



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

THIRD QUARTERLY RESULTS ANNOUNCEMENT FOR THE NINE MONTHS ENDED 31 DECEMBER 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.

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Review

The turnover of the Company and its subsidiaries (together the “Group”) for the nine months ended 31 December 2014 (the “Financial Period”) was approximately HK\$63.9 million, representing a decrease of approximately 40.1% from approximately HK\$106.7 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 Financial Period, the Group’s loss attributable to the Company’s owners rose by approximately 1.7 times year-on-year from approximately HK\$66.0 million to approximately HK\$114.7 million. The increase was mainly due to (i) the increase in the operating costs arising from the Group’s proactive expansion of business in the Financial Period; and (ii) the drop in the revenue of the sales of power and data cords and inlet sockets by approximately 39.8% from approximately HK\$106.2 to approximately HK\$63.9 million for the nine months ended 31 December 2014, as compared with the same period in the previous year, mainly because of fierce competition in the sectors of power and data cords for mobile phones and households appliances.

The increase in the operating costs of the Group mentioned above was due to, (i) the increase in legal and professional fee and consultation expenses by 11 times from approximately HK\$4.1 million to approximately HK\$44.9 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 formulating public relations strategies in order to expand its business scope; (ii) the increase in finance costs by approximately HK\$11.5 million from approximately HK\$1.9 million to approximately HK\$13.4 million, as compared with the same period in the previous year, arising mainly from the issuance of promissory notes and convertible bonds for the Financial Period; and (iii) the increase in 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 Financial Period of approximately HK\$20.8 million, arising from the Group’s proactive expansion of business from approximately HK\$3.7 million to approximately HK\$24.5 million, as compared with the same period in the previous year.

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

Business Review

During the Financial 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; (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 fully paid up its share capital of RMB51 million (equivalent to approximately HK\$65.8 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 Financial Period, the Group’s natural gas business was in the preparation stage before the commencement of business. As at 31 December 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, a developer of mobile phone games and digital applications. During the Financial 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 United States, accounted for approximately 31% (2013: approximately 16%), and other overseas market accounted for approximately 20% (2013: approximately 17%) 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\$18 million (2013: approximately HK\$28 million) in the Financial Period, representing a decrease of approximately 36% as compared with that of the same period in the previous year.

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 Financial 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 approximately 58% as compared with that of the same period in the previous year to approximately HK\$25 million (2013: approximately HK\$60 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 People's Republic of China ("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 Financial Period, the Group's turnover from power and data cords for medical control devices was approximately HK\$19.7 million (2013: approximately HK\$18 million), representing a increase of approximately 9.4% as compared with that of the same period in the previous year.

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).

Potential Acquisition

To capture potential business opportunities in other industries, the Company has entered into a memorandum of understandings in relation to the investment in projects and companies of other industries. The Company entered into a memorandum of understanding and two supplemental memorandum of understandings on 10 January 2014, 9 October 2014 and 20 January 2015 respectively in relation to the acquisition of centralized heating project and quartz stone. The Company also entered into a memorandum of understanding and a supplemental memorandum of understanding on 7 August 2014 and 20 October 2014 respectively in relation to the investment in float glass business. Details of the aforesaid acquisition and investment have been disclosed in the Company's announcements dated 10 January 2014, 7 August 2014, 9 October 2014, 20 October 2014 and 20 January 2015. As at the date of this announcement, the Company is still in the course of conducting due diligence on the target companies and no legally binding agreements have been entered into.

Change of Directors

With effect from 16 October 2014:

Mr. Zou Donghai ("Mr. Zou"), aged 56, has been appointed as the Chairman and an executive director of the Company.

Mr. Zou has over 35 year of management and operation experience in the natural gas and petroleum industry, and is particular experienced in the field of vessel LNG utilization conversion. Since 2011, Mr. Zou has been the chairman of Jiangxi Zhongyou Yingtai Natural Gas Limited Liability Company* (江西中油鷹泰天然氣有限責任公司).

