3,516,424	(17,932,215)	(17,503,701)
At 30 September 2014				
Segment assets	93,488,726	191,819,148	62,929,791	348,237,665
Segment liabilities	<u>127,381</u>	<u>26,714,988</u>	<u>25,874,881</u>	<u>52,717,250</u>
Six months ended 30 September 2013				
Turnover from external customers	–	–	80,409,490	80,409,490
Segment profit	–	–	16,899,300	16,899,300
At 31 March 2014				
Segment assets	46,718,411	188,893,688	81,731,980	317,344,079
Segment liabilities	<u>12,800</u>	<u>27,328,580</u>	<u>32,634,184</u>	<u>59,975,564</u>

Six months ended
30 September
2014 2013
HK\$ **HK\$**
(Unaudited) **(Unaudited)**

Reconciliation of segment results:

Total (loss)/profit of reportable segments	(17,503,701)	16,899,300
Unallocated amounts:		
Other income (except for fair value gain on contingent consideration receivables)	3,413,371	155,638
Corporate expenses	(66,596,698)	(61,086,018)
Gain on disposal of subsidiaries	–	26,648
Finance costs	(8,322,826)	(627,487)
Consolidated loss for the period	<u>(89,009,854)</u>	<u>(44,631,919)</u>

6. OTHER INCOME

	Three months ended		Six months ended	
	30 September		30 September	
	2014	2013	2014	2013
	HK\$	HK\$	HK\$	HK\$
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Interest income	595,659	4,848	623,531	8,129
Net foreign exchange gain	154,149	–	313,545	–
Sundry income	35,297	97,177	56,387	147,509
Imputed interest income arising from issuance of promissory notes	2,419,908	–	2,419,908	–
Fair value gain on contingent consideration receivables	13,846,103	–	13,846,103	–
	<u>17,051,116</u>	<u>102,025</u>	<u>17,259,474</u>	<u>155,638</u>

7. GAIN ON DISPOSAL OF SUBSIDIARIES

On 15 August 2013, Able One Investments Limited (“Able One”), a wholly-owned subsidiary of the Company, and Mr. Leow Swee Heng (the “Purchaser”) have entered into a sale and purchase agreement, pursuant to which Able One has agreed to dispose of its entire interest held in MEMS Solutions International Limited and its subsidiaries to the Purchaser at a cash consideration of HK\$1,200,000 (the “Disposal”). During the six months ended 30 September 2013, the Disposal has been completed all the precedent conditions to the Disposal were fulfilled.

Net liabilities at the date of the Disposal were as follows:

	<i>HK\$</i> (unaudited)
Available-for-sale financial assets	1,110,739
Other receivables	47,694
Financial assets at fair value through profit or loss	640
Bank and cash balances	4,204
Amount due to former fellow subsidiaries	<u>(4,072,641)</u>
Net liabilities disposed of	(2,909,364)
Direct cost to the Disposal	20,075
Waiver of amount due to former fellow subsidiaries	4,062,641
Gain on disposal of subsidiaries	<u>26,648</u>
Total consideration	<u><u>1,200,000</u></u>
Net cash inflow arising on the Disposal:	
Cash consideration received	1,200,000
Cash and cash equivalents disposed of	<u>(4,204)</u>
	<u><u>1,195,796</u></u>

8. FINANCE COSTS

	Three months ended		Six months ended	
	30 September		30 September	
	2014	2013	2014	2013
	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Interest on bank borrowings	3,760	14,293	5,140	31,060
Interest on trust receipt loans	72,199	76,198	140,270	142,761
Effective interest expenses on convertible bonds				
wholly repayable within five years	656,410	–	1,103,011	–
Interest expenses on promissory notes				
– wholly repayable within five years	2,043,081	453,666	3,965,457	453,666
– not wholly repayable within five years	836,440	–	3,108,948	–
	<u>3,611,890</u>	<u>544,157</u>	<u>8,322,826</u>	<u>627,487</u>

9. INCOME TAX (CREDIT)/EXPENSE

	Three months ended		Six months ended	
	30 September		30 September	
	2014	2013	2014	2013
	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Current tax – Hong Kong Profits Tax				
Provision for the period	27,271	2,345	49,223	48,203
Current tax – PRC Enterprise Income Tax				
Provision for the period	67,322	140,893	147,687	301,536
	94,593	143,238	196,910	349,739
Deferred tax	(1,470,525)	–	(2,941,050)	–
	<u>(1,375,932)</u>	<u>143,238</u>	<u>(2,744,140)</u>	<u>349,739</u>

Hong Kong Profits Tax has been provided at a rate of 16.5% on the estimated assessable profit for the period.

Tax charge on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries in which the Group operates, based on existing legislation, interpretation and practices in respect thereof.

Pursuant to the Enterprise Income Tax rules and regulations of the PRC, the PRC subsidiaries of the Group are subject to Enterprise Income Tax at a rate of 25%, except for Sun Fair Electric Wire & Cable (Shenzhen) Company Limited is entitled to a preferential tax rate of 15% for the three years since 2012 for being a high technology enterprise.

10. LOSS FOR THE PERIOD

The Group's loss for the period is arrived at after charging/(crediting):

	Three months ended		Six months ended	
	30 September		30 September	
	2014	2013	2014	2013
	HK\$	HK\$	HK\$	HK\$
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Amortisation for contractual right	5,882,100	–	11,764,200	–
Depreciation	1,765,225	1,559,325	3,380,868	3,113,071
Loss on disposal of property, plant and equipment	9,218	–	9,218	–
Fair value loss on derivative components of convertible bonds	21,875,830	–	21,875,830	–
Impairment loss on property, plant and equipment	12,285,378	–	12,285,378	–
Directors' emoluments	654,961	20,243,637	1,562,061	20,784,879
Allowance for amount due from non-controlling interests	–	120,000	–	120,000
Allowance on inventories	1,886,046	–	1,886,046	–
Reversal of allowance on inventories	–	(367,511)	–	(367,511)
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

Because of the subsequent sale of certain inventories, allowance made in prior years against the inventories of HK\$367,511 was reversed during the six months ended 30 September 2013.

11. DIVIDENDS

The Board of the Directors does not recommend payment of any interim dividend for the six months ended 30 September 2014 (six months ended 30 September 2013: Nil).

