



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

2015

Third Quarterly Report



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The 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 the 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 the Report 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 2015 (the “Financial Period”) was approximately HK\$117.6 million, representing an increase of approximately 84.04% from approximately HK\$63.9 million for the comparable period of last year. Such increase in the turnover was mainly attributable to the retail of refined oil from Jiangxi subsidiary.

The Group’s loss attributable to the Company’s owners decrease to approximately HK\$67 million from HK\$114.7 million for the comparable period of last year. The main reasons for the decrease were because of (i) the significant increase in the Group’s revenue from retail of refined oil of approximately HK\$63.9 million for the nine months ended 31 December 2015; (ii) the amount of the decrease in finance costs by approximately HK\$4.6 million from HK\$13.7 million for the nine months ended 31 December 2014 to approximately HK\$9.1 million for the nine months ended 31 December 2015; (iii) the decrease in administrative expenses of approximately HK\$30.1 million from approximately HK\$114.7 million for the nine months ended 31 December 2014 to approximately HK\$84.6 million for the nine months ended 31 December 2015 due to the decrease of consultancy fee; and (iv) the reversal of impairment of trade receivables of approximately HK\$4.2 million for the nine months ended 31 December 2015.

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 manufacturing and selling of power and data cords in a steadfast manner and its major product categories included: (i) power cords and inlet sockets for household electric appliances; (ii) power and data cords for mobile phones and medical control devices. The Group also continued to operate its business in digital applications of 3 Dynamics (Asia) Limited (“3 Dynamics”); and its natural gas and clean energy business, which included a newly development business to engage in the retail business of refined oil in the Jiangxi Province of the People’s Republic of China (the “PRC”). Despite the challenging development in the sector, the Group continues to diversify its operation risk and expand its sources of revenue and proactively seeks to capture a full spectrum of development strategies and investment opportunities.

Business Review *(Continued)*

One of the Group's wholly owned subsidiaries, 3 Dynamics, a company principally engaged in the development of digital application (APPs), including but not limited to handheld electronic game consoles, mobile game applications and digital marketing solutions is yet to contribute considerable revenue to the Group during the Financial Period as several potential projects are still in the negotiation stage.

In 2014, in order to seize opportunities in the rapidly-growing natural gas market in Mainland China as well as to optimise the Group's development prospects in a strategic manner, the Group contributed capital in conjunction with two strategic collaborative partners to establish a subsidiary, Jiangxi China Oil Gangran Energy Technology Company Limited (the "JV Company"), in Mainland China for conducting the business of liquified natural gas (the "LNG"), compressed natural gas (the "CNG") and related clean energy, for which the Group acts as the controlling shareholder and holds a 51%-stake. The JV Company was formally set up in January 2014 and its registered capital of RMB100 million was fully paid up during the year ended 31 March 2015. Currently, the business of the JV Company focuses on the trading of refined oil. The Company also intend to enter into the conversion of traditional diesel utilization to LNG utilization by vessels business in its long term development. The joint venture project enabled the Group to participate in the China natural gas market. The Group will continue to broaden its development in the natural gas market in Mainland China and participate in other clean energy businesses should the opportunities arise.

Regarding the Group's geographical operation structure, which remained to be the major markets for its business, with the aggregate turnover from Hong Kong and Mainland China accounted for approximately 82.35% (2014: approximately 49%) of the Group's total turnover for the Financial Period. The turnover from other overseas markets, including the United States, accounted for approximately 17.65% (2014: approximately 51%) of the Group's total turnover for the Financial Period.

Business Review *(Continued)*

Power Cords and Inlet Sockets for Household Electric Appliances

Turnover from power cords and inlet sockets for household electric appliances was approximately HK\$9.75 million (2014: approximately HK\$18 million) in the Financial Period, representing a year-on-year decrease of approximately 45.8%.

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. Although the turnover from such business experienced a downturn during the Financial Period due to fierce market competition, the Group believes that the high standard of these products can satisfy market expectation and customer needs and the business can contribute a stable source of income for the Group. 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 an increase of approximately 14.4% to approximately HK\$28.6 million (2014: approximately HK\$25 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 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 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\$15.4 million (2014: approximately HK\$19.7 million), representing a year-on-year decrease of approximately 21.8%.

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).