Mr. Zhang Xueming ("Mr. Zhang") has been appointed as an executive director of the Company.

Mr. Zhang, aged 63, has attended Zhengzhou University, Xinjiang University and Macau University of Science and Technology, and holds a Master degree. Mr. Zhang was awarded the title of professor-level senior economist* (教授級高級經濟師) in the PRC. Mr. Zhang has over 40 years of management and operation experience in the natural gas and petroleum industry. From 2000 to 2005, Mr. Zhang was the deputy chief economist and the officer of the development and research office of China Petroleum Pipeline Bureau* (中石油管道局). Since 2009, Mr. Zhang has been acting as the deputy director of China Petroleum Pipeline Bureau* (中石油管道局).

With effect from 1 December 2014:

Mr. Rong Changjun (“Mr. Rong”) has been appointed as the Vice Chairman and an executive director of the Company.

Mr. Rong, aged 54, has attended Lanzhou University and holds a Master Degree in Economic Law. Mr. Rong is a senior professional in the construction industry. He is a Chartered Builder of the Chartered Institute of Building, a National Registered Constructor and a professor-level senior engineer.

Mr. Rong has over 35 years of management and operation experience in the construction industry. He was the general manager of China Construction Eighth Engineering Division East China Sea Development and Construction Corporation* (中國建築第八工程局東海開發建設總公司) and the deputy director of China Construction Eighth Engineering Division* (中國建築第八工程局). He is currently the chairman of China Construction International Corporation* (中國對外建設總公司).

Since 2006, Mr. Rong has been involved in the research in relation to national strategic petroleum reserve as well as the study and preparatory works of China’s oil futures. Since 2009, Mr. Rong has also engaged in the research and implementation works in the fields of environmental protection, energy, vehicle natural gas utilization conversion, vessel natural gas utilization conversion and city gas.

In addition, Mr. Rong has obtained numerous awards from China State Construction Engineering Corporation* (中國建築工程總公司) and Hainan provincial government. In particular, he was awarded “Meritorious Honour”* (功勳榮譽) and accredited as “Excellent Staff”* (優秀員工) by China State Construction Engineering Corporation, and was acclaimed “Outstanding Entrepreneur”* (優秀企業家) in the Hainan province.

Mr. Yeung Shing Wai (“Mr. Yeung”) has tendered his resignation as an executive director, authorized representative and compliance officer of the Company due to his commitment in his own business which require more of his dedication. Mr. Yeung has confirmed that he has no disagreement with the Board and there is no other matter that needs to be brought to the attention of the shareholders of the Company in relation to his resignation.

Mr. Ho Chun Kit Gregory, an executive director of the Company, has been appointed as authorized representative and compliance officer of the Company following Mr. Yeung’s resignation from the aforesaid positions.

Changes of Auditor

RSM Nelson Wheeler (“RSM”) has resigned as auditors of the Group with effect from 17 November 2014 as the Company and RSM could not reach a consensus about the auditors’ remuneration. The Board accepted the resignation of RSM. The Board and RSM confirmed that there are no circumstances in connection with the resignation of RSM that need to be brought to the attention of the shareholders of the Company. The Company has arranged Elite Partners CPA Limited to fill the casual vacancy following the resignation of RSM and to hold office until the conclusion of the next annual general meeting of the Company.

Outlook

During the Financial 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 Financial Period, but it will continue to contribute to the Group’s revenue in future.

Regarding the Group’s target market for the development of LNG, CNG and related clean energy business, 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.