12. LOSS PER SHARE

(a) Basic loss per share

Basic loss per share is calculated by dividing the unaudited loss attributable to owners of the Company of HK\$64,838,190 (2013: HK\$44,332,311) by the weighted average number of ordinary shares of 7,375,046,739 (2013: 6,564,130,435 as adjusted to reflect share subdivision on 24 March 2014) in issue for the three months ended 30 September 2014. Basic loss per share is calculated by dividing the unaudited loss attributable to owners of the Company of HK\$88,906,486 (2013: HK\$44,584,493) by the weighted average number of ordinary shares of 7,320,075,410 (2013: 6,034,972,678 as adjusted to reflect share subdivision on 24 March 2014) in issue for the six months ended 30 September 2014.

(b) Diluted loss per share

No diluted loss per share is presented as the share options and convertible bonds have anti-dilutive effects on basic loss per share for the three and six months ended 30 September 2014.

For the three and six months ended 30 September 2013, no diluted loss per share is presented as the Company did not have any potential dilutive ordinary shares outstanding.

13. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 September 2014, the Group acquired property, plant and equipment of approximately HK\$4,971,687 (six months ended 30 September 2013: HK\$2,764,000).

14. DEPOSITS PAID FOR ACQUISITION OF SUBSIDIARIES

- (a) On 10 January 2014, the Company and Mr. Wu Zhi Qiang (“Mr. Wu”) entered into a non-legally binding memorandum of understanding (the “First MOU”) in relation to a proposed acquisition (the “Proposed Acquisition”) of the entire issued share capital of Jian Long Da Holdings Limited (the “First Target Company”) from Mr. Wu. The First Target Company is incorporated in Hong Kong and has signed a framework agreement with the People’s Government of Wangdu City (the “Wangdu Government”). Pursuant to the framework agreement, the First Target Company shall set up a project company in the PRC and the Wangdu Government shall grant the project company the exclusive right to construct and operate the centralized heating facilities in Wangdu City for a term of 30 years. The Company has paid an earnest money of HK\$15,000,000 (the “Deposit”) to Mr. Wu in accordance with the term of First MOU. The Deposit is non-interest bearing, secured by the entire issued share capital of the First Target Company and refundable in the event that (i) the Company is in its absolute discretion not satisfied with the results of the business, legal and financial due diligence (the “DD Review”); (ii) the Company is satisfied with the results of the DD Review but Mr. Wu rejects or fails to enter into the formal agreement; (iii) upon termination of the First MOU by 9 October 2014; or (iv) by agreement of the parties to the First MOU.

On 9 October 2014, the Company and Mr. Wu have entered into the supplemental memorandum of understanding (the “First Supplemental MOU”) to extend the termination date from 9 October 2014 to 9 January 2015.

Further details of the Proposed Acquisition and First Supplemental MOU are set out in the Company’s announcement dated 10 January 2014 and 9 October 2014 respectively.

- (b) On 7 August 2014, the Company and Sino Grandway International Investment Limited (the “Second Target Company”) entered into a non-legally binding memorandum of understanding (the “Second MOU”) in relation to a proposed investment (the “Proposed Investment”) in the Second Target Company. The Second Target Company is an investment holding company incorporated in Hong Kong and its issued share capital is equally held by two independent third parties.

Pursuant to the Second MOU, the Second Target Company will enter into a sale and purchase agreement with one of the shareholders of the Second Target Company (the “Target Shareholder”) to acquire the entire equity interest of Luo Yang Chen Xi Mining Company Limited (the “Chen Xi Mining”). Chen Xi Mining is a PRC established company which is wholly owned by the Target Shareholder and principally engaged in the mining and sales of quartz stone and the production of float glass.

Up to 30 September 2014, the Company has paid an earnest money of HK\$8,000,000 (the “First Deposit”) to the Target Shareholder in accordance with the term of Second MOU. The First Deposit is non-interest bearing, secured by a first-fixed charge over the entire issued share capital of the Second Target Company and is refundable in the event that (i) the Company is in its absolute discretion not satisfied with the results of the DD Review; (ii) the Company is satisfied with the results of the DD Review but the Second Target Company rejects or fails to enter into the formal agreement; (iii) the relevant parties fail to enter into the formal agreement during the period from 7 August 2014 to 6 May 2015; or (iv) by agreement of the parties to the Second MOU.

Further details of the Proposed Investment are set out in the Company’s announcement dated 7 August 2014.

15. TRADE AND OTHER RECEIVABLES

The majority of the Group’s sales are on credit terms up to 120 days from the end of the month of invoice. The Group seeks to maintain strict control over its outstanding receivables. Overdue balances are reviewed regularly by the directors.

The aging analysis of trade receivables based on the due date of invoice are as follows:

	30 September 2014 HK\$ (Unaudited)	31 March 2014 HK\$ (Audited)
Not yet due	12,210,823	17,148,150
1 – 30 days past due	5,006,243	3,561,098
31 – 60 days past due	2,815,580	690,952
61 – 90 days past due	542,493	1,006,783
91 – 180 days past due	1,149,008	3,251,362
181 – 365 days past due	1,327,156	–
	<u>23,051,303</u>	<u>25,658,345</u>

16. BANK AND CASH BALANCES

The Group's bank and cash balances comprise the following:

	30 September	31 March
	2014	2014
	HK\$	HK\$
	(Unaudited)	(Audited)
Cash at bank and cash in hand	158,538,709	88,595,559
Short-term bank deposits	17,447,500	2,560,000
Cash and cash equivalents	175,986,209	91,155,559
Fixed deposits with bank with maturity over three months	19,895,000	–
Bank and cash balances	195,881,209	91,155,559

17. TRADE AND OTHER PAYABLES

The Group normally obtains credit terms ranging from 30 days to 120 days from its suppliers. The aging analysis of trade payables based on the due date is as follows:

	30 September	31 March
	2014	2014
	HK\$	HK\$
	(Unaudited)	(Audited)
Not yet due	7,120,922	11,013,459
1 – 30 days past due	2,229,749	545,726
31 – 60 days past due	224,019	41,022
61 – 90 days past due	6,168	8,296
91 – 180 days past due	1,937	28,712
	9,582,795	11,637,215

18. PROMISSORY NOTES

	30 September 2014 HK\$ (Unaudited)	31 March 2014 HK\$ (Audited)
Current	49,864,086	64,036,519
Non-current	<u>43,177,406</u>	<u>35,720,960</u>
	<u>93,041,492</u>	<u>99,757,479</u>

Movements in promissory notes is analysed as follows:

	30 September 2014 HK\$ (Unaudited)	30 September 2013 HK\$ (Unaudited)
At beginning of the period	99,757,479	–
Issue at fair value during the period	67,780,092	32,326,334
Imputed interest charged	7,074,405	453,666
Interest paid	(4,020,240)	–
Repayment of promissory notes	(43,007,760)	–
Early redemption	(36,537,500)	–
Loss on early redemption	<u>1,995,016</u>	<u>–</u>
At end of the period	<u>93,041,492</u>	<u>32,780,000</u>

During the six months ended 30 September 2014, promissory notes with aggregate principal amount of HK\$70,200,000 (six months ended 30 September 2013: HK\$32,780,000) were issued by the Company. The promissory notes are unsecured, bearing interest at rates from 7% per annum to 10% per annum (six months ended 30 September 2013: 10% per annum) and whose maturity dates are ranging from 1 year to 7 years (six months ended 30 September 2013: 1 year) from the dates of issue. The effective interest rates of the promissory notes are ranging from 8.80% per annum to 17.02% per annum (six months ended 30 September 2013: 9.85% per annum to 10.87% per annum). The proceeds from the issuance of promissory notes will be used as general working capital and/or financing future investment opportunities of the Group.

The principal amount of the promissory notes is denominated in Hong Kong dollars.

19. CONVERTIBLE BONDS

On 28 May 2014 and 21 July 2014, the Company issued unsecured convertible bonds with principal amount of HK\$22,100,000 (the “CB1”) and HK\$20,600,000 (the “CB2”) respectively. The maturity dates of CB1 and CB2 are 27 November 2015 and 20 January 2016 respectively. CB1 and CB2 are interest-bearing at 12.5% per annum and payable in arrears at first anniversary and upon its maturity dates. The bond holders of CB1 and CB2 have the rights to convert the bonds into ordinary shares of the Company at any time on the business day after the 12 months from the date of issuance of the bond until the maturity date at the initial conversion price of HK\$0.237, subject to anti-dilutive protection adjustments.

The fair value of the liability components, derivative components and equity components of CB1 and CB2 at the issuance date are HK\$6,684,602, HK\$13,678,830 and HK\$49,267,228 respectively. At the date of issue, the fair value of derivative components are determined using an Monte Carlo simulation and the fair value of the liability components are determined at the present value of future interest payments discounted at the prevailing market interest rate of similar debts. The effective interest rate of the liability component for the CB1 and CB2 are 14.17% per annum and 19.71% per annum respectively.

20. BORROWINGS

	30 September 2014 HK\$ (Unaudited)	31 March 2014 HK\$ (Audited)
Current	6,637,252	4,444,173
Non-current	167,816	–
	<u>6,805,068</u>	<u>4,444,173</u>

Movements in borrowings is analysed as follows:

	30 September 2014 HK\$ (Unaudited)	30 September 2013 HK\$ (Unaudited)
At beginning of the period	4,444,173	6,666,667
New borrowings raised	9,160,524	13,078,316
Repayment of borrowings	(6,799,629)	(13,578,316)
At end of the period	<u>6,805,068</u>	<u>6,166,667</u>

21. SHARE CAPITAL

	Number of shares	Amount HK\$
<i>Authorised:</i>		
Ordinary shares of HK\$0.0001 (2013: HK\$0.001) each		
At 1 April 2013	1,000,000,000	1,000,000
Share subdivision	<u>9,000,000,000</u>	<u>–</u>
At 31 March 2014, 1 April 2014 and 30 September 2014	<u><u>10,000,000,000</u></u>	<u><u>1,000,000</u></u>

	<i>Note</i>	Number of shares	Amount HK\$
<i>Issued and fully paid:</i>			
Ordinary shares of HK\$0.0001 (2013: HK\$0.001) each			
At 1 April 2013 (Audited)		550,000,000	550,000
Issue of shares by placement		121,450,000	121,450
Issue of shares upon acquisition of a subsidiary		55,000,000	55,000
Share subdivision		<u>6,538,050,000</u>	<u>–</u>
At 31 March 2014 and 1 April 2014 (Audited)		7,264,500,000	726,450
Issue of shares by placement	<i>(a)</i>	<u>1,452,900,000</u>	<u>145,290</u>
At 30 September 2014 (Unaudited)		<u><u>8,717,400,000</u></u>	<u><u>871,740</u></u>

Note:

- (a) On 24 September 2014, the Company issued 1,452,900,000 ordinary new shares at a subscription price of HK\$0.10 per share for a total cash consideration of HK\$145,290,000. The premium on the issue of shares amounting to HK\$141,500,837, net of share issue expenses, was credited to the Company's share premium account.

22. SHARE-BASED PAYMENTS

Equity-settled share option scheme

The Company operates a share option scheme (the “Scheme”) for the purpose to attract, retain and motivate the eligible participants who contribute to the success of the Group’s operations. Eligible participants include the full-time and part-time employees, executives, officers, directors, business consultants, agents, legal and financial advisers of the Company and the Company’s subsidiaries. The Scheme became effective on 27 April 2011 and, unless otherwise cancelled or amended, will remain in force for 10 years from that date.

The maximum number of unexercised share options currently permitted to be granted under the Scheme is an amount equivalent, upon their exercise, to 10% of the shares of the Company in issue at any time. The maximum number of shares issuable under share options to each eligible participant in the Scheme within any 12-month period, is limited to 1% of the shares of the Company in issue at any time. Any further grant of shares options in excess of this limit is subject to shareholders’ approval in a general meeting.

Share options granted to a director, chief executive or substantial shareholder of the Company, or to any of their associates, are subject to approval in advance by the independent non-executive directors. In addition, any share options granted to a substantial shareholder or an independent non-executive director of the Company, or to any of their associates, in excess of 0.1% of the shares of the Company in issue at any time or with an aggregate value (based on the closing price of the Company’s shares at the date of the grant) in excess of HK\$5 million, within any 12-month period, are subject to shareholders’ approval in advance in a general meeting.

The offer of a grant of share options may be accepted within 28 days from the date of the offer, upon payment of a nominal consideration of HK\$1 in total by the grantee. The exercise period of the share options granted is determinable by the directors, and commences after a certain vesting period and ends on a date which is not later than five years from the date of the offer of the share options or the expiry date of the Scheme, if earlier.

The exercise price of the share options is determinable by the board of directors, but may not be less than the highest of (i) the Stock Exchange closing price of the Company’s shares on the date of the offer of the share options; (ii) the average Stock Exchange closing price of the Company’s shares for the five trading days immediately preceding the date of the offer; and (iii) the nominal value of the Company’s shares on the date of the offer.

Share options do not confer rights on the holder to dividends or to vote at shareholders’ meetings.

