



**中油港燃能源集團控股有限公司**

**CHINA OIL GANGRAN ENERGY GROUP HOLDINGS LIMITED**

*(Incorporated in the Cayman Islands with limited liability)*

**Stock Code: 8132**

## **INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2016**

### **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 board of directors (the “Board”) of China Oil Gangran Energy Group Holdings Limited (the “Company”) collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on GEM of the Stock Exchange (the “GEM Listing Rules”) for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this announcement is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this announcement misleading.*

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

For the six months ended 30 September 2016

	Notes	Three months ended		Six months ended	
		30 September		30 September	
		2016	2015	2016	2015
		HK\$'000	HK\$'000	HK\$'000	HK\$'000
		(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
<b>Revenue</b>	5	<b>67,438</b>	45,817	<b>183,391</b>	67,013
Cost of sales		<u>(60,164)</u>	<u>(43,119)</u>	<u>(165,023)</u>	<u>(60,203)</u>
<b>Gross profit</b>		<b>7,274</b>	2,698	<b>18,368</b>	6,810
Other income	6	<b>372</b>	3,703	<b>3,270</b>	8,834
Selling expenses		<b>(1,876)</b>	(2,297)	<b>(6,492)</b>	(3,523)
Administrative expenses		<u>(26,148)</u>	<u>(26,189)</u>	<u>(48,443)</u>	<u>(54,164)</u>
<b>Loss from operations</b>		<b>(20,378)</b>	(22,085)	<b>(33,297)</b>	(42,043)
Gain on disposal of a subsidiary	7	–	1,849	–	1,849
Finance costs	8	<u>(2,704)</u>	<u>(3,060)</u>	<u>(5,316)</u>	<u>(6,623)</u>
<b>Loss before tax</b>		<b>(23,082)</b>	(23,296)	<b>(38,613)</b>	(46,817)
Income tax credit	9	<u>2,010</u>	<u>1,502</u>	<u>2,821</u>	<u>2,902</u>
<b>Loss for the period</b>	10	<b>(21,072)</b>	(21,794)	<b>(35,792)</b>	(43,915)
<b>Other comprehensive expenses, net of tax:</b>					
<i>Items that may be reclassified to profit or loss:</i>					
Fair value change of available for-sale investments		<b>211</b>	–	<b>261</b>	–
Exchange differences on translating foreign operations		<u>(2,720)</u>	<u>(2,732)</u>	<u>(3,411)</u>	<u>(3,385)</u>
<b>Total comprehensive expenses for the period</b>		<b><u>(23,581)</u></b>	<b><u>(24,526)</u></b>	<b><u>(38,942)</u></b>	<b><u>(47,300)</u></b>

	Three months ended 30 September		Six months ended 30 September	
	2016	2015	2016	2015
<i>Notes</i>	<b><i>HK\$'000</i></b>	<i>HK\$'000</i>	<b><i>HK\$'000</i></b>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
<b>Loss for the period attributable to:</b>				
Owners of the Company	(20,469)	(21,654)	(34,174)	(43,030)
Non-controlling interests	(603)	(140)	(1,618)	(885)
	<u>(21,072)</u>	<u>(21,794)</u>	<u>(35,792)</u>	<u>(43,915)</u>
<b>Total comprehensive expenses for the period attributable to:</b>				
Owners of the Company	(22,806)	(23,644)	(36,461)	(45,285)
Non-controlling interests	(775)	(882)	(2,481)	(2,015)
	<u>(23,581)</u>	<u>(24,526)</u>	<u>(38,942)</u>	<u>(47,300)</u>
		(restated)		(restated)
<b>Loss per share (<i>HK\$ cents</i>)</b>				
Basic	<i>12(a)</i> <u>(0.40)</u>	<u>(0.45)</u>	<u>(0.68)</u>	<u>(0.93)</u>
Diluted	<i>12(b)</i> <u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>

# CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 September 2016

		30 September 2016	31 March 2016
	<i>Notes</i>	<b><i>HK\$'000</i></b> <b>(Unaudited)</b>	<b><i>HK\$'000</i></b> <b>(Audited)</b>
<b>Non-current assets</b>			
Property, plant and equipment	13	22,811	22,522
Available-for-sale investments		2,675	2,418
Goodwill		81,113	81,113
Intangible assets	14	18,536	30,300
Deposits paid for acquisition of subsidiaries	15	32,000	32,500
		<u>157,135</u>	<u>168,853</u>
<b>Current assets</b>			
Inventories		11,298	22,451
Trade and other receivables	16	123,473	152,234
Loan receivables		9,600	9,600
Due from a Director		12,570	12,570
Contingent consideration receivables		22,000	22,000
Bank and cash balances	17	47,878	38,169
		<u>226,819</u>	<u>257,024</u>
<b>Current liabilities</b>			
Trade and other payables	18	75,828	75,852
Obligation under finance lease		1,183	1,247
Due to a related party		–	9,433
Promissory notes	19	46,893	46,287
Borrowings	20	11,700	12,089
Current tax liabilities		6,113	6,037
		<u>141,717</u>	<u>150,945</u>
<b>Net current assets</b>		<u>85,102</u>	<u>106,079</u>
<b>Total assets less current liabilities</b>		<u>242,237</u>	<u>274,932</u>

		<b>30 September</b>	31 March
		<b>2016</b>	2016
	<i>Notes</i>	<b><i>HK\$'000</i></b>	<b><i>HK\$'000</i></b>
		<b>(Unaudited)</b>	<b>(Audited)</b>
<b>Non-current liabilities</b>			
Obligation under finance lease		555	1,204
Promissory notes	19	48,757	49,181
Deferred tax liabilities		<u>5,608</u>	<u>8,549</u>
		<u>54,920</u>	<u>58,934</u>
<b>NET ASSETS</b>		<b><u>187,317</u></b>	<b><u>215,998</u></b>
<b>Capital and reserves</b>			
Share capital	21	1,017	1,005
Reserves		<u>194,413</u>	<u>220,625</u>
Equity attributable to owners of the Company		195,430	221,630
Non-controlling interests		<u>(8,113)</u>	<u>(5,632)</u>
<b>TOTAL EQUITY</b>		<b><u>187,317</u></b>	<b><u>215,998</u></b>

# NOTES TO THE CONDENSED FINANCIAL STATEMENTS

*For the six months ended 30 September 2016*

## 1. BASIS OF PREPARATION

The unaudited condensed consolidated interim financial statements of China Oil Gangran Energy Group Holdings Limited (the “Company”) and its subsidiaries (collectively, the “Group”) for the six months ended 30 September 2016 (the “Interim Financial Report”) have been prepared in accordance with Hong Kong Accounting Standard 34 “Interim Financial Reporting” issued by the HKICPA and the applicable disclosure requirements of the GEM Listing Rules of the Stock Exchange.