THIRD 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 figures for the Previous Corresponding Period as follows:

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

For the three and nine months ended 31 December 2014

		(Unaudited) Three months ended 31 December		(Unaudited) Nine months ended 31 December	
	Note	2014 HK\$	2013 HK\$	2014 HK\$	2013 HK\$
Turnover	2	21,223,537	26,248,191	63,917,206	106,657,681
Cost of sales		<u>(15,399,211)</u>	<u>(21,873,208)</u>	<u>(50,422,040)</u>	<u>(85,033,659)</u>
Gross profit		5,824,326	4,374,983	13,495,166	21,624,022
Other gains and losses	3	(13,980,505)	145,030	3,278,969	300,668
Selling expenses		(1,541,853)	(1,114,063)	(4,367,380)	(4,242,521)
Administrative expenses		(9,206,597)	(23,302,913)	(114,742,552)	(81,260,473)
Loss from operations		(18,904,629)	(19,896,963)	(102,335,797)	(63,578,304)
Gain on disposal of subsidiaries		–	–	–	26,648
Finance costs	4	(5,328,632)	(1,510,683)	(13,651,458)	(2,138,170)
Loss before tax		(24,233,261)	(21,407,646)	(115,987,255)	(65,689,826)
Income tax credit/(expense)	5	(1,574,091)	(106,889)	1,170,049	(456,628)
Loss for the period		(25,807,352)	(21,514,535)	(114,817,206)	(66,146,454)
Other comprehensive income, net of tax:					
<i>Items that may be reclassified to profit or loss:</i>					
Exchange differences on translating foreign operations		(498,158)	632,462	(979,196)	760,352
Total comprehensive loss for the period		<u>(26,305,510)</u>	<u>(20,882,073)</u>	<u>(115,796,402)</u>	<u>(65,386,102)</u>

		(Unaudited)		(Unaudited)	
		Three months ended		Nine months ended	
		31 December		31 December	
	<i>Note</i>	2014	2013	2014	2013
		<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>
Loss for the period attributable to:					
Owners of the Company		<u>(25,779,086)</u>	(21,422,170)	<u>(114,685,572)</u>	(66,006,663)
Non-controlling interests		<u>(28,266)</u>	(92,365)	<u>(131,634)</u>	(139,791)
		<u>(25,807,352)</u>	<u>(21,514,535)</u>	<u>(114,817,206)</u>	<u>(66,146,454)</u>
Total comprehensive loss					
for the period attributable to:					
Owners of the Company		<u>(26,277,244)</u>	(20,789,708)	<u>(115,664,768)</u>	(65,246,311)
Non-controlling interests		<u>(28,266)</u>	(92,365)	<u>(131,634)</u>	(139,791)
		<u>(26,305,510)</u>	<u>(20,882,073)</u>	<u>(115,796,402)</u>	<u>(65,386,102)</u>
Loss per share (<i>HK\$ cents</i>)	<i>6</i>				
Basic		<u>(0.35)</u>	(3.17)	<u>(1.47)</u>	(10.51)
Diluted		<u>N/A</u>	N/A	<u>N/A</u>	N/A

NOTES TO THE THIRD QUARTERLY UNAUDITED RESULTS

1. BASIS OF PREPARATION

The third 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 third quarterly unaudited condensed consolidated financial statements are consistent with those adopted in the preparation of the Group’s financial statements for the year ended 31 March 2014.

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 2014, the adoption has no significant changes on the Group’s accounting policies, the presentation, this announcement 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.

2. TURNOVER

	(Unaudited)		(Unaudited)	
	Three months ended		Nine months ended	
	31 December		31 December	
	2014	2013	2014	2013
	HK\$	HK\$	HK\$	HK\$
Power and data cords	21,223,537	25,748,191	63,917,206	106,157,681
Service income from developing mobile phone applications	–	500,000	–	500,000
	<u>21,223,537</u>	<u>26,248,191</u>	<u>63,917,206</u>	<u>106,657,681</u>

3. OTHER GAINS AND LOSSES

	(Unaudited)		(Unaudited)	
	Three months ended		Nine months ended	
	31 December		31 December	
	2014	2013	2014	2013
	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>
Interest income	80,696	4,589	704,227	12,718
Net foreign exchange (loss)/gain	(212,947)	–	100,598	–
Sundry (expense)/income	(2,151)	140,441	54,236	287,950
Imputed interest income arising from issuance of promissory notes	–	–	2,419,908	–
Fair value loss on contingent consideration receivable	(13,846,103)	–	–	–
	(13,980,505)	145,030	3,278,969	300,668

