



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

FIRST QUARTERLY REPORT

2017



CREATING
A BRIGHTER
FUTURE

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This report, 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 report 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 report misleading.



MANAGEMENT DISCUSSION AND ANALYSIS

Financial Review

The unaudited revenue of the Company and its subsidiaries (collectively the “Group”) for the three months ended 30 June 2017 (the “Financial Period”) was approximately HK\$102.9 million, representing a decrease of approximately 11.3% from approximately HK\$116 million for the comparable period of last year. Such decrease in the unaudited revenue was mainly attributable to a drop in revenues from (i) the sales of refined oil and the trading of Methyl tert-butyl ether (“MTBE”), a chemical used as a component in fuel for gasoline engines of automobiles; and (ii) the sale of power cords and inlet sockets for household electric appliances as well as power and data cords for mobile phones and medical control devices.

The Group’s unaudited loss attributable to the Company’s owners increased to approximately HK\$28.3 million from approximately HK\$13.7 million for the comparable period of last year. The main reasons for the increase in loss attributable to the Company’s owners were (i) the decrease in the Group’s gross profit by approximately HK\$4.3 million for the Financial Period; and (ii) the share-based payment expense of approximately HK\$16 million for the Financial Period.

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

Business Review

During the Financial Period, the Group operates a diverse business portfolio comprising: (i) the manufacture and sale of power cords and inlet sockets for household electric appliances as well as power and data cords for mobile phones and medical control devices; (ii) the trading of mobile smart phones; (iii) the development of digital applications, including handheld electronic game consoles, mobile game applications, digital marketing solutions; (iv) the liquefied natural gas (“LNG”), compressed natural gas (“CNG”) and other related clean energy businesses; (v) refined oil retail business; and (vi) trading of MTBE (collectively the “Business Sectors”). Despite the challenging development in the power cords and inlet sockets for household electric appliances sector and power and data cords for mobile phones and medical control devices sector, the Group continues to diversify its operating risks and expand its sources of revenue and proactively seeks to capture a full spectrum of development strategies and investment opportunities. Prior to the Financial Period, the Group contributed capital in conjunction with two strategic collaborative partners to establish a subsidiary, Jiangxi China Oil Gangran Energy Technology Company Limited (江西中油港燃能源科技有限责任公司) (the “Jiangxi China Oil”), in the People’s Republic of China (the “PRC”) for conducting the business of the LNG, the CNG and related clean energy, for which the Group acts as its controlling shareholder and holding a 51%-stake.

Business Review *(Continued)*

In terms of the geographical market performance, United States and the PRC contributed to approximately 6% (2016: approximately 8%) and approximately 91% (2016: approximately 88%) of the Group's total unaudited revenue respectively, while the remaining approximate 3% (2016: approximately 4%) came from its other markets, including Taiwan and Hong Kong.

Power Cords and Inlet Sockets for Household Electric Appliances

The unaudited revenue of the Group from power cords and inlet sockets for household electric appliances was approximately HK\$1.9 million (2016: approximately HK\$2.1 million) in the Financial Period, representing a year-on-year decrease of approximately 9.5%.

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 conform with eleven types of international safety standards. The unaudited revenue from such business experienced a downturn during the Financial Period due to fierce market competition and the Group believes that the business segment contributes a limited source of income for the Group.

Power and Data Cords for Mobile Phones and Medical Control Devices

With fierce competition in the power and data cords sector during the Financial Period, the Group focused on those customer groups generating high profit margins and rigorously controlled its production costs; and the Group's unaudited revenue from power and data cords for mobile phones recorded a decrease of approximately 47% to approximately HK\$6.1 million (2016: approximately HK\$11.5 million) for the Financial Period.

The power and data cords for mobile phones are generally used for power charging and data transfer and are essential accessories for all mobile phones. The decreasing demand for telecommunication devices, especially in the PRC, limited the Group's expansion in the market of power and data cords of mobile phones. All our power and data cords conform with the standards of mobile phone designs set by USB Implementers Forum, Inc..

During the Financial Period, the Group's unaudited revenue from power and data cords for medical control devices was approximately HK\$6.5 million (2016: approximately HK\$9 million), representing a year-on-year decrease of approximately 27.8%, which was due to the decrease in demand from a customer in the United States during the Financial Period.





Business Review *(Continued)*

Power and Data Cords for Mobile Phones and Medical Control Devices *(Continued)*

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

Trading of Mobile Smart Phones

With fierce competition in the power and data cords sector, the Group started the trading of mobile smart phones. The Group's unaudited revenue from the trading of mobile smart phones reached approximately HK\$1 million (2016: Nil) for the Financial Period.