Business Review *(Continued)*

Development of Digital Applications

In 2013, the Group acquired 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 "Mr. Chung") irrevocably and unconditionally warrants and guarantees to Dynamic Miracle Limited, a directly wholly-owned subsidiary of the Company (the "Dynamic Miracle Limited") 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 280,000,000 consideration shares ("Escrow Share") of the Company issued to Mr. Chung. 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 Limited has instructed a licensed securities dealer to depose 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 Limited and release the share certificates of the remaining Escrow Shares (if any) to Mr. Chung. Under the terms and conditions as stipulated in the Sale and Purchase Agreement, the consideration shares would be sold in order to pay the proceeds under the Profit Guarantee. During the Financial Period, the Group has received HK\$20,000,000 from Mr. Chung to partially honour its Profit Guarantee obligations. As at the date of the Financial Period, HK\$22,000,000 is still outstanding from Mr. Chung.

Details of the treatment of the pledged consideration shares was disclosed in the Company's announcement dated 13 May 2015.

Business Review *(Continued)*

Natural Gas and Clean Energy Business

On 27 January 2014, the Group has set up and registered the JV Company. The Group has paid 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 51% registered capital of the JV Company. The proposed business scope of the JV Company includes developing the businesses of LNG, CNG and related clean energy, including but not limited to the conversion of traditional diesel utilization to LNG utilization by vessels for water transportation ("Vessel LNG Utilization Conversion"). During the Financial Period, the natural gas and clean energy business was in a development stage and is yet to contribute turnover to the Group. Furthermore, due to the drastic decrease of the international crude oil pricing, the demand of LNG has therefore affected. The JV Company has been set up with an office premises leased and recruited clerical staff and was ready to liaise with potential customers in the Ganjiang River area of the Jiangxi Province to provide service to vessel owners to convert traditional diesel utilization to LNG utilization by vessels.

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.

The subsidiary of the Group, namely Jiangxi China Oil Gangran Energy Technology Company Limited (江西中油港燃能源科技有限責任公司) has 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 operate such leased bunker barges in the Yangtze River, Gan River and Poyang Lake basins, the PRC to develop refined oil sales business in the PRC.

The Group has successfully obtained 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 be engaged 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 as a whole.

* For identification purpose only

Business Review *(Continued)*

Refined Oil Retail Business *(Continued)*

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 Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited). During the Financial Period, the sales of refined oil has contributed approximately HK\$63.9 million turnover to the Group.

Details of the refined oil retail business development was set out in the Company's announcement dated 26 June 2015.

Potential Acquisition Activities

During the Financial Period, the Group continued to seek for other investment opportunities so as to achieve the aims of business diversification, to expand the source of income and optimize the returns to its shareholders.

The Group entered into a memorandum of understanding ("MOU") on 10 January 2014 (as supplemented by four supplemental memorandum of understanding dated 9 October 2014, 20 January 2015, 9 April 2015 and 31 July 2015 respectively (collectively, the "Supplemental MOUs")) with an independent third party, Mr. Wu Zhi Qiang (the "Seller") in relation to a potential acquisition of Jian Long Da Holdings Limited (the "Jian Long Da") to engage in the construction and operation of centralized heating facilities in Wangdu county of Hebei Province. Pursuant to the MOU, the Seller shall not (and shall procure his agents and adviser not to) during the period of 9 months (the "Exclusivity Period") from the date of the MOU directly or indirectly negotiate with any third party on any sale or transfer of any shares or material assets of Jian Long Da. The Exclusivity Period was extended for a further 12 months by the Supplemental MOUs.

Details of the MOU and the Supplemental MOUs are set out in the Company's announcements dated 10 January 2014, 9 October 2014, 20 January 2015, 9 April 2015 and 31 July 2015 respectively. During the Financial Period, the Group and the Seller has reached a preliminary understanding to refund the full deposit of HK\$15,000,000 and to enter into a termination agreement to terminate the MOU and the Supplemental MOUs. Upon the termination of the MOU and the Supplemental MOUs, the parties will have no further obligations to proceed with the proposed acquisition.

Business Review *(Continued)*

Potential Acquisition Activities *(Continued)*

Further, the Group entered into another memorandum of understanding on 7 August 2014 (as supplemented by two supplemental memorandum of understanding dated 20 October 2014 and 12 February 2015 respectively) in relation to investment in the controlling stake of a target company (the “Second Target Company”) engaging in the business of distribution of glass products. Pursuant to the proposed investment, the Second Target Company established a PRC subsidiary, which has entered into an exclusive distribution agreement with Luoyang Longxin Glass Company Limited to distribute its products for 10 years.