The Interim Financial Report does not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group’s annual financial statements for the year ended 31 March 2016 (the “2016 Annual Financial Statements”).

The Interim Financial Report has been prepared in accordance with the same accounting policies adopted in the 2016 Annual Financial Statements, except for the adoption of the new, amended or revised Hong Kong Financial Reporting Standards (“HKFRSs”) (which collectively include all applicable individual Hong Kong Financial Reporting Standard (“HKFRS”), Hong Kong Accounting Standard (“HKAS”) and Interpretation issued by the HKICPA) as disclosed in Note 2 to the Interim Financial Report.

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

In the current period, the Group has adopted all the new and revised Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the HKICPA that are relevant to its operations and effective for its accounting year beginning on 1 April 2016. HKFRSs comprise HKFRS; HKAS; and Interpretations. The adoption of these new and revised HKFRSs did not result in significant changes to the Group’s accounting policies, presentation of the Group’s financial statements and amounts reported for the current period and prior years.

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

### 3. FAIR VALUE MEASUREMENT

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

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

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

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

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

#### (a) Disclosures of level in fair value hierarchy

##### At 30 September 2016 (Unaudited)

	<b>Level 1</b> <b>HK\$'000</b>
<b>Recurring fair value measurements:</b>	
Available for sale investments	<u>2,675</u>
<b>Total recurring fair value measurements</b>	<b><u><u>2,675</u></u></b>

##### At 31 March 2016 (Audited)

	<b>Level 1</b> <b>HK\$'000</b>
<b>Recurring fair value measurements:</b>	
Available for sale investments	<u>2,418</u>
<b>Total recurring fair value measurements</b>	<b><u><u>2,418</u></u></b>

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

#### 4. SEGMENT INFORMATION

The Group's reportable segments are determined as follows:

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

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

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

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

	<b>Nature gas and clean energy business</b>	<b>Digital application business</b>	<b>Power and data cords business</b>	<b>Total</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
<b>Six months ended 30 September 2016</b>				
Revenue from external customers	<b>142,720</b>	–	<b>40,671</b>	<b>183,391</b>
Segment loss	<b>(1,997)</b>	<b>(97)</b>	<b>(9,308)</b>	<b>(11,402)</b>
Segment assets	<b>101,274</b>	<b>87</b>	<b>91,209</b>	<b>192,570</b>
Segment liabilities	<b>12,472</b>	<b>8,294</b>	<b>25,383</b>	<b>46,149</b>
<b>Six months ended 30 September 2015</b>				
Revenue from external customers	30,831	–	36,182	67,013
Segment loss	(2,516)	(10,576)	(11,658)	(24,750)
<b>At 31 March 2016</b>				
Segment assets	110,265	133,556	98,879	342,700
Segment liabilities	14,622	15,828	63,593	94,043



<b>Six months ended</b>	
<b>30 September</b>	
<b>2016</b>	2015
<b><i>HK\$'000</i></b>	<i>HK\$'000</i>
<b>(Unaudited)</b>	(Unaudited)

Reconciliation of segment results:

Total loss of reportable segments	<b>(11,402)</b>	(24,750)
Unallocated amounts:		
Other income	<b>3,270</b>	8,834
Corporate expenses	<b>(22,344)</b>	(23,225)
Gain on disposal of a subsidiary	–	1,849
Finance costs	<b>(5,316)</b>	(6,623)
	<u>                    </u>	<u>                    </u>
Consolidated loss for the period	<b><u>(35,792)</u></b>	<b><u>(43,915)</u></b>

## 5. REVENUE

The Group's revenue for the six months ended 30 September 2016 and 2015 represented the following:

<b>Six months ended</b>	
<b>30 September</b>	
<b>2016</b>	2015
<b><i>HK\$'000</i></b>	<i>HK\$'000</i>
<b>(Unaudited)</b>	(Unaudited)

Sales of power and data cords and inlets sockets	<b>40,671</b>	36,182
Sales of refined oil and chemicals	<b>142,720</b>	30,831
	<u>                    </u>	<u>                    </u>
	<b><u>183,391</u></b>	<b><u>67,013</u></b>

## 6. OTHER INCOME

	Three months ended		Six months ended	
	30 September		30 September	
	2016	2015	2016	2015
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Interest income	19	4	21	145
Net foreign exchange gain	345	44	502	44
Sundry income	–	141	–	338
Imputed interest income arising from issuance of promissory notes	–	795	–	1,134
Gain on early redemption of promissory notes	–	–	–	296
Gain on disposal of property, plant and equipment	–	2,719	–	2,719
Reversal of impairment of trade receivables	8	–	2,747	4,158
	<u>372</u>	<u>3,703</u>	<u>3,270</u>	<u>8,834</u>

## 7. GAIN ON DISPOSAL OF A SUBSIDIARY

On 15 July 2015, Brave Lead international Limited (“Brave Lead”), a wholly-owned subsidiary of the Company, and MK Investments Limited (“Purchaser”) have entered into a sale and purchase agreement, pursuant to which Brave Lead has agreed to dispose the entire interest of its wholly owned subsidiary, Forever Ascent Limited (“Forever Ascent”) at a cash consideration of HK\$1,500,000 (the “Disposal”). During the six months ended 30 September 2015, the Disposal has been completed and all the precedent conditions to the Disposal were fulfilled.

