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中油港燃能源集團控股有限公司

CHINA OIL GANGRAN ENERGY GROUP HOLDINGS LIMITED

(Provisional Liquidators Appointed)

(For Restructuring Purposes)

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 8132

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2019

The board (the “**Board**”) of directors (the “**Directors**”) of China Oil Gangran Energy Group Holdings Limited (the “**Company**”) is pleased to announce the unaudited consolidated results of the Company and its subsidiaries for the six months ended 30 September 2019. This announcement, containing the full text of the interim report for the six months ended 30 September 2019 of the Company (“**Interim Report**”), complies with the relevant requirements of the Rules Governing the Listing of Securities on GEM of The Stock Exchange of Hong Kong Limited (the “**GEM Listing Rules**”) in relation to information to accompany the preliminary announcement of interim results. The printed version of the Interim Report containing the information required by the GEM Listing Rules will be despatched to the shareholders of the Company in due course in the manner required by the GEM Listing Rules.

By order of the Board

China Oil Gangran Energy Group Holdings Limited

(Provisional Liquidators Appointed)

(For Restructuring Purposes)

Yeung Shing Wai

Executive Director

Hong Kong, 31 August 2020

As at the date of this announcement, the executive Directors are Mr. Rong Changjun, Mr. Zhang Wenrong, Mr. Yuan Beisheng, Ms. Hui Sai Ha (duties suspended), Mr. Yeung Shing Wai, Mr. Chen Tian Gang, Mr. Li Shu Wang and Mr. Zhang Shao Wu and the independent non-executive Directors are Mr. Chu Kin Ming, Mr. Chiam Tat Yiu and Mr. Chan Wai Cheung Admiral.

This announcement, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with 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.

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.chinaoilgangrans.com.

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The Report, for which the board of (the “Board”) 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.

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CORPORATE INFORMATION

REGISTERED OFFICE

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PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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Hong Kong

COMPANY'S WEBSITES

www.chinaoilgangrans.com

LEGAL ADVISERS

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Hong Kong

AUDITOR

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181 Johnston Road
Wanchai, Hong Kong

JOINT PROVISIONAL LIQUIDATORS

Mr. Yen Ching Wai David
Ms. So Kit Yee Anita
Mr. Keiran William Hutchison

STOCK CODE

8132

BOARD OF DIRECTORS

EXECUTIVE DIRECTORS

Mr. Rong Changjun (*Vice Chairman*)
Mr. Zhang Wenrong
Mr. Yuan Beisheng
Ms. Hui Sai Ha
Mr. Yeung Shing Wai
Mr. Chen Tian Gang
Mr. Li Shu Wang
Mr. Zhang Shao Wu

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Chu Kin Ming
Mr. Chiam Tat Yiu
Mr. Chan Wai Cheung Admiral

AUDIT COMMITTEE

Mr. Chu Kin Ming (*Chairman*)
Mr. Chiam Tat Yiu
Mr. Chan Wai Cheung Admiral

REMUNERATION COMMITTEE

Mr. Chiam Tat Yiu (*Chairman*)
Mr. Chu Kin Ming
Mr. Chan Wai Cheung Admiral

NOMINATION COMMITTEE

Mr. Chu Kin Ming (*Chairman*)
Mr. Chiam Tat Yiu
Mr. Chan Wai Cheung Admiral

COMPANY SECRETARY

Mr. Chan Tsang Mo

AUTHORISED REPRESENTATIVES

Mr. Yeung Shing Wai
Mr. Chan Tsang Mo

PRINCIPAL BANKERS

Bank of China (Hong Kong) Limited

THE PRINCIPAL SHARE REGISTRAR IN THE CAYMAN ISLANDS

Conyers Trust Company (Cayman) Limited
Cricket Square, Hutchins Drive
P.O. Box 2681
Grand Cayman, KY1-1111
Cayman Islands

BRANCH SHARE REGISTRAR AND TRANSFER AGENT IN HONG KONG

Tricor Investor Services Limited
Level 54, Hopewell Centre
183 Queen's Road East
Wanchai
Hong Kong

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

The unaudited revenue of the Company and its subsidiaries (collectively the “**Group**”) for the six months ended 30 September 2019 (the “**Interim Period**”) was approximately HK\$23.5 million, representing a decrease of approximately 51.0% from approximately HK\$48.0 million for the comparable period of last year. Such decrease was attributable to the deconsolidation of the financial position and performance of the business of the Deconsolidated Subsidiaries (as defined below) and the fierce competition in the power and data cords sector.