Details of the specific categories of options are as follows:

Grantee	Date of grant	Exercise period	Exercise price <i>HK\$</i>
Directors, employees and consultants	14 July 2014	14 July 2014 to 13 July 2024	0.128
	21 August 2014	21 August 2014 to 20 August 2024	0.113
	23 September 2014	23 September 2014 to 22 September 2024	0.155

If the options remain unexercised after a period of 10 years from the date of grant, the options expire. Options are forfeited after the period of 9 months from the date of cessation if the employee and consultant are cease to be an employee and consultant of the Group.

Details of the share options outstanding during the period are as follows:

	30 September 2014		30 September 2013	
	Number of share options	Weighted average exercise price <i>HK\$</i>	Number of share options	Weighted average exercise price
Outstanding at beginning of the period	550,000,000	0.20	–	–
Granted during the period	330,000,000	0.13	440,000,000	0.22
Forfeited/lapsed during the period	(330,000,000)	(0.22)	–	–
Outstanding and exercisable at the end of the period	<u>550,000,000</u>	<u>0.15</u>	<u>440,000,000</u>	<u>0.22</u>

The options outstanding at the end of the period have a weighted average remaining contractual life of 9.6 years (six months ended 30 September 2013: 9.9 years) and the exercise price range from HK\$0.113 to HK\$0.218 (six months ended 30 September 2013: HK\$0.218). The estimated fair values of the options granted on 14 July 2014, 21 August 2014 and 23 September 2014 are HK\$12,688,734, HK\$7,388,549 and HK\$4,390,515 respectively.

The estimated fair values of the share options granted on 14 July 2014, 21 August 2014 and 23 September 2014 were determined using the Binomial option pricing model. The respective fair values and significant inputs into the model were as follows:

	Share option grant date		
	14 July 2014	21 August 2014	23 September 2014
Fair value at measurement date	HK\$12,688,734	HK\$7,388,549	HK\$4,390,515
Number of share options granted	165,000,000	110,000,000	55,000,000
Grant date share price	HK\$0.128	HK\$0.112	HK\$0.155
Expected volatility	50.25%	50.06%	50.04%
Risk free rate	2.00%	1.90%	2.00%
Expected life	10 years	10 years	10 years

Expected volatility was determined by calculating the historical volatility of the share price of comparable listed companies. The expected life used in the model has been adjusted, based on the Group's best estimate, for the effects of non transferability, exercise restrictions and behavioural considerations.

Share options granted to consultants were incentives for helping the Group expand its business network, acquire and explore new business projects and opportunities. The fair value of such benefit could not be estimated reliably and as a result, the fair value is measured by reference to the fair value of share options granted.

23. RELATED PARTY TRANSACTIONS

In addition to those related party transactions and balances disclosed elsewhere in the condensed financial statements, the Group had the following transactions with its related parties during the period:

	Six months ended	
	30 September 2014	2013
	HK\$	HK\$
	(Unaudited)	(Unaudited)
Waiver of interest expenses on promissory notes from a shareholder	2,020,191	–
Consultancy fee to MEMS Solutions Pte Ltd	–	305,886

Personal guarantees given by the directors in favour of the Group against the bank borrowings made to the Group totaling of HK\$Nil at 30 September 2014 (at 31 March 2014: HK\$1,666,667).

24. CAPITAL COMMITMENTS

The Group's and the Company's capital commitments at the end of the reporting period are as follows:

- (a) As at 30 September 2014, the Group's capital commitments for the acquisition of property, plant and equipment, which were contracted for but not provided in the financial statements, were amounted to HK\$141,940 (31 March 2014: HK\$137,967 (audited)).

- (b) On 11 December 2013, the Company established a wholly owned subsidiary, Jilin China Oil Gangran Energy Development Company Limited (“Jilin China Oil”) in the PRC with registered capital of HK\$100,000,000. At 30 September 2014, the Company has contributed HK\$50,000,000 (31 March 2014: HK\$Nil (audited)) to Jilin China Oil. In accordance with the memorandum of association of Jilin China Oil, the remaining balance of HK\$50,000,000 (31 March 2014: HK\$100,000,000 (audited)) shall be contributed to Jilin China Oil within two years from the date of its establishment.
- (c) On 2 December 2013, the Company and two other parties established a sino-foreign equity joint venture, 江西中油港燃能源科技有限責任公司 (“江西中油”) in the PRC with registered capital of RMB100,000,000 (equivalent to HK\$125,000,000), of which RMB51,000,000 (equivalent to HK\$63,750,000) is required to be contributed by the Company. At 30 September 2014 and 31 March 2014, the Company has contributed RMB35,000,000 (equivalent to HK\$43,750,000) to 江西中油. In accordance with the memorandum of association of 江西中油, the remaining balance of RMB16,000,000 (equivalent to HK\$20,000,000) shall be contributed to 江西中油 within two years from the date of its establishment.

25. MAJOR NON-CASH TRANSACTIONS

The deposits of HK\$1,850,000 paid for acquisition of property, plant and equipment formed part of the addition of property, plant and equipment during the six months ended 30 September 2014.

26. CONTINGENT LIABILITIES

The Group did not have any significant contingent liabilities at 30 September 2014 (At 31 March 2014: Nil).

27. EVENTS AFTER THE REPORTING PERIOD

On 20 October 2014, the Company and the Second Target Company entered into a supplemental memorandum of understanding (the “Second Supplemental MOU”) in relation to the Proposed Investment as disclosed in note 14(b) to the condensed financial statements. As of 20 October 2014, Chen Xi Mining has entered into an agreement to acquire 89.06% equity interest in Luoyang Longxin Glass Company Limited (the “Longxin Glass”), which is undergoing liquidation restructuring in the PRC.

Pursuant to the Second Supplemental MOU, the Second Target Company would not acquire the equity interest of Chen Xi Mining. Instead, the Second Target Company will establish a wholly-owned subsidiary in the PRC, which will enter into an agreement with Longxin Glass to distribute the products of Longxin Glass for 20 years. The Company shall pay the Target Shareholder a further refundable deposit in the sum of HK\$24,000,000 (the “Second Deposit”) as earnest money. The aggregate sum of the First Deposit and the Second Deposit is HK\$32,000,000 which will be used to set off the consideration of the Proposed Investment if a formal sales and purchase agreement is entered into between the Company and the Second Target Company.

Details of the Second Supplemental MOU are set out in the Company’s announcement dated 20 October 2014.