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

	<i>HK'000</i>
	(Audited)
Amount due to a shareholder	(904)
Property, plant and equipment	<u>555</u>
Net liabilities disposed of	(349)
Gain on disposal of a subsidiary	<u>1,849</u>
Total consideration	<u><u>1,500</u></u>
Net cash inflow arising on the Disposal:	
Cash consideration received	<u><u>1,500</u></u>

## 8. FINANCE COSTS

	Three months ended		Six months ended	
	30 September		30 September	
	2016	2015	2016	2015
	<i>HK'000</i>	<i>HK'000</i>	<i>HK'000</i>	<i>HK'000</i>
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Interest on bank borrowings	164	1	327	4
Interest on trust receipt loans	41	32	85	60
Effective interest expenses on convertible bonds wholly repayable within five years	-	77	-	463
Interest expenses on promissory notes				
– wholly repayable within five years	1,358	1,475	2,649	2,513
– not wholly repayable within five years	1,096	1,430	2,173	3,490
Interest on obligation under finance leases	45	45	82	93
	<u>2,704</u>	<u>3,060</u>	<u>5,316</u>	<u>6,623</u>

## 9. INCOME TAX CREDIT

	Three months ended		Six months ended	
	30 September		30 September	
	2016	2015	2016	2015
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Current tax – Hong Kong Profits Tax				
Provision for the period	-	-	-	1
Current tax – PRC Enterprise				
Income Tax				
Provision for the period	-	-	120	38
Over provision in respect of prior periods	(540)	(31)	-	-
	<u>(540)</u>	<u>(31)</u>	<u>120</u>	<u>39</u>
Deferred tax	<u>(1,470)</u>	<u>(1,471)</u>	<u>(2,941)</u>	<u>(2,941)</u>
	<u>(2,010)</u>	<u>(1,502)</u>	<u>(2,821)</u>	<u>(2,902)</u>

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

Tax charge on assessable profits 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.

## 10. LOSS FOR THE PERIOD

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

	Three months ended		Six months ended	
	30 September		30 September	
	2016	2015	2016	2015
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Amortisation for contractual right	5,882	5,882	11,764	11,764
Depreciation	980	3,648	2,003	5,533
Gain on disposals of property, plant and equipment	–	(2,719)	–	(2,719)
Directors' emoluments	1,697	1,290	3,137	2,929
Reversal of impairment of trade receivables	(8)	–	(2,747)	(4,158)
	<u>5,882</u>	<u>5,882</u>	<u>11,764</u>	<u>11,764</u>

## 11. DIVIDENDS

The Board does not recommend payment of any interim dividend for the six months ended 30 September 2016 (six months ended 30 September 2015: Nil).

## 12. LOSS PER SHARE

### (a) Basic loss per share

Basic loss per share is calculated by dividing the unaudited loss attributable to owners of the Company of HK\$20,468,231 (2015: HK\$21,653,671) by the weighted average number of ordinary shares of 5,063,493,530 (2015: 4,774,084,154 as adjusted to reflect share consolidation on 29 September 2016) in issue for the three months ended 30 September 2016. Basic loss per share is calculated by dividing the unaudited loss attributable to owners of the Company of HK\$34,173,262 (2015: HK\$43,029,634) by the weighted average number of ordinary shares of 5,053,617,306 (2015: 4,649,185,678 as adjusted to reflect share consolidation on 29 September 2016) in issue for the six months ended 30 September 2016.

### (b) Diluted loss per share

No diluted loss per share is presented as the share options and convertible bonds have anti-dilutive effects on basic loss per share for the three and six months ended 30 September 2016.

For the three and six months ended 30 September 2015, no diluted loss per share is presented as the Company did not have any potential dilutive ordinary shares outstanding.

### **13. PROPERTY, PLANT AND EQUIPMENT**

During the six months ended 30 September 2016, the Group acquired property, plant and equipment of approximately HK\$2.4 million (six months ended 30 September 2015: HK\$11.8 million).

### **14. INTANGIBLE ASSETS**

As at 30 September 2016, the Group possessed a contractual right which represents the design, development, sales and distribution of mobile phone games with popular cartoon characters in the PRC arising from a co-operation agreement with a PRC company, Guangzhou Blue Arc Culture Communication Company Limited (廣州藍弧文化傳播有限公司) (“Cooperation Agreement”). The Cooperation Agreement has a term of 5 years from 1 March 2013 to 28 February 2018 and is renewable for 5 years subject to negotiation by the parties concerned. In the opinion of the Directors, the contractual right is expected to be available for use by the Group over a useful life of 4.17 years from the date of acquisition and it is being amortised on a straight-line basis over its useful life. The remaining amortisation period of the contractual right is 1.42 years (2016: 1.92 years).

### **15. DEPOSITS PAID FOR ACQUISITION OF SUBSIDIARIES**

#### **(a) Jian Long Da Holdings Limited (“Jian Long”)**

On 10 January 2014, the Company and Mr. Wu Zhi Qiang (“Mr. Wu”) entered into a non-legally binding memorandum of understanding (the “MOU”) in relation to a proposed acquisition (the “Proposed Acquisition”) of the entire issued share capital of Jian Long from Mr. Wu. Jian Long was incorporated in Hong Kong and has a signed framework agreement with the Government of Wangdu City (the “Wangdu Government”). Pursuant to the framework agreement, Jian Long shall set up a project company in the PRC and the Wangdu Government shall grant the project company the exclusive right to construct and operate the centralised heating facilities in Wangdu City for a term of 30 years. The deposit of HK\$15,000,000 has been paid and is non-interest bearing, secured by the entire issued share capital of Jian Long and refundable in the event that the Proposed Acquisition is terminated or upon the expiry of the MOU. The MOU had expired on 9 October 2014.

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 (the “Supplemental MOUs”) respectively. During the year ended 31 March 2016, the Company and Mr. Wu has reached a preliminary understanding to refund the full deposit of HK\$15,000,000 and to enter into an 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. Due to the termination of the MOU and the Supplemental MOUs, the full deposit of HK\$15,000,000 is reclassified as other receivable. Up to the date of the report, the deposit remains outstanding.