Development of Digital Applications

In 2013, the Group acquired 3 Dynamics (Asia) Limited ("3 Dynamics"), a developer of mobile phone games and digital applications.

Pursuant to the sale and purchase agreement in respect of the acquisition of 3 Dynamics (the "Sale and Purchase Agreement"), Mr. Chung Wai Sum (the "Vendor") irrevocably and unconditionally warrants and guarantees to Dynamic Miracle Limited, a directly wholly-owned subsidiary of the Company (the "Dynamic Miracle") that the audited net profits after tax of 3 Dynamics as shown in its audited financial statement for the 12 months from the date of the completion of acquisition, i.e. for the period from 11 December 2013 to 10 December 2014 (the "Relevant Period") shall not be less than HK\$42,000,000 (the "Profit Guarantee"). The Profit Guarantee is secured by 140,000,000 consideration shares ("Escrow Shares") of the Company issued to the Vendor. As certified by the auditors of 3 Dynamics, 3 Dynamics has recorded a net loss after tax in its audited financial statement for the period from 11 December 2013 to 10 December 2014 and therefore the actual profit for the Relevant Period shall be deemed as zero pursuant to the Sale and Purchase Agreement. Hence, Dynamic Miracle has instructed a licensed securities dealer to dispose of (the "Sale") such number of Escrow Shares appropriately sufficient to pay the Profit Guarantee at the then preset price it reasonably obtained and thereafter, pay the net proceeds of the Sale to Dynamic Miracle and release the share certificates of the remaining Escrow Shares (if any) to the Vendor. Under the terms and conditions as stipulated in the Sale and Purchase Agreement, the Escrow Shares would be sold in order to pay for the Profit Guarantee. During last financial year, the Group has received HK\$20,000,000 from the Vendor to partially honour its Profit Guarantee obligations.

Business Review *(Continued)*

Development of Digital Applications *(Continued)*

There is still 73,870,000 Escrow Shares held in escrow not yet realised as at 30 June 2017. The Company has demanded the Vendor to sell such Escrow Shares to satisfy the profit guarantee shortfall. The Company had also demanded the Vendor to settle all profit guarantee shortfall or otherwise to commence legal proceedings against the Vendor. The Vendor subsequently proposed to the Company to settle the HK\$22,000,000 profit guarantee shortfall (“Contingent Consideration Receivables”) by selling the Escrow Shares and by transferring equity interest in a project (the “Project”). The Company is in the course of obtaining more information about the Project to decide as to whether or not the Company should accept the Project in lieu of cash compensation from the Vendor. Should the Company not be satisfied with the information provided by the Vendor, the Company will demand the sale of the Escrow Shares and initiate legal proceedings against the Vendor for settlement of all remaining outstanding sum. Taking the above into account, the Board considered that the Contingent Consideration Receivables would be recoverable.

The number of Escrow Shares have been adjusted to reflect the share consolidation which became effective on 30 September 2016.

Liquefied Natural Gas and Clean Energy Business

During the Financial Period, the demand for LNG, a type of clean energy resource, decreased due to the volatile fluctuation of crude oil prices, which affected the Group’s earnings from this business segment. Operating through Jiangxi China Oil, the Group continued to develop the businesses of LNG, CNG and related clean energy. Through the patented technology it held, Jiangxi China Oil also helped the conversion of diesel-powered vessels to run on LNG, which is more environmental friendly and also prolonged the engine’s lifespan. Jiangxi China Oil also embarked on joint research projects with some of China’s top tertiary institutions and research units to uncover possibilities of conversion technology upgrades. Jilin China Oil Gangran Energy (“Jilin China Oil”), another subsidiary of the Group, has entered into negotiations with the Jilin Oilfield Management Bureau to jointly develop the related oilfields.

With the backup from China’s positive policy and market developments for clean energy utilisation, the Group remains confident this business segment will eventually drive its profitability and revenue growth going forward into the country’s 13th Five-Year Plan period from 2016 to 2020.





Business Review *(Continued)*

Refined Oil Retail Business

In order to expand the Group's principal business, the Group has diversified its business development by engaging in the refined oil retail business commencing in the mid of 2015.

Jiangxi China Oil entered into an agreement with Jiangxi Jiujiang Sales Branch Company of PetroChina Company Limited (中國石油天然氣股份有限公司江西九江銷售分公司) in relation to the leasing of six bunker barges (加油船), each with a loading capacity of 1,800 tonnes and a total loading capacity of 10,800 tonnes. The Group operates such leased bunker barges in the Yangtze River, Gan River and Poyang Lake basins, the PRC to develop its refined oil sales business in the PRC.