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Review

The turnover of the Company and its subsidiaries (together the “Group”) for the six months ended 30 September 2014 (the “Interim Period”) was HK\$42.7 million, representing a decrease of approximately 46.9% from approximately HK\$80.4 million for the comparable period of last year. Such decrease in the turnover was mainly attributable to the decrease in turnover from power and data cords business. In the Interim Period, the Group’s loss attributable to the Company’s owners rose by approximately 99.3% from HK\$44.6 million to HK\$88.9 million, mainly due to (i) the increase in the operating costs arising from the Group’s proactive expansion of business in the Interim Period; and (ii) the drop in the revenue of the sales of power and data cords and inlet sockets by approximately 46.9% to HK\$42.7 million for the six months ended 30 September 2014 as compared with the same period in the previous year mainly because of fierce competition in the power and data cords for mobile phones and household appliances.

The increase in the operating costs of the Group mentioned above was due to, (i) the increase in professional expenses by 176% from approximately HK\$2.1 million to approximately HK\$5.9 million, as compared with the same period in the previous year; (ii) the increase in consultancy fee by 100% to approximately HK\$5.2 million, as compared with the same period in the previous year, as a result of the appointment of a marketing solution company to assist the Group in seeking business opportunities and in public relations strategies in order to expand its business scope; (iii) the increase in amortization expenses for the intangible assets of 3 Dynamics of approximately HK\$11.8 million during the Interim Period; (iv) the fair value loss on derivative components of convertible bond of approximately HK\$21.9 million; (v) the impairment loss on property, plant and equipment of approximately HK\$12.3 million which is due to the fact that the recoverable amount of the cash-generating unit of the power and data cords business is estimated to be less than its carrying amount; (vi) the increase in finance costs by approximately HK\$7.8 million arising mainly from the issuance of promissory notes and convertible bonds for the Interim Period as compared with the same period in the previous year; and (vii) the amount of the share-based payments incurred due to the grant of share options to the management and consultants of the Group for the Interim Period of approximately HK\$24.5 million, arising from the Group’s proactive expansion of business.

The board of Directors (the “Board”) does not recommend to pay dividend for the Interim Period.

Business Review

During the Interim Period, the Group continued to operate its business of power and data cords and its major product categories included: (i) the manufacturing and trading of power cords and inlet sockets for household electric appliances, and power and data cords for mobile phones and medical control devices; and (ii) the development of digital applications, including but not limited to handheld electronic game consoles, mobile game applications, digital marketing solutions; and (iii) the development of liquefied natural gas, compressed natural gas and related clean energy business. In order to diversify its operating risks and expand its sources of revenues, the Group continuously and proactively sought to capture a full spectrum of development strategies and investment opportunities.

On 27 January 2014, the Group has set up and registered a joint venture company (the “JV Company”) under the name “Jiangxi China Oil Gangran Energy Technology Company Limited”. The registered capital of the JV Company is RMB100 million and the Group is the controlling shareholder, holding 51% stake of the JV Company. The Group has paid RMB35 million (equivalent to approximately HK\$43.8 million) to the JV Company in accordance with the terms of the JV Agreement as part of the Group’s contribution to the registered capital of the JV Company. The proposed business scopes of the JV Company include development of transforming vessel fuel utilization from diesel to natural gas (“Vessel LNG Utilization Conversion”), liquefied natural gas (“LNG”), compressed natural gas (“CNG”) and related clean energy business.

During the Interim Period, the Group’s natural gas business was in the preparation stage before the commencement of business. As at 30 September 2014, the JV Company has been set up with an office premises leased and clerical staff recruited ready to liaise with potential customers in the Ganjiang River area.

Regarding the natural gas sector, China’s Ministry of Finance and Ministry of Transport had issued the Administration Measures of Standardized Subsidy Fund on Inland Canal Vessels (《內河船型標準化補貼資金管理辦法》, the “Measures”) for the purpose of facilitating the energy saving and emission reduction on water transportation industry and providing financial support. According to the Measures, each of newly-built LNG-powered vessels will be eligible to apply for subsidy fund ranging from RMB850,000 to RMB1,400,000, depending on the aggregate capacity of vessel’s mainframe. The Measures are expected to boost up the nationwide adoption of natural gas fuelled vessels by vessel owners and enterprises, which will lead to increasing demands of the Group’s natural gas services and products.

In 2013, the Group acquired 3 Dynamics (Asia) Limited (“3 Dynamics”), a developer of mobile phone games and digital applications. During the Interim Period, the development of digital applications business was in the negotiation stage with potential business partners.

Regarding the Group's operational structure, Hong Kong and mainland China remained to be the major markets for its business, with the aggregate turnover from these two regions accounting for approximately 49% (2013: approximately 67%) of the Group's total turnover. The turnover from other overseas markets, including the United States, accounted for approximately 51% (2013: approximately 33%) of the total turnover.

Power Cords and Inlet Sockets for Household Electric Appliances

Turnover from power cords and inlet sockets for household electric appliances was approximately HK\$12.9 million (2013: approximately HK\$20.3 million) in the Interim Period, representing a decrease of approximately 36.4%.

The Group's power cords and inlet sockets used in household electric appliances received safety approvals and/or certificates in many countries, many of which also received eleven types of international safety standards. The Group believes that the high standard of these products can fulfill the expectations and requirements of customers and benefit the Group's business expansion in the long run.

Power and Data Cords for Mobile Phones and Medical Control Devices

With fierce competition in the sector during the Interim Period, the Group focused on those customer groups generating high profit margins and rigorously controlled its production costs, and the Group's turnover from power and data cords for mobile phones recorded a decrease of 63.3% to HK\$16.9 million (2013: approximately HK\$46 million).

The power and data cords for mobile phones are generally used for power charging and data transfer and are essential accessories for all mobile handsets. The enormous demand for telecommunication devices, especially in the PRC, facilitated the Group to produce power and data cords of different specifications, including high speed USB connectors and data cord products, which can support higher data transmission speeds and better audiovisual output quality. All our devices conform with the standards of mobile handset designs set by USB Implementers Forum, Inc..

During the Interim Period, the Group's turnover from power and data cords for medical control devices was approximately HK\$12.8 million (2013: approximately HK\$14.1 million), representing a decrease of approximately 9.2%.

The power and data cords for medical control devices are multi-functional products which are mainly exported to a customer in the United States. The devices are then used for further assembly and are processed into final products (which include keyboard, pillow speakers, bed controls, bed cables and call cords to be sold to hospitals and clinics).