**(b) Sino Grandway International Investment Limited (“Sino Grandway”)**

On 7 August 2014, the Company entered into a non-legally binding memorandum of understanding (the “MOU”) in relation to a proposed acquisition of Sino Grandway (the “Proposed Acquisition”). Sino Grandway is an investment holding company incorporated in Hong Kong and its issued share capital is equally held by two independent third parties (the “Vendors”). The sole asset of Sino Grandway is the 100% legal and beneficial interest in a PRC subsidiary (the “PRC subsidiary”) which was principally engaged in the sale and distribution of glass products in the PRC.

On 7 August 2014, the Company has paid an earnest money of HK\$8,000,000 (the “First Deposit”) to the Vendors in accordance with the term of MOU. On 20 October 2014, the Company entered into a supplemental memorandum of understanding (the “Supplemental MOU”) in relation to the Proposed Acquisition and paid the remaining of the said deposit of an earnest money of HK\$24,000,000 (the “Second Deposit”). The First Deposit and the Second Deposit are non-interest bearing, secured by a first-fixed charge over the entire issued share capital of Sino Grandway and is refundable.

On 15 January 2015, the PRC Subsidiary entered into the Exclusive Distribution Agreement with Luoyang Longxin Glass Company Limited (“Longxin Glass”). Pursuant to the Exclusive Distribution Agreement, Longxin Glass has engaged the PRC Subsidiary to, inter alia, distribute glass products supplied by Longxin Glass for 10 years with effect from 30 November 2015 worldwide.

On 5 February 2016, the Company entered into the acquisition agreement with the Vendors, pursuant to which the Company has conditionally agreed to acquire and the Vendors have conditionally agreed to sell the entire issued share capital of Sino Grandway.

Further details of the Proposed Acquisition are set out in the Company’s announcements dated 7 August 2014, 20 October 2014, 12 February 2015, 16 October 2015 and 5 February 2016.

During the Interim Period, the Group and Vendor A and Vendor B has continuously discussed the possibility to further proceed the proposed investment.

**(c) Instant Strong Group Limited (Instant Strong)**

New Skyline Group Limited, a wholly-owned subsidiary of the Company, entered into the acquisition agreement on 23 November 2015 with an independent third party, Mr. Wong Sze Chung Armstrong (the “Vendor”), in relation to a potential investment (the “Potential Investment”) of Instant Strong which is engaged in the business of wide code neo-material.

The sole asset of Instant Strong is the 15% legal and beneficial interest in Wide Code New Materials Development Company Limited (“Wide Code”). Upon the completion of the Potential Investment, Wide Code will hold the entire equity interest of Wuhu Weixiang Chaoweicailiao Company Limited which is a company established in the PRC and is principally engaged in the production, sale and research and development of neo-material in the PRC.

During the year ended 31 March 2016, the Group paid a refundable deposit of HK\$500,000 in cash to the Vendor.

Further details of the Potential Investment are set out in the Company's announcements dated 23 November 2015 and 28 January 2015.

During the Interim Period, the Group announced that the conditions precedent to the acquisition agreement could not be satisfied by 30 June 2016, being the Long Stop Date extended by the supplemental agreements dated on 4 May 2016. Accordingly, the parties entered into termination agreement on 15 July 2016 to confirm the termination of the acquisition agreement and the supplemental agreements with effect from 30 June 2016. Upon the termination of the acquisition agreement and the supplemental agreements, the parties will have no further obligations to proceed with the Potential Investment. On 15 July 2016, the Vendor has refunded the deposit of HK\$500,000 to the Group.

## 16. TRADE AND OTHER RECEIVABLES

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

The aging analysis of trade receivables are as follows:

	<b>30 September 2016 HK\$'000 (Unaudited)</b>	31 March 2016 HK\$'000 (Audited)
1 – 30 days	5,673	14,034
31 – 60 days	5,737	–
61 – 90 days	59	–
91 – 180 days	45	–
	<u>11,514</u>	<u>14,034</u>

## 17. BANK AND CASH BALANCES

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

	<b>30 September</b>	31 March
	<b>2016</b>	2016
	<b>HK\$</b>	<b>HK\$</b>
	<b>(Unaudited)</b>	(Audited)
Denominated in:		
Hong Kong Dollars ("HK\$")	<b>28,701</b>	5,038
Renminbi ("RMB")	<b>18,005</b>	29,755
United States Dollars ("US\$")	<b>1,172</b>	3,376
	<u><b>47,878</b></u>	<u>38,169</u>

## 18. TRADE AND OTHER PAYABLES

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

	<b>30 September</b>	31 March
	<b>2016</b>	2016
	<b>HK\$'000</b>	<b>HK\$'000</b>
	<b>(Unaudited)</b>	(Audited)
Not yet due	<b>6,953</b>	6,167
1 – 30 days past due	<b>1,521</b>	1,612
31 – 60 days past due	<b>26</b>	63
61 – 90 days past due	<b>3</b>	3
91 – 180 days past due	<b>7</b>	5
	<u><b>8,510</b></u>	<u>7,850</u>



## 19. PROMISSORY NOTES

	<b>30 September 2016 HK\$'000 (Unaudited)</b>	31 March 2016 HK\$'000 (Audited)
Current	46,893	46,287
Non-current	48,757	49,181
	<u>95,650</u>	<u>95,468</u>

Movements in promissory notes is analysed as follows:

	<b>30 September 2016 HK\$'000 (Unaudited)</b>	30 September 2015 HK\$'000 (Unaudited)
At beginning of the period	95,468	113,750
Issue at fair value during the period	–	19,866
Imputed interest charged	4,822	6,003
Interest paid and payables	(4,640)	(6,983)
Repayment of promissory notes	–	(39,130)
Loss on early redemption	–	(296)
	<u>95,650</u>	<u>93,210</u>

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

## 20. BORROWINGS

	<b>30 September 2016 HK\$'000 (Unaudited)</b>	31 March 2016 HK\$'000 (Audited)
Bank borrowings	11,700	12,089
	<u>11,700</u>	<u>12,089</u>

The Group's borrowings are repayable within one year for the six months ended 30 September 2016 and the year ended 31 March 2016.