The Group has successfully obtained a Refined Oil Retail License (成品油零售經營批准證書) from the Business Bureau of Jiangxi Province of the PRC which enables the Group to engage in the retail business of refined oil. The Board is of the view that the development of refined oil business can help to strengthen the Group's position in the energy industry and enhance the future earnings of the Group. As such, the aforesaid lease and future refined oil sales business is in the interests of the Company and its shareholders (the "Shareholders") as a whole.

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries by the Directors, Jiangxi Jiujiang Sales Branch Company of PetroChina Company Limited (中國石油天然氣股份有限公司江西九江銷售分公司) and its ultimate beneficial owners are third parties independent of and not connected with the Company and connected persons (as defined in the GEM Listing Rules).

During the Financial Period, the sales of refined oil contributed approximately HK\$24 million revenue to the Group (2016: approximately HK\$27.8 million), augmenting its total revenues. Considering the enormous market potential and demand for refined oil in the PRC, the Group believes that its future earnings from this business segment will continue to expand from strength to strength.

Business Review *(Continued)*

Trading of Methyl tert-butyl ether (甲基叔丁基醚)

During the Financial Period, the Group continued its trading of MTBE, a gasoline additive and used almost exclusively as a component in fuel for gasoline engines. Besides increasing the octane number, MTBE also reduces the fuel vapour pressure (Reid vapour pressure), so that the vapour emissions during automobile fuelling and operation are reduced. In addition, MTBE reduces exhaust emissions, particularly carbon monoxide, unburnt hydrocarbons, polycyclic aromatics and particulate carbon. In the PRC, where the oxygenated content and environmental concerns are of paramount importance, MTBE is used in significant quantities. The Group takes the view that its engagement in the trading of such chemical will bring in considerable revenues over the long term. During the Financial Period, the trading of MTBE generated an unaudited revenue of approximately HK\$63.2 million to the Group (2016: approximately HK\$65.5 million), representing a slight decrease of approximately 3.5%.

Potential Acquisition Activities

During the Financial Period, the Group continued to look for other investment opportunities so as to achieve the aims of business diversification, to expand the source of income and optimise the returns to the Shareholders.

With reference to the announcements of the Company dated 7 August 2014, 20 October 2014, 12 February 2015 and 16 October 2015 in relation to the memorandum of understanding dated 7 August 2014, supplemental memorandum of understanding dated 20 October 2014 and the second supplemental memorandum of understanding dated 12 February 2015 signed by the Group and Sino Grandway International Investment Limited (the "Sino Grandway") in relation to the Company's proposed investment in the Sino Grandway to engage in the mining and sales of quartz stone and the production of float glass in the PRC.

On 5 February 2016, the Group entered into the acquisition agreement with Zhang Weihua ("Vendor A") and Wei Yingming ("Vendor B"), pursuant to which the Company has conditionally agreed to acquire and Vendor A and Vendor B have conditionally agreed to sell 800,000,000 shares of Sino Grandway, representing the entire issued share capital of the Sino Grandway, at an aggregate consideration of RMB100,000,000 which shall be satisfied by cash. On 4 May 2016, the Company entered into a supplemental agreement with Vendor A and Vendor B that as additional time is required to complete the due diligence exercise, the long stop date is to extend from 5 April 2016 to 30 June 2016.





Business Review *(Continued)*

Potential Acquisition Activities *(Continued)*

Due to no further extension of the long stop date, the deposit paid amounting HK\$32,000,000 was required to be refunded to the Group.

As at 30 June 2017, the above deposit amounting HK\$9,100,000 was refunded to the Company, the directors consider that the remaining deposits were long outstanding and made provision of the deposit of HK\$22,900,000.

Fundraising Activity

On 4 January 2017, the Company as issuer and Mr. Zou Donghai (the “Subscriber”) as subscriber entered into a subscription agreement (the “Subscription Agreement”) in relation to the subscription of 700,000,000 new Shares (each a “Subscription Share”) of HK\$0.0002 each in the share capital of the Company at the price (the “Subscription Price”) of HK\$0.101 per Subscription Share which constituted a connected transaction. The Subscription Shares represented (i) approximately 13.25% of the then issued share capital of the Company as at 20 January 2017; and (ii) approximately 11.70% of the issued share capital of the Company immediately upon completion (assuming there is no change to the issued share capital of the Company from 20 January 2017 and prior to completion) as enlarged by the Subscription. The maximum gross proceeds from the Subscription will be approximately HK\$70,700,000. The maximum net proceeds from the Subscription are estimated to be approximately HK\$70,280,000, which will be used as general working capital of the Group, development and expansion of the existing businesses of the Group and/or for financing future investment opportunities. The Subscription Agreement is approved by the Shareholders at the extraordinary general meeting held on 10 February 2017. The transaction was completed on 24 April 2017.