The Group’s unaudited loss attributable to the Company’s owners decrease to approximately HK\$14.4 million from approximately HK\$28.3 million for the corresponding period last year. The decrease was mainly due to the decrease in the bad debt written off of trade receivables, professional fees and office rental expenses as compared to the corresponding period last year.

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

DECONSOLIDATION OF SUBSIDIARIES LOST CONTROL

On 1 January 2019, the date when the Group lost control of 江西中油港燃能源科技有限责任公司 (transliterated as “Jiangxi China Oil Gangran Energy Technology Company Limited”) (“**Jiangxi China Oil**”), 舟山中油港燃石油化工有限公司 (transliterated as “Zhoushan China Oil Gangran Petroleum and Chemical Company Limited”), 江西港燃貿易有限公司 (transliterated as “Jiangxi Gangran Trading Company Limited”) and 吉林中油港燃能源開發有限公司 (transliterated as “Jilin China Oil Gangran Energy Development Company Limited”) (“**Jilin China Oil**”) (collectively the “**Deconsolidated Subsidiaries**”), which were the subsidiaries of the Company which engaged in the refined oil retail business and trading of methyl tert-butyl ether (“**MTBE**”). Hence, the Group no longer consolidated the financial position and performance of the Deconsolidated Subsidiaries since 1 January 2019.

BUSINESS REVIEW

During the Interim Period, the Group operated a diverse business portfolio comprising: (i) manufacture and sale of power cords and inlet sockets for household electric appliances; power and data cords for mobile phones and medical control devices; (ii) trading of glasses and other commodities; (iii) liquefied natural gas (“**LNG**”), compressed natural gas (“**CNG**”) and other related clean energy businesses; (iv) refined oil retail business; and (v) trading of MTBE.

BUSINESS REVIEW *(Continued)*

In terms of geographical market performance, the United States and mainland China contributed to approximately 38.4% (2018: approximately 16%) and approximately 48.4% (2018: approximately 65%) of the Group's total unaudited revenue respectively, while the remaining approximately 13.2% (2018: approximately 19%) came from its other markets, including Taiwan and Hong Kong.

POWER CORDS AND INLET SOCKETS FOR HOUSEHOLD ELECTRIC APPLIANCES

The unaudited revenue of the Group from power cords and inlet sockets for household electric appliances was approximately HK\$3.3 million (2018: approximately HK\$4.6 million) in the Interim Period, representing a year-on-year decrease of approximately 28.3%.

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 complied with eleven types of international safety standards. The unaudited revenue from such business experienced a downturn during the Interim Period due to fierce market competition.

POWER AND DATA CORDS FOR MOBILE PHONES AND MEDICAL CONTROL DEVICES

With fierce competition in the power and data cords 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 unaudited revenue from power and data cords for mobile phones recorded a decrease of approximately 27.0% to approximately HK\$11.1 million (2018: approximately HK\$15.2 million) for the Interim Period. For the same reason, the Group's unaudited revenue from power and data cords for medical control devices decreased to approximately HK\$9.0 million (2018: approximately HK\$11.3 million), representing a decrease of approximately 20.4% compared to the corresponding period last year.

The power and data cords for mobile phones are generally used for power charging and data transfer and are essential accessories for all mobile phones. The 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.

BUSINESS REVIEW *(Continued)*

POWER AND DATA CORDS FOR MOBILE PHONES AND MEDICAL CONTROL DEVICES *(Continued)*

The power and data cords for medical control devices are multi-functional products which are mainly exported to 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, GLASSES AND OTHER COMMODITIES

The Group's unaudited revenue from (i) the trading of mobile smart phones and glasses was Nil (2018: HK\$1.6 million); and (ii) the trading of other commodities was approximately HK\$0.1 million (2018: Nil) for the Interim Period.