Movements in borrowings is analysed as follows:

	<b>30 September 2016 HK\$'000 (Unaudited)</b>	30 September 2015 HK\$'000 (Unaudited)
At beginning of the period	12,089	2,364
New borrowings raised	–	4,396
Repayment of borrowings	(39)	(3,771)
Exchange gain	(350)	–
	<u>11,700</u>	<u>2,989</u>

## 21. SHARE CAPITAL

	<i>Notes</i>	<b>Number of shares</b>	<b>Amount HK\$'000</b>
<i>Authorised:</i>			
Ordinary shares As at 1 April 2015, HK\$0.0001 each		10,000,000,000	1,000
Increase	<i>(a)</i>	<u>70,000,000,000</u>	<u>7,000</u>
As at 31 March 2016, HK\$0.0001 each		80,000,000,000	8,000
Share consolidation	<i>(d)</i>	<u>(40,000,000,000)</u>	<u>–</u>
As at 30 September 2016, HK\$0.0002 each		<u>40,000,000,000</u>	<u>8,000</u>

	<i>Notes</i>	<b>Number of shares</b>	<b>Amount HK\$'000</b>
<i>Issued and fully paid:</i>			
Ordinary shares of HK\$0.0002 each			
At 1 April 2015 (Audited)		8,772,400,000	877
Issue of shares by placement		240,000,000	24
Issue of shares by convertible bonds		480,168,744	48
Issue of shares by share option scheme		<u>554,870,000</u>	<u>56</u>
At 31 March 2016 and 1 April 2016 (Audited)		10,047,438,744	1,005
Issue of shares by share option scheme	<i>(b)</i>	72,674,000	7
Placing of new shares	<i>(c)</i>	48,000,000	5
Share consolidation	<i>(d)</i>	<u>(5,084,056,372)</u>	<u>–</u>
At 30 September 2016 (Unaudited)		<u>5,084,056,372</u>	<u>1,017</u>

*Note:*

- (a) By an ordinary resolution passed at the extraordinary general meeting on 22 October 2015, the Company's authorised share capital was increased from HK\$1,000,000 dividend into 10,000,000,000 ordinary shares of HK\$0.0001 each to HK\$8,000,000 dividend into 80,000,000,000 ordinary shares of HK\$0.0001 each by creation of additional 70,000,000,000 ordinary shares of HK\$0.0001 each.
- (b) During the six months ended 30 September 2016, the Company issued 72,674,000 new ordinary shares at a subscription price of HK\$0.092 for exercising the share option for a total cash consideration of HK\$6,686,008.
- (c) On 26 August 2016, the Company issued 48,000,000 new ordinary shares at subscription price of HK\$0.076 per share for a total cash consideration of HK\$3,648,000. The premium on the issue of shares amounting to HK\$3,570,240, net of share issue expenses, was credited to the Company's share premium account.
- (d) Pursuant to an ordinary resolution passed on 29 September 2016, every two issued and unissued ordinary share of HK\$0.0001 each in the share capital of the Company be consolidated into one consolidated share of nominal value of HK\$0.0002.

## **22. SHARE-BASED PAYMENTS**

### **Equity-settled share option scheme**

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

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

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

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

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

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

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

	30 September 2016		30 September 2015	
	Number of share options	Weighted average exercise price HK\$	Number of share options	Weighted average exercise price HK\$
Outstanding at beginning of the period	811,870,000	0.10	1,366,740,000	0.11
Granted during the period	–	–	–	–
Exercised during the period	(72,674,000)	0.09	(490,870,000)	(0.09)
Forfeited/lapsed during the period	(55,000,000)	0.22	–	–
Share consolidation during the period	(342,098,000)	–	–	–
Outstanding and exercisable at the end of the period	<u>342,098,000</u>	<u>0.08</u>	<u>875,870,000</u>	<u>0.06</u>

The options outstanding at the end of the period have a weighted average remaining contractual life of 7.91 years (six months ended 30 September 2015: 9.29 years) and the exercise price range from HK\$0.16 to HK\$0.44 (six months ended 30 September 2015: from HK\$0.08 to HK\$0.22). The estimated fair values of the options granted on 14 July 2014, 21 August 2014, 23 September 2014, 16 February 2015 and 17 March 2015 were HK\$12,689,000, HK\$7,389,000, HK\$4,391,000, HK\$4,696,768 and HK\$42,210,580 respectively.

*Note:* The exercise price and number of shares subject to share options were adjusted pursuant to the share Consolidation of the Company's shares became effective on 29 September 2016.

## 23. CAPITAL COMMITMENTS

Save as disclosed elsewhere to the condensed financial statements, the Group has no other capital commitments as at 30 September 2016 (At 31 March 2016: Nil).

## 24. CONTINGENT LIABILITIES

The Group did not have any significant contingent liabilities at 30 September 2016 (At 31 March 2016: Nil).

# MANAGEMENT DISCUSSION AND ANALYSIS

## Financial Review

The turnover of the Company and its subsidiaries (together the “Group”) for the six months ended 30 September 2016 (the “Interim Period”) was approximately HK\$183 million, representing an increase of approximately 1.73 times from approximately HK\$67 million for the comparable period of last year. Such increase in the turnover was attributable to a rise in revenues from the sales of refined oil and the trading of Methyl tert-butyl ether, a chemical used as a component in fuel for gasoline engines of automobiles.

The Group’s loss attributable to the Company’s owners decrease to approximately HK\$34 million from approximately HK\$43 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 and Methyl tert-butyl ether by approximately HK\$111.9 million for the six months ended 30 September 2016; and (ii) the amount of the decrease in consultancy fee by approximately HK\$7.7 million from approximately HK\$8.9 million for the six months ended 30 September 2015 to approximately HK\$1.2 million for the six months ended 30 September 2016.

The Board does not recommend to pay dividend for the Interim Period.

## Business Review

During the Interim Period, the Group continued to operate a diverse business portfolio comprising: (i) the manufacture and sale of power cords and inlet sockets for household electric appliances; power and data cords for mobile handsets and medical control devices; (ii) the development of digital applications, including handheld electronic game consoles, mobile game applications, digital marketing solutions; and (iii) the liquefied natural gas (“LNG”), compressed natural gas (“CNG”) and other related clean energy businesses. Despite the challenging development in the 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.

During the previous Interim 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責任公司) (the “JV Company”), in Mainland China for conducting the business of liquefied 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.