Outlook

During the Financial Period, the global economic environment is still deeply fluctuating. The medium-to-long-term economic growth of the PRC has slowed down. Falling commodity price, the declining global industrial output and depressed trading added to the uncertainties. Due to the challenging macro-economic conditions, the Group recorded a 11.3% decrease in overall unaudited revenue, which was mainly contributed by the decline in (i) the sales of refined oil and MTBE trading, and (ii) the sales of power cords and inlet sockets for household electric appliances; power and data cords for mobile phones and medical control devices.

Outlook *(Continued)*

While this low-growth environment appears likely to persist in 2017 and beyond, the Group is steadfastly committed to expanding its market presence and profitability, through an operational strategy calculated to broaden its revenue bases and capture new business opportunities presented by the market developments and in alignment with the PRC's 13th Five-Year Plan and the "One Belt One Road" plan.

The unaudited revenue from power cords and inlet sockets for household electric appliances, power and data cords for mobile phones and medical devices decreased during the Financial Period and the Group believes that the market competition continues to be fierce in the future.

In line with the PRC's 13th Five-Year Plan, which continues to encourage LNG utilisation within the waterborne transportation industry, the Group will continue to leverage on the patent technology held by the Jiangxi China Oil for the conversion of vessel to LNG bunkers and develop this business segment further. Presently, such conversion can result in a saving of 15% of fuel cost, a 70% reduction in emission of nitrogen oxides (NOx) and longer engine life. However, the continuously low prices of crude oil deterred vessel operators from utilising natural gas, which was costlier, hence slowing the demand for such clean energy. Over the longer haul, the Group believes that the demand for LNG will continue to expand due to state policies mandating environmental protection.

Through Jiangxi China Oil, the Group has also embarked on research and development projects jointly with the country's key tertiary institutions and research organisations, such as Harbin Industrial University, with a view of optimising and upgrading its technology for LNG vessels conversion. Recent years have seen China pursuing a clean energy policy, including one for the waterborne transportation sector, as evident in a plan by the Ministry of Transport of the PRC to cut polluting emission from vessels in the Pearl River Delta, Yangtze River Delta and Bohai Sea by 65% by 2020. The country also plans to boost its regulations preventing ship and port pollution, reducing emission and promoting the use of clean energy. Nationwide guidelines and measures promulgated by the state to promote natural gas consumption across all transportation sectors included Guiding Opinions on Accelerating the LNG Utilisation in the Waterborne Industry; Administrative Measures of Standardised Subsidy on Inland Canal Vessel and Plan to Cope with Climate Changes (2014-2020).





Outlook *(Continued)*

Given these definitive policy and industry trends, the Group has tasked Jiangxi China Oil to set up oil and natural gas refilling stations, as part of an initiative to refine its product sales model. Alongside PetroChina Company, Sinopec, and CNOOC, Jiangxi China Oil holds the franchise to operate six refuelling vessels, each weighing 1,800 tonnes, in Yangtze River, Gan River and Poyang Lake. Discussions are also underway between Jilin China Oil, another subsidiary of the Group, and the Jilin Oilfield Management Bureau on possible collaboration projects, such as electrical energy upgrades and joint exploration of local oilfields. All these potential projects are moving forward to the technical and feasibility analysis stage. Successful execution of the above initiatives will position the Group as a credible clean energy provider in China's waterborne transportation sector.

In 2013, Chinese President Xi Jinping outlined the nation's "One Belt One Road" plan, which is a developmental initiative designed to link China's Southern and Eastern commercial hubs with Europe and Africa. This strategic initiative to create a modern trade route through infrastructure investments is expected to bring an array of possibilities. Responding positively to the vision, the Group is confident that "One Belt One Road" will open new markets for its entry and expansion. Building on its robust business foundation in clean energy, the Group sees itself being offered the opportunities to branch into newer product categories, including solar power, solar thermal energy, new energy automobiles, day-to-day clean energy applications, cultural tourism and big-data network solutions.

While the growth opportunities are wide ranging, the challenge for the Group is to assess, identify and take advantage of those that can ensure the attractiveness of its corporate brand is maintained and that high quality execution is sustained. To accomplish this, considerable risk management and control are called for, with a degree of prudence to be exercised on every major business decision made.