4. FINANCE COSTS

	(Unaudited)		(Unaudited)	
	Three months ended		Nine months ended	
	31 December		31 December	
	2014	2013	2014	2013
	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>
Interest on bank borrowings and early settlement of trade receivables	72,149	74,584	217,559	248,405
Interest on promissory notes	4,809,882	1,436,099	11,884,287	1,889,765
Interest on convertible bonds	446,601	–	1,549,612	–
	5,328,632	1,510,683	13,651,458	2,138,170

5. INCOME TAX (CREDIT)/EXPENSE

	(Unaudited)		(Unaudited)	
	Three months ended		Nine months ended	
	31 December		31 December	
	2014	2013	2014	2013
	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>
Current tax – Hong Kong Profits Tax				
Provision for the period	30,771	–	79,994	48,203
Over provision in prior periods	–	(1,495)	–	(1,495)
Current tax – PRC Enterprise Income Tax				
Provision for the period	72,795	108,384	220,482	409,920
Deferred tax	<u>1,470,525</u>	–	<u>(1,470,525)</u>	–
	<u>1,574,091</u>	<u>106,889</u>	<u>(1,170,049)</u>	<u>456,628</u>

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

Tax charged on profits assessable elsewhere has 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.

6. LOSS PER SHARE

(a) Basic loss per share

For the three months ended 31 December 2014, basic loss per share is calculated by dividing the unaudited loss attributable to owners of the Company of HK\$25,779,086 (2013: HK\$21,422,170) by the weighted average number of ordinary shares of 7,264,500,000 (2013: 676,288,043) in issue for the reporting period.

For the nine months ended 31 December 2014, basic loss per share is calculated by dividing the unaudited loss attributable to owners of the Company of HK\$114,685,572 (2013: HK\$66,006,663) by the weighted average number of ordinary shares of 7,787,839,543 (2013: 627,849,091) in issue for the reporting period.

(b) Diluted loss per share

No diluted loss per share is presented as the Company did not have any potential dilutive ordinary shares outstanding for the three and nine months ended 31 December 2014 and 2013 respectively.

7. DIVIDEND

The Board does not recommend the payment of an interim dividend for the Financial Period (2013: Nil).

8. RESERVES

	(Unaudited)									
	Attributable to owners of the Company									
	Share Capital <i>HK\$</i>	Share premium <i>HK\$</i>	Statutory reserve <i>HK\$</i>	Convertible bonds equity reserve <i>HK\$</i>	Translation reserve <i>HK\$</i>	Share- based capital reserves <i>HK\$</i>	Retained earnings/ (Accumulated losses) <i>HK\$</i>	Total <i>HK\$</i>	Non- controlling interests <i>HK\$</i>	Total equity <i>HK\$</i>
At 1 April 2013	550,000	29,530,415	2,894,655	-	82,538	-	20,897,395	53,955,003	-	53,955,003
Total comprehensive loss for the period	-	-	-	-	760,352	-	(66,006,663)	(65,246,311)	(139,791)	(65,386,102)
Capital injection from non-controlling interests	-	-	-	-	-	-	-	-	120,000	120,000
Issue of shares upon placing, net of share issuance expenses	121,450	30,139,396	-	-	-	-	-	30,260,846	-	30,260,846
Issue of shares arising from acquisition of a subsidiary	55,000	82,445,000	-	-	-	-	-	82,500,000	-	82,500,000
Recognition of equity-settled share-based payments	-	-	-	-	-	46,319,000	-	46,319,000	-	46,319,000
Changes in equity for the period	176,450	112,584,396	-	-	760,352	46,319,000	(66,006,663)	93,833,535	(19,791)	93,813,744
At 31 December 2013	726,450	142,114,811	2,894,655	-	842,890	46,319,000	(45,109,268)	147,788,538	(19,791)	147,768,747
At 1 April 2014	726,450	147,589,826	3,225,270	85,831,422	293,989	46,448,000	(61,600,122)	222,514,835	(72,206)	222,442,629
Total comprehensive loss for the period	-	-	-	-	(979,196)	-	(114,685,572)	(115,664,768)	(131,634)	(115,796,402)
Issuance of shares upon placing	55,000	-	-	-	-	6,160,000	-	6,215,000	-	6,215,000
Issuance of shares upon placing, net of share issuance	145,290	141,500,837	-	-	-	-	-	141,646,127	-	141,646,127
Recognition of equity	-	-	-	-	-	24,467,798	-	24,467,798	-	24,467,798
Share option forfeited/lapsed	-	-	-	-	-	(31,973,250)	31,973,250	-	-	-
Recognition of equity component of convertible bonds	-	-	-	49,267,228	-	-	-	49,267,228	-	49,267,228
Change in equity of the period	200,290	141,500,837	-	49,267,228	(979,196)	(1,345,452)	(82,712,322)	105,931,385	(131,634)	105,799,751
At 31 December 2014	926,740	289,090,663	3,225,270	135,098,650	(685,207)	45,102,548	(144,312,444)	328,446,220	(203,840)	328,242,380