Currently, the business of the JV Company focuses on the sales of refined oil and the trading of Methyl tert-butyl ether in Mainland China, and participate in other clean energy businesses should the opportunities arise.

In terms of geographical market performance, United States and mainland China contributed to approximately 7% (2015: approximately 15%) and approximately 89% (2015: approximately 79%) of the Group's total turnover respectively, while the remaining approximately 4% (2015: approximately 6%) came from its other markets, including Taiwan and Hong Kong.

### ***Power Cords and Inlet Sockets for Household Electric Appliances***

Turnover from power cords and inlet sockets for household electric appliances was approximately HK\$4.3 million (2015: approximately HK\$6.1 million) in the Interim Period, representing a year-on-year decrease of approximately 29.5%.

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 received eleven types of international safety standards. Although the turnover from such business experienced a downturn during the Interim 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 Interim Period, the Group focused on those customer groups generating high profit margins and rigorously controlled its production costs, and the Group's turnover from power and data cords for mobile phones recorded an increase of approximately 1% to approximately HK\$20.1 million (2015: approximately HK\$19.9 million) for the Interim 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 speed USB connectors and data cord products, which can support higher data transmission speeds and better audiovisual output quality. All our devices conform with the standards of mobile handset designs set by USB Implementers Forum, Inc.

During the Interim Period, the Group's turnover from power and data cords for medical control devices was approximately HK\$12.8 million (2015: approximately HK\$10 million), representing a year-on-year increase of approximately 28%.

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).

### ***Trading of Mobile Smart Phones***

With fierce competition in the power and data Cards sector, the Group started the trading of mobile smart phones. The Group's turnover from the trading of mobile smart phones reached approximately HK\$3.5 million (2015: Nil) for the Interim Period.

### ***Liquefied Natural Gas and Clean Energy Business***

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 the JV company, the Group continued to develop the businesses of LNG, CNG and related clean energy. Through the patented technology it held, the JV company 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 Gangran Energy Technology 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, 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 utilization, 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.

### ***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 “Vendor”) irrevocably and unconditionally warrants and guarantees to Dynamic Miracle Limited, a directly wholly-owned subsidiary of the Company (the “Purchaser”) that the audited net profits after tax of the 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 Shares”) of the Company issued to the Vendor. As certified by the auditors of the 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 terms of the Sale and Purchase Agreement. Hence, the Purchaser 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 best price it reasonably obtained and thereafter, pay the net proceeds of the Sale to the Purchaser 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 consideration shares would be sold in order to pay the proceeds under 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.

As at the date of this announcement, HK\$22,000,000 is still outstanding from the Vendor and he is still holding 73,870,000 Shares. The number of shares have been adjusted to reflect the share consolidation during the Interim Period. The Company has been negotiating with the Vendor on a timely basis to recover the outstanding amount.

### ***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.

The subsidiary of the Group, namely Jiangxi China Oil Gangran Energy Technology Company Limited, 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 operates such leased bunker barges in the Yangtze River, Gan River and Poyang Lake basins, the People’s Republic of China (the “PRC”), to develop refined oil sales business in the PRC.



The Group has successfully obtained Refined Oil Retail Licence (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.

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 Interim Period, the sales of refined oil contributed approximately HK\$121.9 million revenue to the Group, 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.

#### ***Trading of Methyl tert-butyl ether 甲基叔丁基醚***

During the Interim Period, the Group continued its trading of Methyl tert-butyl ether, a gasoline additive and used almost exclusively as a component in fuel for gasoline engines. Besides increasing the octane number, Methyl tert-butyl ether also reduces the fuel vapour pressure (Reid vapour pressure), so that the vapour emissions during automobile fuelling and operation are reduced. Addition of Methyl tert-butyl ether 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, it is used in significant quantities. The Group takes the view that its engagement in the trading of such a chemical will bring in considerable revenues, immediately and over the long term. During the Financial Period, the trading of Methyl tert-butyl ether generated a revenue of approximately HK\$20.8 million to the Group, contributing to an increase of its total revenues.

#### **Resignation of Independent Non-Executive Director**

Mr. Ng Ka Chung ("Mr. Ng") has retired as an Independent Non-Executive Director of the Company with effect from 29 July 2016.

Mr. Ng 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 or The Stock Exchange of Hong Kong Limited in relation to his retirement.

\* For identification purpose only

## **Appointment of Independent Non-Executive Director**

On 29 July 2016, the Company announced that Mr. Chan Ying Kay (“Mr. Chan”) has been appointed as an Independent Non-Executive Director of the Company with effect from 29 July 2016.

## **Outlook**

During the Interim Period, the business sectors in which the Group operated saw their growths hampered by international financial volatility and a slowdown in the emerging markets, including China. Falling commodity prices, the declining global industrial output and depressed trading added to the uncertainties. Despite the challenging macro-economic conditions, the Group achieved a steady growth across its traditional and new business segments generally. Correspondingly, it recorded a 173.66% increase in overall turnover, due to revenue growth from the sales of refined oil and chemicals trading.

While this low-growth environment appears likely to persist in 2016 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 China’s latest policies.

The Group remains optimistic of its consumer products business, although the turnover of its home appliances, mobile phone earphones and data cords dipped during the previous financial year due to keen market competition. Under the 13th Five-Year Plan, the Chinese government will act to shift the economy from a focus on exports and investment toward services and consumer spending.

The Group’s mobile applications business is also expected to be a principal revenue driver. With over a quarter of the Chinese population owning mobile phones with ready access to the Internet, the demand for mobile applications especially gaming applications is massive. As a business diversification move, the Group has acquired 3 Dynamics, a company experienced in developing mobile games and popular cartoon characters. Though still at a nascent stage, 3 Dynamics is anticipated to contribute to the Group’s profitability as its business matures.