Over the years ahead, the clean energy business will remain as a significant part of the Group, owing to its promising outlook combined with the positive policy milieu and market from the PRC. Still, continual improvement and innovation in product portfolio is critical in securing optimal returns and value for the Shareholders and its other stakeholders.

FIRST QUARTERLY UNAUDITED RESULTS

The Board is pleased to announce the unaudited condensed consolidated results of the Group for the Financial Period together with the comparative unaudited figures for the three months ended 30 June 2016 (the "Previous Corresponding Period") as follows:

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the three months ended 30 June 2017

| | | For the three months ended 30 June | |
|---|------|---------------------------------------|------------------|
| | Note | 2017 HK\$'000 | 2016 HK\$'000 |
| Revenue | 3 | 102,861 | 115,953 |
| Cost of sales | | (96,020) | (104,859) |
| Gross profit | | 6,841 | 11,094 |
| Other income and gain or (loss) | 4 | 6,816 | 2,898 |
| Selling expenses | | (1,212) | (4,616) |
| Administrative expenses | | (38,403) | (22,295) |
| Loss from operations | | (25,958) | (12,919) |
| Gain on disposal of subsidiaries | | 628 | - |
| Finance costs | 5 | (3,409) | (2,612) |
| Loss before tax | | (28,739) | (15,531) |
| Income tax credit | 6 | 768 | 811 |
| Loss for the period | | (27,971) | (14,720) |
| Other comprehensive income (expenses), net of tax: | | | |
| <i>Items that may be reclassified to profit or loss:</i> | | | |
| Exchange differences on translating foreign operations | | 1,392 | (691) |
| Fair value change of available-for-sale investments | | (385) | 50 |
| Total comprehensive expenses for the period | | (26,964) | (15,361) |

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

(Continued)

For the three months ended 30 June 2017

| | Note | For the three months ended 30 June | |
|---|------|------------------------------------|------------------------------|
| | | 2017 HK\$'000 | 2016 HK\$'000 |
| Loss for the period attributable to: | | | |
| Owners of the Company | | (28,319) | (13,705) |
| Non-controlling interests | | 348 | (1,015) |
| | | (27,971) | (14,720) |
| Total comprehensive loss for the period attributable to: | | | |
| Owners of the Company | | (27,781) | (13,655) |
| Non-controlling interests | | 817 | (1,706) |
| | | (26,964) | (15,361) |
| | | <i>HK\$ cents</i> | <i>HK\$ cents (restated)</i> |
| Loss per share | 7 | | |
| Basic | | (0.49) | (0.27) |
| Diluted | | (0.49) | (0.27) |

NOTES TO THE FIRST QUARTERLY UNAUDITED RESULTS

1. GENERAL INFORMATION

The Company was incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law of the Cayman Islands. The address of its registered office is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands. The address of its principal place of business is Suites 707-9, 7th Floor, Prudential Tower, The Gateway, Tsim Sha Tsui, Kowloon, Hong Kong. The Company's shares are listed on the Growth Enterprise Market (the "GEM") of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

The Company is an investment holding company. The principal activities of its subsidiaries (together with the Company referred to as the "Group") is (i) the manufacture and sale of power cords and inlet sockets for household electric appliances as well as power and data cords for mobile phones and medical control devices; (ii) the trading of mobile smart phones; (iii) the development of digital applications, including handheld electronic game consoles, mobile game applications, digital marketing solutions; (iv) the liquefied natural gas ("LNG"), compressed natural gas ("CNG") and other related clean energy businesses; (v) refined oil retail business; and (vi) trading of Methyl tert-butyl ether ("MTBE").

2. BASIS OF PREPARATION

The first quarterly unaudited condensed consolidated financial statements have been prepared in accordance with accounting principles generally accepted in Hong Kong which include Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards and Interpretations (collectively, "HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") and the applicable disclosures required by the GEM Listing Rules. The principal accounting policies used in the first quarterly unaudited condensed consolidated financial statements are consistent with those adopted in the preparation of the Group's consolidated financial statements for the year ended 31 March 2017.

The HKICPA has issued a number of new and revised HKFRSs. For those which are relevant to the Group's operations and effective for its accounting period beginning on 1 April 2017, the adoption has had no material impact on the Group's accounting policies, the presentation, the reported results and the financial position of the Group for the current or prior accounting periods.