Upon satisfactory due diligence results and professional valuation of the Second Target Company being not less than RMB80,000,000 on acceptable and reasonable assumptions, the Company would acquire not less than 51% shareholding interests in the Second Target Company. Deposits in the aggregate amount of HK\$32 million has been paid to a shareholder of the Second Target Company as earnest money and will be applied as partial payment of the consideration for the proposed investment when the formal agreement is signed. However, if the deal falls apart, the whole deposit shall be returned to the Company.

The Company has completed its due diligence in relation to the proposed investment and is in negotiation on the commercial terms with the Second Target Company. No binding agreements has been signed by the parties as at the date of this report.

The Board is of the view that the above potential acquisition represent for the Group an opportunity to participate in China’s glass products distribution, and are expected to enhance the Group’s investment portfolio and future earnings.

Discloseable Transaction

On 23 November 2015 (after trading hours), Mr. Wong Sze Chung Armstrong (“Mr. Wong”) and New Skyline Group Limited, a wholly-owned subsidiary of the Company (“New Skyline Group Limited”) entered into the acquisition agreement (“Acquisition Agreement”) pursuant to which Mr. Wong agreed to sell New Skyline Group Limited and New Skyline Group Limited agreed to purchase from Mr. Wong the entire issued share capital of the Instant Strong Group Limited, at an aggregate consideration of HK\$200,000,000.

The consideration shall be satisfied as to partly by cash and partly by the consideration shares, which shall be issued under the general mandate, granted to the Directors at the annual general meeting held on 20 July 2015. For details, please refer to the announcement dated 23 November 2015.

Business Review *(Continued)*

Discloseable Transaction *(Continued)*

On 28 January 2016, Mr. Wong and New Skyline Group Limited entered into the supplemental agreement in relation to the Acquisition Agreement (“Supplemental Agreement”) to extend the long stop date and the time for New Skyline Group Limited to advance HK\$5,000,000, being the first part of the Shareholder’s Loan, to Wide Code New Materials in the name of the Mr. Wong. For details, please refer to the announcement dated 28 January 2016.

Placing of new shares under general mandate

On 17 December 2015, the Company and Kingsway Financial Services Group Limited (“Kingsway”) has entered into the placing agreement (“the Placing Agreement”) for a placing of shares under general mandate. Pursuant to which Kingsway has conditionally agreed to place, on behalf of the Company, a maximum of 610,000,000 placing shares (the “Placing Shares”), on a best efforts basis, to not less than six places at the placing price of HK\$0.123 per Placing Share. The Placing Shares represent 6.29% of the issued share capital of the Company as at 17 December 2015 and approximately 5.92% of the issued share capital of the Company as enlarged by the placing of shares. The maximum gross proceeds from the placing of shares will be approximately HK\$75,030,000 and the maximum net proceeds from the placing are estimated to be approximately HK\$72,028,800, which will be used as general working capital of the Group for financing future investment opportunities.

On 4 January 2016, the Company announced that the Placing Agreement has lapsed as the condition of the Placing Agreement has not been fulfilled on or before the long stop date. As such, the Placing Agreement has become null and void. For details, please refer to the announcements dated 17 December 2015, 18 December 2015 and 4 January 2016.

On 20 January 2016, the Company and HF Securities and Futures Limited (the “HF Securities”) has entered into the placing agreement (“the Placing Agreement 2”) for a placing of shares under general mandate. Pursuant to which the HF Securities has conditionally agreed to place, on behalf of the Company, up to a maximum of 250,000,000 placing shares (“Placing Shares 2”), on a best efforts basis, to the places at the placing price of HK\$0.105 per Placing Share 2. The Placing Shares 2 represent 2.57% of the issued share capital of the Company as at 20 January 2016 and approximately 2.51% of the issued share capital of the Company as enlarged by the placing of shares. The maximum gross proceeds from the placing of shares will be approximately HK\$26,250,000 and the maximum net proceeds from the placing are estimated to be approximately HK\$25,462,500, which will be used as general working capital of the Group for financing future investment opportunities. For details, please refer to the announcement dated 20 January 2016.

Potential acquisition

The Company has entered into a memorandum of understanding on 11 January 2016 with an independent third party, China Oil Energy Group Holdings Limited (the “Target Company”) in relation to the potential acquisition to engage in the petrol gas station business in Guangdong Province in the PRC and the Group may leverage on the Target Company’s petrol gas stations network to supply natural gas. The Company considers that the proposed acquisition will further enhance the investment portfolio and future earnings of the Group. For details, please refer to the announcement dated 11 January 2016.