In line with China's 13th Five-Year Plan, which continues to encourage Liquefied Natural Gas (LNG) utilization within the waterborne transportation industry, the Group will continue to leverage on the patent technology held by its JV company Jiangxi China Oil Gangran Energy Technology Company Limited for the conversion of vessels to LNG bunkers and develop this business segment further. Presently, such conversion can result in a saving of 15 percent of fuel cost, a 70 percent reduction in emission of nitrogen oxides (NOx) and longer engine life. However, the continuously low prices of crude oil deterred vessel operators from utilizing 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 its branch company in Jiangxi, the Group has also embarked on R&D projects jointly with the country's key tertiary institutions and research organizations, such as Harbin Industrial University, with a view of optimizing 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 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 Utilization in the Waterborne Industry; Administrative Measures of Standardized Subsidy on Inland Canal Vessel and Plan to Cope with Climate Changes (2014-2020).

Given these definitive policy and industry trends, the Group has tasked its Jiangxi joint venture 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, the JV subsidiary holds the franchise to operate six refueling vessels, each weighing 1,800 tonnes, in Yangtze River, Gan River and Poyang Lake. Discussions are also underway between Jilin China Oil Gangran Energy, 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 – 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 China Oil Gangran Energy Group Holdings Limited 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 China. Complementing it are other business segments, such as mobile applications development and consumer electronics products, which are likely to turn profitable as the country's consumer market further develops. Still, continual improvement and innovation in product portfolio is critical in securing optimal returns and value for the Company's shareholders and its other stakeholders.

### **Potential Acquisition Activities**

During the Interim 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 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 last financial period, the Group and the Vendor 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. Up to the date of the announcement, the deposit remains outstanding.

Besides, with reference to the announcements of the Group dated 7 August 2014, 20 October 2014, 12 February 2015 and 16 October 2015 in relation to the MOU, Supplemental MOU and the Second Supplemental MOU 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.

On 5 February 2016, the Group entered into the Acquisition Agreement (“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 the Sale Shares, representing the entire issued share capital of the Sino Grandway, at an aggregate Consideration of RMB100,000,000 which shall be satisfied by cash. Subsequently, on 4 May 2016, the Company entered into a Supplemental Agreement (“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.

During the Interim Period, the Group and Vendor A and Vendor B has continuously discussed the possibility to further proceed the proposed investment.

### **Share Consolidation**

In order to increase the liquidity in trading of the shares of the Company, on 24 August 2016, the Board proposed that every two issued and unissued Existing Shares of HK\$0.0001 each in the share capital of the Company be consolidated into one Consolidated Share of HK\$0.0002 each. The Share Consolidation was approved by the shareholders of the Company (the “Shareholders”) by way of an ordinary resolution at the Extraordinary General Meeting of the Company (the “EGM”) held on 29 September 2016.

### **Fundraising Activities**

The Group’s Board formulated strategic plans for business expansion, including but not limited to entering the highly promising natural gas market in Mainland China and acquiring a developer of mobile phone games and digital applications. In order to meet its needs of business development, the Group successfully completed a share placement during the Interim Period.

Reference is made to the announcements dated 19 August 2016, 25 August 2016 and 26 August 2016 respectively in relation to the placing of a total of 48,000,000 new shares placed at HK\$0.076 per new share to one placee.

## **Employees' Remuneration Policy**

As at 30 September 2016, the Group employed 296 (31 March 2016: 262) full time employees mainly in the PRC and Hong Kong. The Group's remuneration policy is reviewed periodically and determined by reference to market terms, the Group's performance, and the individual's qualifications and performance. Employee benefits include the mandatory provident fund scheme for Hong Kong employees and central pension schemes operated by the local municipal governments for employees in the PRC. The Group also provides training programs for its employees to equip themselves with the requisite skills and knowledge and offers a share option scheme to recognize the employees who make significant contributions to the Group.

During the Interim Period, no share options (31 March 2016: Nil) were granted to eligible participants under the share option scheme of the Company.

Total staff costs (including Directors' remuneration) for the Interim Period amounted to approximately HK\$11.1 million (31 March 2016: approximately HK\$34.3 million).

## **Liquidity, Financial Resources and Capital Structure**

As at 30 September 2016, the indebtedness of the Group was approximately HK\$107.4 million (31 March 2016: approximately HK\$107.6 million). The Group had bank and cash balances of approximately HK\$48 million (31 March 2016: approximately HK\$38 million). The gearing ratio of the Group as at 30 September 2016, calculated as the Group's net indebtedness divided by equity attributable to owners of the Company, was approximately 30% (31 March 2016: approximately 31%).

As at 30 September 2016, the types of capital instruments used include promissory notes and bank borrowings.

As at 30 September 2016, borrowings of HK\$11.7 million (31 March 2016: HK\$12.1 million) were arranged at floating rates and exposed the Group to cash flow interest rate risk. As at 30 September 2016, the Group had banking facilities of HK\$41.7 million (31 March 2016: HK\$43.5 million) of which HK\$36.3 million (31 March 2016: HK\$38.6 million) were utilised including borrowings and bills payable. The carrying amounts of the Group's borrowings are denominated in Hong Kong dollars. The Group's borrowings are repayable within one year for the period ended 30 September 2016.

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

As at 30 September 2016, the Group's trade receivables was approximately HK\$12 million (31 March 2016: approximately HK\$14 million), representing approximately 6.5% (31 March 2016: approximately 7.2%) of the Group's turnover of approximately HK\$183.4 million (31 March 2016: approximately HK\$194.8 million) for the Interim Period. The Group adopted a stringent credit policy to minimize credit risk.

As at 30 September 2016, the ratio of current assets to current liabilities of the Group was approximately 1.60 (31 March 2016: approximately 1.70).

No capital commitments of unaudited condensed consolidated interim financial statements of the Group as at 30 September 2016.

### **Exposure to Foreign Exchange Risk**

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

### **Pledge of Assets**

As at 30 September 2016, the Group's following assets are pledged to secure its bank borrowings:

- (a) The Group's leasehold land and buildings with an aggregate carrying value of approximately HK\$14,052,000 (31 March 2016: approximately HK\$14,270,000); and
- (b) The bank borrowings were also secured by corporate guarantees provided by the Company.

### **Significant Investment and Disposals**

Save as disclosed in note 7, the Group had no other significant investments and disposals, nor has it made any material acquisition or disposal of the Group's subsidiaries or affiliated companies during the Interim Period.