The Group has not applied the new and revised HKFRSs which have been issued but are not yet effective. The Group is currently in the process of making an assessment of the impact of these new and revised HKFRSs but is not yet in a position to state whether they would have a material impact on the Group's results and financial position.





3. REVENUE

| | For the three months ended 30 June | |
|---|---------------------------------------|------------------|
| | 2017 HK\$'000 | 2016 HK\$'000 |
| Sales of power and data cords and inlet sockets | 15,526 | 22,673 |
| Sales of refined oil and chemicals | 87,335 | 93,280 |
| | 102,861 | 115,953 |

4. OTHER INCOME AND GAIN OR (LOSS)

| | For the three months ended 30 June | |
|---|---------------------------------------|------------------|
| | 2017 HK\$'000 | 2016 HK\$'000 |
| Interest income | 54 | 2 |
| Net foreign exchange (loss) gain | (105) | 157 |
| Sundry income | 310 | – |
| Reversal of impairment of trade receivables | 6,550 | 2,739 |
| Gain on disposal of property, plant and equipment | 7 | – |
| | 6,816 | 2,898 |

5. FINANCE COSTS

| | For the three months ended 30 June | |
|---|---------------------------------------|------------------|
| | 2017 HK\$'000 | 2016 HK\$'000 |
| Interest on bank borrowings | – | 163 |
| Interest on trust receipt loans | – | 44 |
| Interest on interest-bearing bond | 958 | – |
| Effective interest expenses on promissory notes | | |
| – Wholly repayable within five years | 2,436 | 1,291 |
| – Not wholly repayable within five years | – | 1,077 |
| Interest on obligation under finance leases | 15 | 37 |
| | 3,409 | 2,612 |

6. INCOME TAX CREDIT

| | For the three months ended 30 June | |
|---|---------------------------------------|------------------|
| | 2017 HK\$'000 | 2016 HK\$'000 |
| Current tax – Hong Kong Profits Tax | | |
| Provision for the period | – | – |
| Current tax – PRC Enterprise Income Tax | | |
| Provision for the period | 139 | 660 |
| | 139 | 660 |
| Deferred tax | (907) | (1,471) |
| | (768) | (811) |

Hong Kong profits tax has been provided at the rate of 16.5% on the estimated assessable profits 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 being a high technology enterprise.

7. LOSS PER SHARE

Basic loss per share

Basic loss per share is calculated by dividing the loss attributable to owners of the Company of HK\$28,318,927 (2016: HK\$13,705,139) by the weighted average number of ordinary shares of 5,798,028,975 (2016: 5,036,554,328 as adjusted to reflect share consolidation effective on 30 September 2016) in issue for the Financial Period.

Diluted loss per share

No diluted loss per share is presented as the share options have anti-dilutive effects on basic loss per share for the Financial Period (2016: Nil).

8. DIVIDEND

No dividend had been paid or declared by the Company for the Financial Period (2016: Nil).

9. RESERVES

| | (Unaudited) | | | | | | | | | | |
|---|---------------------------------------|-----------------|-------------------|---|-----------------|--------------------------------------|-----------------------------|------------------|-----------------|---------------------------|-----------------|
| | Attributable to owners of the Company | | | | | | | | | | |
| | Share capital | Share premium | Statutory reserve | Available-for-sale investment revaluation | Capital reserve | Foreign currency translation reserve | Share based capital reserve | Accumulated loss | Total | Non-controlling interests | Total equity |
| | <i>HK\$'000</i> | <i>HK\$'000</i> | <i>HK\$'000</i> | <i>HK\$'000</i> | <i>HK\$'000</i> | <i>HK\$'000</i> | <i>HK\$'000</i> | <i>HK\$'000</i> | <i>HK\$'000</i> | <i>HK\$'000</i> | <i>HK\$'000</i> |
| At 1 April 2016 | 1,005 | 523,826 | 3,622 | (1,457) | - | (4,459) | 52,050 | (352,957) | 221,630 | (5,632) | 215,998 |
| Total comprehensive loss for the period | - | - | - | 50 | - | (2,356) | - | (13,705) | (16,011) | (1,706) | (17,717) |
| Exercise of share option | 4 | 6,436 | - | - | 2,622 | - | (2,377) | - | 6,685 | - | 6,685 |
| Changes in equity for the period | 4 | 6,436 | - | 50 | 2,622 | (2,356) | (2,377) | (13,705) | (9,326) | (1,706) | (11,032) |
| At 30 June 2016 | 1,009 | 530,262 | 3,622 | (1,407) | 2,622 | (6,815) | 49,673 | (366,662) | 212,304 | (7,338) | 204,966 |
| At 1 April 2017 | 1,057 | 557,337 | 3,744 | (598) | - | (8,445) | 41,430 | (513,158) | 81,367 | (10,672) | 70,695 |
| Total comprehensive loss for the period | - | - | - | (385) | - | 923 | - | (28,319) | (27,781) | 817 | (26,964) |
| Subscription of shares | 140 | 70,560 | - | - | - | - | - | - | 70,700 | - | 70,700 |
| Equity settled share-based transactions | - | - | - | - | - | - | 16,044 | - | 16,044 | - | 16,044 |
| Change in equity of the period | 140 | 70,560 | - | (385) | - | 923 | 16,044 | (28,319) | 58,963 | 817 | 59,780 |
| At 30 June 2017 | 1,197 | 627,897 | 3,744 | (983) | - | (7,522) | 57,474 | (541,477) | 140,330 | (9,855) | 130,475 |