Change of Directors

With effect from 15 December 2015:

Mr. Zheng Jian Peng (“Mr. Zheng”), has been appointed as an executive director of the Company.

Mr. Zheng, aged 33, holds a Master of Law in International Economic Law degree from the Chinese University of Hong Kong and a Bachelor of Business Administration degree in Accounting from the Open University of Hong Kong. He is currently studying a Doctorate degree in Business Administration at the Hong Kong Polytechnic University. Mr. Zheng is a member of the Institute of Chartered Accountants in England and Wales and a member of the Hong Kong Institute of Certified Public Accountants.

Mr. Zheng was an executive director of Sing Pao Media Enterprises Limited (Stock Code: 8010) for the period from January 2014 to October 2014 and was an executive director and the chief executive officer of a PRC based property developing company for the period from April 2014 to October 2014. Prior to that, Mr. Zheng was a financial controller of China Fortune Investments (Holding) Limited (formerly known as China Public Healthcare (Holding) Limited) (Stock Code: 8116) for the period from 1 March 2010 to 31 March 2012. Mr. Zheng has auditing experience in two International accounting firms. He is currently an executive director of Global Strategic Group Limited (Stock Code: 8007). Save as disclosed above, Mr. Zheng has not held any directorships in the last three years in any other public companies the securities of which are listed on any securities market in Hong Kong or overseas and any other positions with the Company or any of its subsidiaries before his appointment.

Changes of Company Secretary and Authorized Representative

With effect from 15 December 2015:

Miss Fok Joyce Sing Yan (“Miss Fok”) has tendered her resignation as the company secretary and one of the authorised representative of the Company under Rule 5.24 of the GEM Listing Rule.

Mr. Wong Ching Wan (“Mr. Wong”) has been appointed as the company secretary and one of the authorised representatives of the Company following Miss Fok resignation from the aforesaid positions.

Mr. Wong, aged 48, is a Certified Public Accountant of Australia, Certified Public Accountant of Hong Kong, Certified Professional Accountant of Canada and fellow member of the Taxation Institute of Hong Kong. He obtained a Bachelor of Business and Administration degree from the Chinese University of Hong Kong in 1989 and a Bachelor of Commerce degree from the University of Southern Queensland in 1992. He also studied in the professional Master of Business Administration course offered by the Troy State University, United States.

Mr. Wong was the independent non-executive director of Grand Field Group Holdings Limited, a company whose shares are listed on the main board of the Stock Exchange (stock code: 115) from December 2008 to January 2009. Mr. Wong is currently an independent non-executive director of Huge China Holdings Limited, a company whose shares are listed on the main board of the Stock Exchange (stock code: 428) and a director of Network CN Inc., a company whose shares are traded on OTCQB of the United States of America (stock code: NWCN). Mr. Wong has more than 25 years of experience in auditing, internal control, financial control and capital market.

Outlook

During the Financial Period under review, despite the fierce competition in the sector of power and data cord business in which the Group operated, it consistently conducted its business in a steadfast manner, cautiously reviewing its business operations and, by seizing the opportune moment, continued to expand its customer groups.

During the Financial Period, China's market of mobile phone games continues to grow fast and has become the second largest segment within the sector. The revenue growth of mobile gaming on intelligent device was the major driving force. As smartphones are gaining further popularity in country, it can be foreseen that the development of mobile phone games will continue to grow, and the Board is optimistic about the Chinese market of mobile phone games which shows tremendous potential. 3 Dynamics, the Group's wholly-owned subsidiary, has vast experiences in developing games, owns a vast array of cartoon character resources and is supported by its strong distributor partners. Hence, the Board believes that the Group's future profitability will improve through 3 Dynamic's.

On the other hand, the Group has been proactively developing its business of Vessel LNG Utilization Conversion. Not only is this in line with China's strategic needs in such areas as conserving energy, reducing emissions and promoting the application of natural gas, but the relevant patented conversion technology can also bring positive economic benefits to the vessel owners and users. Also, with the implementation of various measures for promoting natural gas consumption and the application of natural gas in the water transportation section, including the Guiding Opinions on Accelerating the LNG Utilization in Waterborne Industry (《關於加快推進水運行業應用液化天然氣(LNG)的指導意見》) issued by the Ministry of Transport in 2013, and such notices as the Administrative Measures of Standardized Subsidy Fund on Inland Canal Vessel (《內河船型標準化補貼資金管理辦法》) jointly issued by the Ministry of Finance and the Ministry of Transport in 2014, the Group's development is in line with the Chinese government's policies. The Group will continue to expand its scope of business in the field of clean energy, strengthening its position in the energy sector and increasing its business income.