9. CAPITAL COMMITMENTS

The Group's capital commitments for property, plant and equipment contracted but not provided for amounted to approximately HK\$137,967 (unaudited) at 31 December 2014 (31 March 2014: approximately HK\$137,967 (audited)).

10. CONTINGENT LIABILITIES

The Group had no significant contingent liabilities at 31 December 2014 and 31 March 2014.

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 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 pursuant to the Share Option Scheme as at 31 December 2014 are set out below:

Grantee	Date of grant	Exercise price	Exercise period of share options	Outstanding at 1 April 2014	Granted during the period	Exercised during the period	Cancelled/ Lapsed during the period	Outstanding as at 31 December 2014	Market value per share immediately before the date of grant of option	Approximate % of the Company's total issued share capital as at 31 December 2014
Executive Directors:										
Yeung Shing Wai (resigned with effect from 1 December 2014)	17 September 2013	HK\$2.18 <i>(note 1)</i>	17 September 2013 – 16 September 2023	5,500,000 <i>(note 2)</i>	–	–	5,500,000 <i>(note 3)</i>	–	HK\$1.90	–
Ho Chun Kit Gregory	17 September 2013	HK\$2.18 <i>(note 4)</i>	17 September 2013 – 16 September 2023	5,500,000 <i>(note 5)</i>	–	–	5,500,000 <i>(note 6)</i>	–	HK\$1.90	–
Company Secretary:										
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%
Other Categories:										
Employees in aggregate	17 September 2013	HK\$2.18 <i>(note 7)</i>	17 September 2013 – 16 September 2023	5,500,000 <i>(note 8)</i>	–	–	5,500,000 <i>(note 9)</i>	–	HK\$1.90	–
Consultants in aggregate	17 September 2013	HK\$2.18 <i>(note 10)</i>	17 September 2013 – 16 September 2023	22,000,000 <i>(note 11)</i>	–	–	16,500,000 <i>(note 12)</i>	55,000,000	HK\$1.90	0.63%
	10 October 2013	HK\$1.956 <i>(note 13)</i>	10 October 2013 – 9 October 2023	5,500,000 <i>(note 14)</i>	–	–	–	55,000,000	HK\$1.90	0.63%
	13 January 2014	HK\$1.57 <i>(note 15)</i>	13 January 2014 – 12 January 2024	11,000,000 <i>(note 16)</i>	–	–	–	110,000,000	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 sub-division of the Company's shares on 24 March 2014 (the "Share Subdivision")
- (Note 2) equivalent to 55,000,000 Shares after the Share Subdivision
- (Note 3) equivalent to 55,000,000 Shares after the Share Subdivision
- (Note 4) the exercise price per Share is HK\$0.218 after the Share Subdivision
- (Note 5) equivalent to 55,000,000 Shares after the Share Subdivision
- (Note 6) equivalent to 55,000,000 Shares after the Share Subdivision
- (Note 7) the exercise price per Share is HK\$0.218 after the Share Subdivision
- (Note 8) equivalent to 55,000,000 Shares after the Share Subdivision
- (Note 9) equivalent to 55,000,000 Shares after the Share Subdivision
- (Note 10) the exercise price per Share is HK\$0.218 after the Share Subdivision
- (Note 11) equivalent to 220,000,000 Shares after the Share Subdivision
- (Note 12) equivalent to 165,000,000 Shares after the Share Subdivision
- (Note 13) the exercise price per Share is HK\$0.1956 after the Share Subdivision
- (Note 14) equivalent to 55,000,000 Shares after the Share Subdivision
- (Note 15) the exercise price per Share is HK\$0.157 after the Share Subdivision
- (Note 16) 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 31 December 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 SFO (including interests or short positions which they are or deemed to have been taken 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 were aware, as at 31 December 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 were 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 31 December 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.