Outlook

During the Interim Period under review, the Group is actively looking for opportunities to expand its business scopes. The operating performance of the power and data cords business remained volatile during the Interim Period, but it will continue to contribute to the Group's revenue in future.

According to a report of Wall Street Journal on 8 September 2014, China has become the world's fastest-growing market for natural gas and much of the future demand is expected to come from road and water transportation. In addition, according to an analysis of China National Petroleum Corporation ("CNPC") Economic and Technology Research Institute in August 2014, as China is optimizing the energy structure and the State Council is practicing the air pollution prevention and control measures, natural gas consumption is estimated to enjoy substantial growth pushed by rigid demands in the future. The Institute predicted that the supply gap of natural gas in China will reach 13.6 billion cubic meters in 2014. Meanwhile, the demand of natural gas is estimated for 206.1 billion cubic meters and the production and import of natural gas is predicted for 132.5 billion and 60 billion cubic meters respectively. The above reflects strong demands of natural gas from China.

Regarding the Group's target market, China's Jiangxi Province plans to facilitate the utilization of natural gas, according to the National Development and Reform Commission ("NDRC") Jiangxi Bureau quoted by Jiangxi Daily. Jiangxi Province pledges to complete a construction of 150 and 260 vehicle LNG stations and fulfill the target of 690 million and 1 billion cubic meters on vehicle LNG consumption by the end of 2017 and 2020 respectively. The policy support and attention on the transportation natural gas field from local government will be beneficial to the deepening of the Group's natural gas business in Jiangxi Province.

The Group has been proactively developing its business of Vessel LNG Utilization Conversion, in order to not only contribute for the country's energy saving and emission reduction, but also create maximized value for shareholders. Based on this situation, the Group will continue to expand its scope of business in the field of clean energy, strengthening its position in the energy sector and enhancing its business income.

Fundraising Activities

In the year of 2014, the Group's Board formulated strategic plans for business expansion, including but not limited to those for entering the highly promising natural gas market as well as the mobile phone game and digital application market in mainland China. In order to meet its needs of business development, the Group successfully completed three equity fundraising activities during the Interim Period.

On 28 May 2014, the Group successfully completed an issuance of convertible bonds and the net proceeds from the issuance, after deduction of expenses, are approximately HK\$21.9 million. On 21 July 2014, the Group successfully completed an issuance of convertible bonds and the net proceeds from the issuance of convertible bonds, after deduction of expenses, are approximately HK\$20.4 million. On 24 September 2014, the Group completed a share placement of a total of 1,452,900,000 placing shares, the net proceeds from the placing are approximately HK\$141.6 million.

Except the completed fundraising activities mentioned above, on 29 August 2014, the Group announced that the Board approved a resolution in relation to the issuance of promissory notes with an aggregate principal up to HK\$100 million. The expected total net proceeds will be approximately HK\$100 million, after deducting the expense in relation to the issuance of promissory notes.

Saved as disclosed above, the Group also effected 10 private subscriptions of promissory notes during the Interim Period. The aggregate proceeds raised from such subscriptions of promissory notes amounted to HK\$70.2 million and the maturity date ranges from 1 year to 7 years. All the subscribers are, to the best knowledge and belief of the Directors, independent third parties.

Potential Acquisition Activities

- (a) On 10 January 2014, the Company and Mr. Wu Zhi Qiang (“Mr. Wu”) entered into a non-legally binding memorandum of understanding (the “First MOU”) in relation to a proposed acquisition (the “Proposed Acquisition”) of the entire issued share capital of Jian Long Da Holdings Limited (the “First Target Company”) from Mr. Wu. The First Target Company is incorporated in Hong Kong and has signed a framework agreement with the People’s Government of Wangdu City (the “Wangdu Government”). Pursuant to the framework agreement, the First Target Company shall set up a project company in the PRC and the Wangdu Government shall grant the project company the exclusive right to construct and operate the centralized heating facilities in Wangdu City for a term of 30 years.

On 9 October 2014, the Company and Mr. Wu have entered into the supplemental memorandum of understanding (the “First Supplemental MOU”) to extend the termination date from 9 October 2014 to 9 January 2015. Further details of the Proposed Acquisition and First Supplemental MOU are set out in the Company’s announcement dated 10 January 2014 and 9 October 2014 respectively.

- (b) On 7 August 2014, the Company and a target company (the “Target Company”) entered into a memorandum of understanding (“MOU”). Pursuant to the MOU, the Company proposed to invest in the Target Company whereby the Target Company would acquire the entire equity interest of Luo Yang Chen Xi Mining Company Limited (洛陽晨曦礦業有限公司), the “Chen Xi Mining”, a People’s Republic of China (“PRC”) company established engaged in, inter alia, the production of float glass (the “Proposed Investment”). The Company has paid a refundable deposit of HK\$8 million to the shareholders of the Target Company under the MOU (the “First Deposit”). Unless otherwise defined herein, capitalised terms used in this announcement shall have the same meanings as those defined in the announcement dated 7 August 2014.

On 20 October 2014 (after trading hours), the Company and the Target Company entered into a supplemental memorandum of understanding (the “Supplemental MOU”) in relation to the Proposed Investment.

As at the date of the Supplemental MOU, Chen Xi Mining has entered into agreement to acquire 89.06% equity interest in Luoyang Longxin Glass Company Limited (洛陽龍新玻璃有限公司) (“Longxin Glass”), which is undergoing liquidation restructuring (the “Restructuring”) in the PRC. As at the date of the Supplemental MOU and after the Restructuring, Longxin Glass owned and will continue to own a glass manufacturing factory. Pursuant to the Supplemental MOU, the Target Company would not acquire the equity interest of Chen Xi Mining. Instead, the Target Company will establish a wholly-owned subsidiary (the “PRC Subsidiary”) in the PRC, which will enter into an agreement (the “Agreement”) with Longxin Glass, pursuant to which Longxin Glass will engage the PRC Subsidiary to, inter alia, distribute the products of Longxin Glass for 20 years.

The Company has paid the Target Company a further refundable deposit in the sum of HK\$24 million as earnest money (the “Second Deposit”) within 7 days from the signing of the Supplemental MOU.

The Target Company has irrevocably instructed the Company to pay the Second Deposit to one of the Target Company shareholders and the payment obligation of the Company under the Supplemental MOU shall be deemed discharged upon the payment of the Second Deposit. The First Deposit and the Second Deposit will be applied as partial payment of the consideration for the Proposed Investment in accordance with the terms of the Formal Agreement.