By expanding the Group's business to the retails of refined oil, a subsidiary of the Company, namely Jiangxi China Oil Gangran Energy Technology Company Limited (江西中油港燃能源科技有限責任公司), has 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. Moreover, the Group has obtained 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 be engaged in the retail business of refined oil.

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 2015

	Note	(Unaudited) Three months ended 31 December		(Unaudited) Nine months ended 31 December	
		2015 HK\$	2014 HK\$	2015 HK\$	2014 HK\$
Turnover	2	50,611,627	21,223,537	117,624,926	63,917,206
Cost of sales		(42,996,093)	(15,399,211)	(103,199,163)	(50,422,040)
Gross profit		7,615,534	5,824,326	14,425,763	13,495,166
Other gains and losses	3	1,535,258	(13,980,505)	10,369,325	3,278,969
Selling expenses		(1,966,868)	(1,541,853)	(5,490,032)	(4,367,380)
Administrative expenses		(30,387,076)	(9,206,597)	(84,551,241)	(114,742,552)
Loss from operations		(23,203,152)	(18,904,629)	(65,246,185)	(102,335,797)
Gain on disposal of subsidiaries		264,333	–	2,113,752	–
Finance costs	4	(2,526,210)	(5,328,632)	(9,149,697)	(13,651,458)
Loss before tax		(25,465,029)	(24,233,261)	(72,282,130)	(115,987,255)
Income tax credit/(expense)	5	1,329,767	(1,574,091)	4,231,574	1,170,049
Loss for the period		(24,135,262)	(25,807,352)	(68,050,556)	(114,817,206)
Other comprehensive loss, net of tax:					
<i>Items that may be reclassified to profit or loss:</i>					
Exchange differences on translating foreign operations		(272,949)	(498,158)	(3,657,585)	(979,196)
Total comprehensive loss for the period		(24,408,211)	(26,305,510)	(71,708,141)	(115,796,402)

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

(Continued)

For the three and nine months ended 31 December 2015

	Note	(Unaudited) Three months ended 31 December		(Unaudited) Nine months ended 31 December	
		2015	2014	2015	2014
		HK\$	HK\$	HK\$	HK\$
Loss for the period attributable to:					
Owners of the Company		(24,012,586)	(25,779,086)	(67,042,220)	(114,685,572)
Non-controlling interests		(122,676)	(28,266)	(1,008,336)	(131,634)
		(24,135,262)	(25,807,352)	(68,050,556)	(114,817,206)
Total comprehensive loss for the period attributable to:					
Owners of the Company		(24,285,307)	(26,277,244)	(69,569,949)	(115,664,768)
Non-controlling interests		(122,904)	(28,266)	(2,138,192)	(131,634)
		(24,408,211)	(26,305,510)	(71,708,141)	(115,796,402)
Loss per share (HK\$ cents)					
Basic	6	(0.25)	(0.35)	(0.71)	(1.47)
Diluted		N/A	N/A	N/A	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 (“HKFRSs”), Hong Kong Accounting Standards (“HKAS”) and Interpretations issued by the Hong Kong Institute of Certified Public Accountants (“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 2015.

The HKICPA has issued a number of new and revised standards, amendments and interpretations (hereinafter collectively referred to as “new and revised HKFRSs”). For those which are relevant to the Group’s operations and effective for its accounting period beginning on 1 April 2015, the adoption has no significant changes 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.