INTERESTS OF THE COMPLIANCE ADVISER

As notified by the compliance adviser of the Company, Ample Capital Limited, as at 31 December 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 (the amount of which is expected to be disclosed in the Company's next annual report) payable by the Company to one of its executive Directors, Mr. Chan Lung Ming, who is also a licensed representative of Ample Capital Limited during the Financial 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 Group.

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.

INTEREST IN COMPETING BUSINESS

During the nine months ended 31 December 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 Group or any other conflict of interest with the Group.

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 Financial 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 Directors did not attend to all of the Company's general meeting during the Financial Period. The Board has continuously monitored and reviewed the corporate governance principles and practices to ensure compliance.

Board Composition

As at the date of this announcement, the Board comprises of five executive Directors, one non-executive Director and three independent non-executive Director. The Board has the necessary balance of skills and experience appropriate to the requirements of the business of the Group. There is a strong element of independence in the Board, which can effectively exercise independent judgment.

Executive Directors

Mr. Zou Donghai (*Chairman*) (appointed on 16 October 2014)
Mr. Rong Changjun (*Vice Chairman*) (appointed on 1 December 2014)
Mr. Zhang Xueming
Mr. Ho Chun Kit Gregory
Mr. Chan Lung Ming
Mr. Yeung Shing Wai (resigned on 1 December 2014)

Non-Executive Director

Mr. Tse Yee Hin, Tony

Independent Non-Executive Directors

Ms. Eugenia Yang
Mr. Ng Ka Chung
Mr. Lau Sung Tat, Vincent

The Board has established an audit committee, a remuneration committee and a nomination committee (collectively the “Committees”). The membership information of the Committees on which each Board members serves are set out below:

Audit Committee:

Mr. Lau Sung Tat, Vincent (*Chairman*)
Ms. Eugenia Yang
Mr. Ng Ka Chung

Remuneration Committee:

Mr. Lau Sung Tat, Vincent (*Chairman*)
Mr. Chan Lung Ming
Ms. Eugenia Yang

Nomination Committee:

Mr. Chan Lung Ming (*Chairman*)

Mr. Lau Sung Tat, Vincent

Ms. Eugenia Yang

The independent non-executive Directors have been identified in all corporate communications that disclose the names of Directors. The Company has maintained on its website and on the GEM website an updated list of its Directors identifying their role and function and whether they are independent non-executive Directors.

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 for the nine months ended 31 December 2014.

AUDIT COMMITTEE

The Company has established the 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 of three independent non-executive directors. The audit committee has reviewed the third quarterly unaudited consolidated results of the Company for the Financial Period.

By order of the Board
Ho Chun Kit Gregory
Executive Director

Hong Kong, 11 February 2015

As at the date of this announcement, the executive Directors are Mr. Zou Donghai, Mr. Zhang Xueming, Mr. Rong Changjun, 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.

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

* *For identification purpose only*