## **Contingent Liabilities and Capital Commitment**

The Group had no significant contingent liabilities and capital commitment at 30 September 2016 (31 March 2016: HK\$Nil).

## **Segment Information**

Details of the segment information are set out in note 4 to the unaudited condensed consolidated interim financial statements.

## **CORPORATE GOVERNANCE PRACTICES**

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

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 29 July 2016. The other Independent Non-Executive Directors were obliged to be away for their business matters. The Board has continued to monitor and review the corporate governance principles and practices to ensure compliance.

The Board has maintained a balance of skills and experiences appropriate for the requirements of the businesses of the Group. Its composition represents a mixture of management, accounts and finance, marketing, manufacturing and procurement with comprehensive experience in and exposure to diversified businesses. It is the opinion of the Directors that the Board has the necessary skills and experience appropriate for discharging their duties as Directors in the best interest of the Company.

## **DIRECTORS' SECURITIES TRANSACTIONS**

The Company has adopted a code of conduct regarding securities transactions by Directors (the "Model Code") on terms no less exacting than the required standard of dealings set out in Rules 5.48 to 5.67 of the GEM Listing Rules. Upon the specific enquiry made to all the Directors, the Company was not aware of any Non-compliance with the Model Code regarding securities transactions by Directors during the six months ended 30 September 2016.



## Share option Scheme

The Company has a share option scheme (the “Scheme”) which was adopted pursuant to a resolution of the sole Shareholder passed on 27 April 2011. The purpose of the Scheme is to attract, retain and motivate talented Participants (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.

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

Grantee	Date of grant	Exercise price*	Exercise period of share options	Outstanding as at 1 April 2016	Granted during the period	Exercised during the period	Cancelled/ Lapsed during the period	Consolidated shares pursuant to a resolution of share consolidation passed by EGM on 29 September 2016	Outstanding as at 30 September 2016	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 September 2016
<b>Executive Directors:</b>												
Ho Chun Kit Gregory	17 March 2015	HK\$0.184	17 March 2015 – 16 March 2025	43,174,000	–	–	–	21,587,000	21,587,000	HK\$0.176	–	0.42%
<b>Chief Financial Officer:</b>												
Fok Sing Yan Joyce	23 September 2014	HK\$0.310	23 September 2014 – 22 September 2024	55,000,000	–	–	–	27,500,000	27,500,000	HK\$0.34	–	0.54%
<b>Other Categories:</b>												
Consultants in aggregate	17 September 2013	HK\$0.436	17 September 2013 – 16 September 2023	55,000,000	–	–	55,000,000	–	–	HK\$3.8	–	–
	10 October 2013	HK\$0.392	10 October 2013 – 9 October 2023	55,000,000	–	–	–	27,500,000	27,500,000	HK\$3.8	–	0.54%
	13 January 2014	HK\$0.314	13 January 2014 – 12 January 2024	110,000,000	–	–	–	55,000,000	55,000,000	HK\$3.08	–	1.08%
	14 July 2014	HK\$0.256	14 July 2014 – 13 July 2024	154,000,000	–	–	–	77,000,000	77,000,000	HK\$0.26	–	1.51%
	21 August 2014	HK\$0.226	21 August 2014 – 20 August 2024	55,000,000	–	–	–	27,500,000	27,500,000	HK\$0.24	–	0.54%
	16 February 2015	HK\$0.164	16 February 2015 – 15 February 2025	87,174,000	–	–	–	43,587,000	43,587,000	HK\$0.17	–	0.86%
	17 March 2015	HK\$0.184	17 March 2015 – 16 March 2025	197,522,000	–	72,674,000	–	62,424,000	62,424,000	HK\$0.176	HK\$0.088	1.23%

\* The prices have been adjusted to reflect the share consolidation during the Period.

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

As at 30 September 2016, the interest and short position of the Directors 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") as recorded in the register maintained by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the required standard of dealings by Directors of listed issuers as referred to in Rules 5.46 of the GEM Listing Rules were as follows:

### **Long Positions – Ordinary Shares**

#### **Interests in the Shares and underlying shares of the Company**

<b>Name of Director</b>	<b>Number of Shares</b>	<b>Derivatives</b>	<b>Total</b>	<b>Percentage of aggregate interests to the total number of Shares in issue</b>
	<b>Personal interests</b>	<b>Share Options</b>		
Mr. Ho Chun Kit Gregory	9,750,000	21,587,000	31,337,000	0.62%

#### *Notes:*

1. The numbers of shares have been adjusted to reflect the share consolidation during the Period.
2. 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 of the Company under the Company's share option scheme.

Save as disclosed above, as at 30 September 2016, 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 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**

So far as the Directors are aware, as at 30 September 2016, 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 would fall to be disclosed to the Company under the provision of Division 2 and 3 of Part XV of the SFO, or which are required to be disclosed pursuant to section 336 of the SFO.

## **AUDIT COMMITTEE**

The Company established an audit committee on 27 April 2011 with written terms of reference in compliance with rules 5.28 to 5.29 of the GEM Listing Rules. The audit committee currently comprises three Independent Non-Executive Directors namely Mr. Lau Sung Tat, Vincent (Chairman), Ms. Eugenia Yang and Mr. Chan Ying Kay. The audit committee has reviewed the unaudited consolidated results of the Company for the Interim Period.

## **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 Interim Period.

## **INTEREST IN A COMPETING BUSINESS**

During the six months ended 30 September 2016, none of the Directors, the controlling shareholders of the Company and their respective close associates (as defined under GEM Listing Rules) had any interest in any business which competes or is likely to compete, directly or indirectly, with the business of the Company or any other conflict of interest with the Company.

By order of the Board  
**Zou Donghai**  
*Chairman and Executive Director*

Hong Kong, 4 November 2016

*As at the date of the announcement, the Executive Directors are Mr. Zou Donghai, Mr. Rong Changjun, Mr. Zhang Xueming, Mr. Ho Chun Kit Gregory, Mr. Chan Lung Ming and Mr. Zheng Jian Peng and the Independent Non-Executive Directors are Ms. Eugenia Yang, Mr. Chan Ying Kay 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](http://www.chinaoilgran.com) and <http://chinaoilgran.todayir.com>.*