2. TURNOVER

	(Unaudited) Three months ended 31 December		(Unaudited) Nine months ended 31 December	
	2015 HK\$	2014 HK\$	2015 HK\$	2014 HK\$
Power and data cords and inlets sockets	17,551,071	21,223,537	53,732,916	63,916,035
Income from mobile commerce	–	–	–	1,171
Sales of refined oil	33,060,556	–	63,892,010	–
	50,611,627	21,223,537	117,624,926	63,917,206

3. OTHER GAINS AND LOSSES

	(Unaudited)		(Unaudited)	
	Three months ended		Nine months ended	
	31 December		31 December	
	2015	2014	2015	2014
	HK\$	HK\$	HK\$	HK\$
Interest income	630	80,696	145,557	704,227
Net foreign exchange gain/(loss)	1,467,812	(212,947)	1,512,022	100,598
Sundry income/(expense)	190,101	(2,151)	528,452	54,236
Imputed interest income arising from issuance of promissory notes	–	–	1,134,071	2,419,908
Gain on early redemption of promissory notes	–	–	296,053	–
Fair value loss on contingent consideration receivables	–	(13,846,103)	–	–
(Loss)/Gain on disposal of property, plant and equipment	(123,285)	–	2,595,564	–
Reversal of impairment of trade receivables	–	–	4,157,606	–
	1,535,258	(13,980,505)	10,369,325	3,278,969

4. FINANCE COSTS

	(Unaudited)		(Unaudited)	
	Three months ended		Nine months ended	
	31 December		31 December	
	2015	2014	2015	2014
	HK\$	HK\$	HK\$	HK\$
Interest on bank borrowings and early settlement of trade receivables	6,494	72,149	10,451	217,559
Interest on trust receipt loans	44,499	–	104,649	–
Interest on promissory notes	2,390,400	4,809,882	8,393,200	11,884,287
Interest on convertible bonds	57,464	446,601	520,275	1,549,612
Interest on obligation under finance leases	27,353	–	121,122	–
	2,526,210	5,328,632	9,149,697	13,651,458

5. INCOME TAX (CREDIT)/EXPENSE

	(Unaudited)		(Unaudited)	
	Three months ended		Nine months ended	
	31 December		31 December	
	2015	2014	2015	2014
	HK\$	HK\$	HK\$	HK\$
Current tax – Hong Kong Profits Tax				
Provision for the period	140,758	30,771	141,921	79,994
Current tax – PRC Enterprise Income Tax				
Provision for the period	–	72,795	38,080	220,482
Deferred tax	(1,470,525)	1,470,525	(4,411,575)	(1,470,525)
	(1,329,767)	1,574,091	(4,231,574)	(1,170,049)

Hong Kong Profits Tax has been provided at a rate of 16.5% (2014: 16.5%) on the estimated assessable profit for the both periods.

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 2015, basic loss per share is calculated by dividing the unaudited loss attributable to owners of the Company of HK\$24,012,586 (2014: HK\$25,779,086) by the weighted average number of ordinary shares of 9,722,158,266 (2014: 7,264,500,000) in issue for the reporting period.

For the nine months ended 31 December 2015, basic loss per share is calculated by dividing the unaudited loss attributable to owners of the Company of HK\$67,042,220 (2014: HK\$114,685,572) by the weighted average number of ordinary shares of 9,426,507,996 (2014: 7,787,839,543) in issue for the reporting period.

6. LOSS PER SHARE (Continued)

(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 nine months ended 31 December 2015 and 2014.

7. DIVIDEND

The Board does not recommend the payment of an interim dividend for the nine months ended 31 December 2015 (2014: Nil).

8. RESERVES

	(Unaudited)									
	Attributable to owners of the Company									
	Share Capital	Share premium	Statutory reserve	Convertible bonds equity reserve	Translation reserve	Share-based capital reserves	Retained earnings/(Accumulated losses)	Total	Non-controlling interests	Total equity
HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$
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
Changes in equity for 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
At 1 April 2015	877,240	295,300,163	3,382,323	126,620,791	283,377	82,156,598	(243,164,700)	265,455,792	(3,012,628)	262,433,164
Total comprehensive loss for the period	-	-	-	-	(2,527,729)	-	(67,042,220)	(69,569,949)	(2,138,192)	(71,708,141)
Exercise of share based payments	53,487	78,581,328	-	-	-	(29,030,760)	-	49,604,055	-	49,604,055
Exercise of convertible bonds	39,325	103,131,829	-	(106,841,144)	-	-	-	(3,669,990)	-	(3,669,990)
Change in equity of the period	92,812	181,713,157	-	(106,841,144)	(2,527,729)	(29,030,760)	(67,042,220)	(23,635,884)	(2,138,192)	(25,774,076)
At 31 December 2015	970,052	477,013,320	3,382,323	19,779,647	(2,244,352)	53,125,838	(310,206,920)	241,819,908	(5,150,820)	236,669,088

9. CAPITAL COMMITMENTS

The Group had no other capital commitments as at 31 December 2015 and 31 March 2015.