10. CONTINGENT LIABILITIES

The Group had no significant contingent liabilities at 30 June 2017 and 31 March 2017.

SHARE OPTION SCHEME

The Company has a share option scheme (“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 (the “Participants”) (as defined below), 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.

Eligible Participants of the Scheme include the following:

- a. any executive or non-executive Director including any independent non-executive Director or any employee (whether full-time or part-time) of any member of the Group;
- b. any adviser or consultant (in the areas of legal, technical, financial or corporate managerial) to the Group;
- c. any provider of goods and/or services to the Group;
- d. any other person who the Board considers, in its sole discretion, has contributed to the Group; and
- e. any trustee of a trust (whether family, discretionary or otherwise) whose beneficiaries or objects include any of those of (a), (b), (c) and (d) above.



SHARE OPTION SCHEME (Continued)

Particulars of the options to subscribe for shares granted pursuant to the Share Option Scheme as at the Financial Period are set out below:

| Grantee | Date of grant | Exercise price | Exercise period of share options | Outstanding as at 1 April 2017 | Granted during the period | Exercised during the period | Cancelled/Lapsed during the period | Outstanding as at 30 June 2017 | Market value per share immediately before the date of grant of options | Weighted average closing price per share immediately before the date of exercise of options | Approximate % of the Company's total issued share capital as at 30 June 2017 | |
|-----------------------------|-------------------|----------------|---------------------------------------|--------------------------------|---------------------------|-----------------------------|------------------------------------|--------------------------------|--|---|--|--|
| Executive Directors: | | | | | | | | | | | | |
| Ho Chun Kit Gregory | 17 March 2015 | HK\$0.184 | 17 March 2015 – 16 March 2025 | 21,587,000 | - | - | - | 21,587,000 | HK\$0.176 | - | 0.36% | |
| | 21 April 2017 | HK\$0.126 | 21 April 2017 – 20 April 2020 | - | 52,800,000 | - | - | 52,800,000 | HK\$0.12 | - | 0.88% | |
| Rong Changjun | 21 April 2017 | HK\$0.126 | 21 April 2017 – 20 April 2020 | - | 52,800,000 | - | - | 52,800,000 | HK\$0.12 | - | 0.88% | |
| Zhang Xueming | 21 April 2017 | HK\$0.126 | 21 April 2017 – 20 April 2020 | - | 52,800,000 | - | - | 52,800,000 | HK\$0.12 | - | 0.88% | |
| Zheng Jian Peng | 21 April 2017 | HK\$0.126 | 21 April 2017 – 20 April 2020 | - | 52,800,000 | - | - | 52,800,000 | HK\$0.12 | - | 0.88% | |
| Other Categories: | | | | | | | | | | | | |
| Consultants in aggregate | 10 October 2013 | HK\$0.392 | 10 October 2013 – 9 October 2023 | 27,500,000 | - | - | - | 27,500,000 | HK\$3.8 | - | 0.46% | |
| | 13 January 2014 | HK\$0.314 | 13 January 2014 – 12 January 2024 | 55,000,000 | - | - | - | 55,000,000 | HK\$3.08 | - | 0.92% | |
| | 14 July 2014 | HK\$0.256 | 14 July 2014 – 13 July 2024 | 77,000,000 | - | - | - | 77,000,000 | HK\$0.26 | - | 1.29% | |
| | 21 August 2014 | HK\$0.226 | 21 August 2014 – 20 August 2024 | 27,500,000 | - | - | - | 27,500,000 | HK\$0.24 | - | 0.46% | |
| | 16 February 2015 | HK\$0.164 | 16 February 2015 – 15 February 2025 | 43,587,000 | - | - | - | 43,587,000 | HK\$0.17 | - | 0.73% | |
| | 17 March 2015 | HK\$0.184 | 17 March 2015 – 16 March 2025 | 62,424,000 | - | - | - | 62,424,000 | HK\$0.176 | - | 1.04% | |
| Employee | 21 April 2017 | HK\$0.126 | 21 April 2017 – 20 April 2020 | - | 52,800,000 | - | - | 52,800,000 | HK\$0.12 | - | 0.88% | |
| Former employee | 23 September 2014 | HK\$0.310 | 23 September 2014 – 22 September 2024 | 27,500,000 | - | - | - | 27,500,000 | HK\$0.34 | - | 0.46% | |