The Board wishes to emphasize that the Proposed Acquisition and the Proposed Investment may or may not materialize and shareholders of the Company and potential investors are advised to exercise caution when dealing in the Shares.

Employees' Remuneration Policy

As at 30 September 2014, the Group employed 351 (31 March 2014: 539) full time employees mainly in the PRC and Hong Kong. The Group's remuneration policy is reviewed periodically and determined by reference to market terms, the Group's performance, and the individual's qualifications and performance. Employee benefits include the mandatory provident fund scheme for Hong Kong employees and central pension schemes operated by the local municipal governments for employees in the PRC. The Group also provides training programs for its employees to equip themselves with the requisite skills and knowledge and offer a share option scheme to recognize the employees who make significant contributions to the Group.

Total staff costs (including Directors' remuneration) for the Interim Period amounted to approximately HK\$22.5 million (31 March 2014: approximately HK\$67.5 million).

Liquidity, Financial Resources and Capital Structure

As at 30 September 2014, the indebtedness of the Group was approximately HK\$119.2 million (31 March 2014: approximately HK\$115.8 million). The borrowings are denominated in Hong Kong dollars. The Group had bank and cash balances of approximately HK\$195.9 million (31 March 2014: approximately HK\$91.2 million). The gearing ratio of the Group as at 30 September 2014, calculated as net debt divided by total capital, was approximately 34% (31 March 2014: approximately 52%).

As at 30 September 2014, the types of capital instruments used include promissory notes, convertible bonds, trust receipt loans and bank borrowings. During the six months ended 30 September 2014, promissory notes were issued by the Group with principal amount of HK\$70.2 million. The promissory notes bear interest that ranges from 7% to 10% per annum and have the maturity date ranges from one year to seven years from the date of issuance of promissory notes. The principal amount of the promissory notes is denominated in Hong Kong dollars. On 28 May 2014 and 21 July 2014, the Group issued unsecured convertible bonds with principal amount of HK\$22.1 million (the "CB1") and HK\$20.6 million (the "CB2") respectively. The maturity dates of CB1 and CB2 are in November 2015 and January 2016 respectively. CB1 and CB2 are interest-bearing at 12.5% per annum. The convertible bonds are dominated in Hong Kong dollars.

As at 30 September 2014, trust receipt loans of HK\$6.4 million (31 March 2014: HK\$4.4 million) were arranged at floating rates and exposed the Group to cash flow interest rate risk. As at 30 September 2014, the Group had banking facilities of HK\$7.3 million (31 March 2014: HK\$19.25 million) of which HK\$6.8 million (31 March 2014: HK\$4.4 million) were utilised. The carrying amounts of the Group's borrowings are denominated in Hong Kong dollars. The Group's borrowings are repayable within two years for the period ended 30 September 2014.

Details of the maturity profile of the borrowings of the Group are set out in note 20 to the unaudited condensed consolidated financial statements.

As at 30 September 2014, the Group's trade receivables was approximately HK\$23 million (31 March 2014: approximately HK\$25.7 million), representing approximately 53.8% (31 March 2014: approximately 20%) of the Group's turnover of approximately HK\$42.7 million (31 March 2014: approximately HK\$128.3 million) for the Interim Period. The Group adopted a stringent credit policy to minimize credit risk.

As at 30 September 2014, the ratio of current assets to current liabilities of the Group was approximately 2.84 (31 March 2014: approximately 1.49).

Commitments of the Group as at 30 September 2014 are set out in note 24 to the unaudited condensed consolidated interim financial statements.

Exposure to Foreign Exchange Risk

The Group operates mainly in Hong Kong and the PRC and is exposed to minimal foreign exchange risks arising from various currency exposures, primarily with respect to the Renminbi ("RMB") and United States dollar ("US\$"). The Group mitigates these risks by maintaining HK\$, US\$ and RMB bank accounts to pay for the transactions denominated in these currencies respectively. The Group currently does not have a foreign currency hedging policy in respect of foreign currency transactions, assets and liabilities. The Group will monitor its foreign currency exposure closely and will consider hedging significant foreign currency exposure should the need arise.

Pledge of Assets

As at 30 September 2014, the Group's following assets are pledged to secure its bank borrowings:

- (a) The Group's leasehold land and buildings with an aggregate carrying value of approximately HK\$4.2 million (31 March 2014: approximately HK\$4.3 million);
- (b) Pledge of the Group's other receivable with an aggregate carrying value of HK\$1.0 million (31 March 2014: HK\$Nil); and
- (c) Corporate guarantees provided by the Company.

Significant Investment and Disposals

Save as disclosed above, the Group had no other significant investments and disposals, nor has it made any material acquisition or disposal of the Group's subsidiaries or affiliated companies during the Interim Period.

Contingent Liabilities

The Group had no significant contingent liabilities at 30 September 2014 (31 March 2014: HK\$Nil).

Segment Information

Details of the segment information are set out in note 5 to the unaudited condensed consolidated interim financial statements.

CORPORATE GOVERNANCE PRACTICES

The Company is committed to achieving high standards of corporate governance to safeguard the interests of its Shareholders and enhance its corporate value. The Company's corporate governance practices are based on the principles, code provisions and certain recommended best practices as set out in the Corporate Governance Code and Corporate Governance Report in Appendix 15 to the GEM Listing Rules (the "CG Code").

During the Interim Period, the Company had complied with the code provisions in the CG Code with the exception of the CG Code provision A.6.7.

CG Code provision A.6.7 requires that independent non-executive directors and other non-executive directors shall attend general meetings and develop a balanced understanding of the views of shareholders. Due to unexpected business engagement, some Independent Non-executive Directors did not attend the Company's annual general meeting during the Interim Period. The Board has continuously monitored and reviewed the corporate governance principles and practices to ensure compliance.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted a code of conduct regarding securities transactions by Directors (the "Model Code") on terms no less exacting than the required standard of dealings set out in Rules 5.48 to 5.67 of the GEM Listing Rules. Upon the specific enquiry made to all the Directors, the Company was not aware of any non-compliance with the Model Code regarding securities transactions by Directors during the six months ended 30 September 2014.

SHARE OPTION SCHEME

The Company has a share option scheme (the “Scheme”) which was adopted pursuant to a resolution of the sole Shareholder passed on 27 April 2011. The purpose of the Scheme is to attract, retain and motivate talented participants to strive for future developments and expansion of the Group. The Scheme shall be an incentive to encourage the participants to perform their best in achieving the goals of the Group and allow the participants to enjoy the results of the Group attained through their efforts and contributions.