DEVELOPMENT OF DIGITAL APPLICATIONS

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

Pursuant to the sale and purchase agreement in respect of the acquisition of 3 Dynamics (the "**Sale and Purchase Agreement**"), Mr. Chung Wai Sum (the "**Vendor**") irrevocably and unconditionally warranted and guaranteed to Dynamic Miracle Limited, a wholly-owned subsidiary of the Company (the "**Dynamic Miracle**") that the audited net profits after tax of 3 Dynamics as shown in its audited financial statement for the 12 months from the date of the completion of acquisition, i.e. for the period from 11 December 2013 to 10 December 2014 (the "**Relevant Period**") shall not be less than HK\$42,000,000 (the "**Profit Guarantee**"). The Profit Guarantee was secured by 140,000,000 consideration shares ("**Escrow Shares**") of the Company issued to the Vendor. As certified by the previous 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 there was no profit for the Relevant Period pursuant to the Sale and Purchase Agreement. Under the terms and conditions as stipulated in the Sale and Purchase Agreement, the Escrow Shares would be sold in order to pay for the Profit Guarantee. During the year ended 31 March 2016, a portion of the Escrow Shares were sold to pay for the Profit Guarantee. An amount of HK\$20,000,000 was received by the Group to partially settle the Profit Guarantee obligation of the Vendor.

As at 31 March 2019 and 2018, the balance of HK\$22,000,000 ("**Contingent Consideration Receivables**") was still outstanding for the Profit Guarantee and only 73,870,000 (before the share consolidation becoming effective on 29 November 2018) of the Escrow Shares remained as a security for the Profit Guarantee. However, given that the Contingent Consideration Receivables has been long-outstanding, despite of the Escrow Shares held, the Board considered that the chance to collect the Contingent Consideration Receivables would be low and made full provision for the amount receivable during the year ended 31 March 2017.

BUSINESS REVIEW *(Continued)*

DEVELOPMENT OF DIGITAL APPLICATIONS *(Continued)*

During the period ended 30 September 2019, the Company was in continuous negotiations with the Vendor to recover the Contingent Consideration Receivables.

LNG, CNG AND OTHER RELATED CLEAN ENERGY BUSINESS

Operating through Jiangxi China Oil, the Group continued to develop the businesses of LNG, CNG and related clean energy. Through the patented technology it held, Jiangxi China Oil also helped the conversion of diesel-powered vessels to run on LNG, which is more environmental friendly and also prolonged the engine's lifespan. Jiangxi China Oil also embarked on joint research projects with some of the China's top tertiary institutions and research units to uncover possibilities of conversion technology upgrades. Jilin China Oil Gangran Energy ("**Jilin China Oil**"), another subsidiary of the Group, has entered into negotiations with the Jilin Oilfield Management Bureau to jointly develop the related oilfields.

Due to the deconsolidation involving the uncooperative PRC subsidiaries of providing finance information, the Group no longer consolidated the financial position and performance for LNG, CNG and other related clean energy business of the Deconsolidated Subsidiaries since 1 January 2019.

REFINED OIL RETAIL BUSINESS

For the expansion of the Group's principal business, the Group has diversified its business development by engaging in the refined oil retail business commencing in mid 2015.

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

The Group 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 the Shareholders as a whole.

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 GEM Listing Rules).

Due to the deconsolidation involving the uncooperative PRC subsidiaries of providing finance information, the Group no longer consolidated the financial position and performance for refined oil retail business of the Deconsolidated Subsidiaries since 1 January 2019. Thus, during the Interim Period, no revenue was recorded for the sales of refined oil (2018: approximately HK\$12.3 million).

TRADING OF MTBE (甲基叔丁基醚) AND OTHER CHEMICALS

The Group was engaged in the trading of MTBE, a gasoline additive and used almost exclusively as a component in fuel for gasoline engines. Besides increasing the octane number, MTBE also reduces the fuel vapour pressure (Reid vapour pressure), so that the vapour emissions during automobile fuelling and operation are reduced. In addition, MTBE reduces exhaust emissions, particularly carbon monoxide, unburnt hydrocarbons, polycyclic aromatics and particulate carbon. In the PRC, where the oxygenated content and environmental concerns are of paramount importance, MTBE is used in significant quantities.