10. CONTINGENT LIABILITIES

The Group had no significant contingent liabilities as at 31 December 2015 and 31 March 2015.

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 (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 (the “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 Financial Period are set out below:

Grantee	Date of grant	Exercise price	Exercise period of share options	Outstanding as at 1 April 2015	Granted during the period	Exercised during the period	Cancelled/ Lapsed during the period	Outstanding as at 31 December 2015	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 31 December 2015
Executive Directors:											
Ho Chun Kit Gregory	17 March 2015	HK\$0.092	17 March 2015 – 16 March 2025	87,174,000	–	44,000,000	–	43,174,000	HK\$0.088	HK\$0.375	0.45%
Chief Financial Officer:											
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	–	0.57%
Other Categories:											
Consultants in aggregate	17 September 2013	HK\$0.218	17 September 2013 – 16 September 2023	55,000,000	–	–	–	55,000,000	HK\$1.90	–	0.57%
	10 October 2013	HK\$0.196	10 October 2013 – 9 October 2023	55,000,000	–	–	–	55,000,000	HK\$1.90	–	0.57%
	13 January 2014	HK\$0.157	13 January 2014 – 12 January 2024	110,000,000	–	–	–	110,000,000	HK\$1.54	–	1.14%
	14 July 2014	HK\$0.128	14 July 2014 – 13 July 2024	165,000,000	–	11,000,000	–	154,000,000	HK\$0.13	HK\$0.360	1.59%
	21 August 2014	HK\$0.113	21 August 2014 – 20 August 2024	55,000,000	–	–	–	55,000,000	HK\$0.12	–	0.57%
	16 February 2015	HK\$0.082	16 February 2015 – 15 February 2025	87,174,000	–	–	–	87,174,000	HK\$0.085	–	0.90%
	17 March 2015	HK\$0.092	17 March 2015 – 16 March 2025	697,392,000	–	479,870,000	–	217,522,000	HK\$0.088	HK\$0.271	2.71%

DIRECTOR'S INTERESTS IN SHARES

As at 31 December 2015, 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 2015, no entities or persons (not being a Director or Chief Executive of 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.

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

Save as the Escrow Shares disclosed above, 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 2015, 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.

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").

CORPORATE GOVERNANCE PRACTICES *(Continued)*

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.5.1 and A.6.7. The CG Code provision A.5.1 requires that the nomination committee should be chaired by majority of independent non-executive directors. On 10 November 2015, Mr. Chan Lung Ming (“Mr. Chan”) ceased to be the chairman of the Nomination Committee of the Company due to his other personal commitments and Ms. Eugenia Yang (“Ms. Yang”), an independent non-executive director of the Company, was re-designated from a member of the Nomination Committee to the chairlady of the Nomination Committee. For the details, please refer to the announcement dated 10 November 2015.

The CG Code provision A.6.7 requires that Independent Non-Executive Directors shall attend general meetings and develop a balanced understanding of the views of shareholders. Two Independent Non-Executive Directors attended annual general meeting held on 30 July 2015. The other Independent Non-Executive Director was obliged to be away for other business matters. The Board has continued to monitor and review the corporate governance principles and practices to ensure compliance.

Board Composition

As at the date of the Report, the Board comprises of six Executive Directors, 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*)

Mr. Rong Changjun (*Vice Chairman*)

Mr. Zhang Xueming

Mr. Ho Chun Kit Gregory

Mr. Chan Lung Ming

Mr. Zheng Jiang Peng (appointed on 15 December 2015)

Non-Executive Director

Mr. Tse Yee Hin, Tony (resigned on 30 April 2015)

CORPORATE GOVERNANCE PRACTICES *(Continued)*

Board Composition *(Continued)*

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:

Ms. Eugenia Yang *(Chairlady from 10 November 2015)*

Mr. Lau Sung Tat, Vincent

Mr. Chan Lung Ming *(Chairman until 10 November 2015)*

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 2015.

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
Zou Donghai
Chairman and Executive Director

Hong Kong, 2 February 2016

As at the date of this report, the executive Directors are Mr. Zou Donghai, Mr. Zhang Xueming, Mr. Rong Changjun, Mr. Ho Chun Kit Gregory, Mr. Chan Lung Ming and Mr. Zheng Jiang Peng and the independent non-executive Directors are Ms. Eugenia Yang, Mr. Ng Ka Chung and Mr. Lau Sung Tat, Vincent.