The Scheme became effective on 27 April 2011 and, unless otherwise cancelled or amended, will remain in force for 10 years from the adoption of the Scheme. The terms of the Scheme are in compliance with the provisions of Chapter 23 of the GEM Listing Rules.

Particulars of the options to subscribe for Shares granted to the Directors, chief executives, employees and consultants pursuant to the Share Option Scheme as at the end of the Interim Period are set out below:

Grantee	Date of grant	Exercise Price	Exercise period of share options	Outstanding at 30 September 2014	Granted during the period	Exercised during the period	Cancelled/ Lapsed during the period	Market value per share immediately before the date of grant of option	Approximate % of the Company's total issued share capital as at 30 September 2014
Yeung Shing Wai	17 September 2013	HK\$2.18 (note 1)	17 September 2013 – 16 September 2023	–	–	–	5,500,000 (note 2)	HK\$1.90	–
Ho Chun Kit Gregory	17 September 2013	HK\$2.18 (note 3)	17 September 2013 – 16 September 2023	–	–	–	5,500,000 (note 4)	HK\$1.90	–
Fok Sing Yan Joyce	23 September 2014	HK\$0.155	23 September 2014 – 22 September 2024	55,000,000	55,000,000	–	–	HK\$0.17	0.63%
Employees in aggregate	17 September 2013	HK\$2.18 (note 5)	17 September 2013 – 16 September 2023	5,500,000 (note 6)	–	–	5,500,000 (note 7)	HK\$1.90	0.63%
Consultants in aggregate	17 September 2013	HK\$2.18 (note 8)	17 September 2013 – 16 September 2023	–	–	–	16,500,000 (note 9)	HK\$1.90	–
	10 October 2013	HK\$1.956 (note 10)	10 October 2013 – 9 October 2023	5,500,000 (note 11)	–	–	–	HK\$1.90	0.63%
	13 January 2014	HK\$1.57 (note 12)	13 January 2014 – 12 January 2024	11,000,000 (note 13)	–	–	–	HK\$1.54	1.26%
	14 July 2014	HK\$0.128	14 July 2014 – 13 July 2024	165,000,000	165,000,000	–	–	HK\$0.13	1.89%
	21 August 2014	HK\$0.113	21 August 2014 – 20 August 2024	110,000,000	110,000,000	–	–	HK\$0.12	1.26%

(Note 1) the exercise price per Share is HK\$0.218 after the Share Subdivision

(Note 2) equivalent to 55,000,000 Shares after the Share Subdivision

(Note 3) the exercise price per Share is HK\$0.218 after the Share Subdivision

- (Note 4) equivalent to 55,000,000 Shares after the Share Subdivision
- (Note 5) the exercise price per Share is HK\$0.218 after the Share Subdivision
- (Note 6) equivalent to 55,000,000 Shares after the Share Subdivision
- (Note 7) equivalent to 55,000,000 Shares after the Share Subdivision
- (Note 8) the exercise price per Share is HK\$0.218 after the Share Subdivision
- (Note 9) equivalent to 165,000,000 Shares after the Share Subdivision
- (Note 10) the exercise price per Share is HK\$0.1956 after the Share Subdivision
- (Note 11) equivalent to 55,000,000 Shares after the Share Subdivision
- (Note 12) the exercise price per Share is HK\$0.157 after the Share Subdivision
- (Note 13) equivalent to 110,000,000 Shares after the Share Subdivision

All the share options vested immediately on the date of grant and there is no vesting period.

DIRECTOR'S INTERESTS IN SHARES

As at 30 September 2014, none of the Directors or chief executives of the Company had 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 Securities and Futures Ordinance (the "SFO")) which were required to be notified to the Company and the Stock Exchange pursuant to Division 7 and 8 of Part XV of the (including interests or short positions which they are taken or deemed to have under the provision of the SFO), or which were required to be entered in the register kept by the Company pursuant to section 352 of the SFO, or as otherwise 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 the Directors.

SUBSTANTIAL SHAREHOLDERS AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

So far as the Directors are aware, as at 30 September 2014, the following entities or persons (not being a Director or chief executive of the Company) had an interest and short position of 5% or more 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 which are required to be disclosed pursuant to section 336 of the SFO:

Long positions in the Shares

Name of Shareholder	Capacity/Nature of interest	Number of Shares held	Percentage of shareholding in the Company
Manalo Vivian Gozum (<i>Note</i>)	Interest in a controlled corporation	690,000,000	7.92%
SMK Investment Company Limited (<i>Note</i>)	Beneficial owner	690,000,000	7.92%

Note: SMK Investment Company Limited is controlled by Manalo Vivian Gozum. Manalo Vivian Gozum is deemed to be interested in the Shares held by SMK Investment Company Limited under the SFO.

Save as disclosed above, as at 30 September 2014, no other interest or short position in the shares or underlying shares of the Company were recorded in the register required to be kept by the Company under Section 336 of the SFO.

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. The audit committee currently comprises three independent non-executive directors. The audit committee has reviewed the unaudited consolidated results of the Company for the Interim Period.

INTERESTS OF THE COMPLIANCE ADVISER

As notified by the compliance adviser of the Company, Ample Capital Limited, as at 30 September 2014, except for (i) the compliance adviser agreement entered into between the Company and Ample Capital Limited dated 8 July 2014; and (ii) the annual director's emolument of HK\$600,000 payable by the Company to one of its executive Directors who is also a staff of Ample Capital Limited during the Interim Period, neither Ample Capital Limited or its directors, employees or close associates as defined under GEM Listing Rules had any interest in relation to the Company.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

Neither the Company nor any of its subsidiaries had purchased, sold, or redeemed any of the listed securities of the Company during the Interim Period.

INTEREST IN A COMPETING BUSINESS

During the six months ended 30 September 2014, none of the Directors, the controlling shareholders of the Company and their respective close associates (as defined under GEM Listing Rules) had any interest in any business which competes or is likely to compete, directly or indirectly, with the business of the Company or any other conflict of interest with the Company.

By order of the Board
Ho Chun Kit Gregory
Executive Director

Hong Kong, 13 November 2014

As at the date of this announcement, the executive Directors are Mr. Zou Donghai, Mr. Zhang Xueming, Mr. Yeung Shing Wai, Mr. Ho Chun Kit Gregory and Mr. Chan Lung Ming; the non-executive Director is Mr. Tse Yee Hin, Tony and the independent non-executive Directors are Ms. Eugenia Yang, Mr. Ng Ka Chung and Mr. Lau Sung Tat, Vincent.