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR ANY ASSOCIATED CORPORATION

As at 30 June 2017, the interest and short position of each Director and chief executive of the Company in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571) (the "SFO"), 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 or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein or which were required, pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules relating to securities transactions by Directors, to be notified to the Company and the Stock Exchange, were as follows:

Long Positions – Ordinary Shares

Interests in the Shares and underlying shares of the Company

| Name of Director | Number of Shares | Derivatives | | Total | Percentage of aggregate interests to the total number of Share in issue |
|-------------------------|------------------|--------------------|---------------|-------------|---|
| | | Personal interests | Share Options | | |
| Mr. Zou Donghai | 700,000,000 | – | – | 700,000,000 | 11.7% |
| Mr. Rong Changjun | – | 52,800,000 | – | 52,800,000 | 0.88% |
| Mr. Zhang Xueming | – | 52,800,000 | – | 52,800,000 | 0.88% |
| Dr. Ho Chun Kit Gregory | 9,750,000 | 74,387,000 | – | 84,137,000 | 1.41% |
| Dr. Zheng Jian Peng | – | 52,800,000 | – | 52,800,000 | 0.88% |



Long Positions – Ordinary Shares *(Continued)*

Interests in the Shares and underlying shares of the Company *(Continued)*

Notes:

1. Further details of the above share options are set out in the section of “Share Option Scheme” above showing details of the options granted to subscribe for ordinary shares under the Company’s Share Option Scheme. Save as disclosed above, as at 30 June 2017, none of the Directors or chief executives had any interests or short positions in the shares, underlying shares or debentures or any of its associated corporations (within the meaning of Part XV of 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 SFO (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 OF THE COMPANY

So far as the Directors are aware, as at 30 June 2017, no 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 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.

AUDIT COMMITTEE

The Company established an audit committee (the “Audit Committee”) on 27 April 2011 with written terms of reference (“Terms”) in compliance with rules 5.28 to 5.29 of the GEM Listing Rules. 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 Board Listing Rules (Appendix 15) (the “Amended CG Code”) of the Stock Exchange, which comes into effect for the accounting periods beginning on or after 1 January 2016. The Terms of the Audit Committee has been amended on 5 January 2016. Further details of the Terms are set out in the Company’s announcement dated 5 January 2016.

The Audit Committee currently comprises three independent non-executive Directors, namely Mr. Lau Sung Tat, Vincent (Chairman), Ms. Eugenia Yang and Mr. Chan Ying Kay. The Audit Committee has reviewed the first quarterly unaudited consolidated results of the Group for the Financial Period.

DIRECTORS’ SECURITIES TRANSACTIONS

The Company has adopted the rules set out in Rules 5.48 to 5.67 of the GEM Listing Rules as the code of conduct for dealing in securities of the Company by the Directors (the “Required Standards of Dealings”). The Company has confirmed, having made specific enquiry of the Directors, that all the Directors have complied with the Required Standards of Dealings during the three months ended 30 June 2017.

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 Financial Period.





COMPETING BUSINESS

Neither of the Directors and the controlling Shareholders of the Company or their respective close associates (as defined in the GEM Listing Rules) is or was interested in any business apart from the Group's business, that competes or competed or is or was likely to compete, either directly or indirectly, with the Group's business at any time during the three months ended 30 June 2017.

By order of the Board

China Oil Gangran Energy Group Holdings Limited

Zou Donghai

Chairman and Executive Director

Hong Kong, 10 August 2017

As at the date of this report, the executive Directors are Mr. Zou Donghai, Mr. Rong Changjun, Mr. Zhang Xueming, Dr. Ho Chun Kit Gregory and Dr. Zheng Jian Peng; the non-executive Directors are Mr. Chan Shiu Man and Mr. Hua Xujie; and the independent non-executive Directors are Ms. Eugenia Yang, Mr. Lau Sung Tat, Vincent and Mr. Chan Ying Kay.