Due to the deconsolidation involving the uncooperative PRC subsidiaries of providing finance information, the Group no longer consolidated the financial position and performance for trading of MTBE and other chemicals of the Deconsolidated Subsidiaries since 1 January 2019. Thus, during the Interim Period, no revenue was recorded for the trading of MTBE (2018: approximately HK\$3 million).

BUSINESS REVIEW *(Continued)*

FUNDRAISING ACTIVITY

Subscription of new shares under general mandate

On 12 April 2019, the Company as issuer and Ms. Qu Ziyu (曲梓語)(the “**Subscriber 1**”) entered into a subscription agreement (the “**Subscription Agreement 1**”) in relation to the subscription of 17,570,000 new share of the Company (the “**Subscription Share(s)**”) at the price of HK\$0.33. The 17,570,000 Subscription Shares represented (i) approximately 4.62% of the existing issued share capital of the Company as at the date of the announcement dated 12 April 2019; and (ii) approximately 4.42% of the issued share capital of the Company as enlarged by the allotment and issue of the Subscription Shares immediately after the Completion, assuming that there will be no change in the issued share capital of the Company (other than the issue of the Subscription Shares) between the date of the announcement dated 12 April 2019 and the date of the completion of the Subscription Agreement. As the condition precedent under the Subscription Agreement had not been fulfilled on or before 30 April 2019, the Subscription Agreement lapsed on 30 April 2019. For details, please refer to the announcements of the Company dated 12 April 2019 and 30 April 2019.

On 23 April 2019, the Company as issuer and Mr. Lin Hann Ruey (林翰瑞)(the “**Subscriber 2**”) entered into a subscription agreement (the “**Subscription Agreement 2**”) in relation to the subscription of 15,584,000 new share of the Company (the “**Subscription Share(s)**”) at the price of HK\$0.385. The 15,584,000 Subscription Shares represented (i) approximately 4.10% of the existing issued share capital of the Company as at the date of the announcement dated 23 April 2019; and (ii) approximately 3.94% of the issued share capital of the Company as enlarged by the allotment and issue of the Subscription Shares immediately after the completion of Subscription Agreement 2, assuming that there will be no change in the issued share capital of the Company (other than the issue of the Subscription Shares) between the date of the announcement dated 23 April 2019 and the completion of the Subscription Agreement 2. As the condition precedent under the Subscription Agreement was not expected to be fulfilled on or before 15 May 2019, the Subscriber 2 and the Company mutually agreed to terminate the Subscription Agreement on 10 May 2019. For details, please refer to the announcements of the Company dated 23 April 2019 and 10 May 2019.

OUTLOOK

During the Interim Period, the global economic environment is still deeply fluctuating. The medium-to-long-term economic growth of the PRC has slowed down. Falling commodity price, the declining global industrial output and depressed trading added to the uncertainties. Due to the challenging macro-economic conditions, the Group recorded a 28.1% decrease in revenue of sales of power and data cords and inlet sockets as compared to the corresponding period last year.

Although there was still in a low-growth economic in 2019 and beyond, the Group steadfastly committed to expand its market share and profitability.

In the future, despite the wide range of growth opportunities, the challenge facing the Group is to evaluate, identify and leverage opportunities that can ensure that the attractiveness of its corporate brand is maintained and high-quality execution is sustained. To this end, considerable risk management and control are required, and every major business decision must be made with caution.

Over the years ahead, the power and data cords business will remain as a significant part of the Group, owing to its promising outlook combined with the positive policy milieu and market from overseas. Despite the challenging development in the power cords and inlet sockets for household electric appliances sector and power and data cords for mobile phones and medical control devices sector, the Group continues to diversify its operating risks and expand its sources of revenue and proactively seeks to capture a full spectrum of development strategies and investment opportunities in securing optimal returns and value for the Shareholders and its other stakeholders.

EMPLOYEES' REMUNERATION POLICY

As at 30 September 2019, the Group employed 114 (31 March 2019: 117) 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, 35,700,000 share options (30 September 2018: 10,562,500 (restated)) 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\$15.4 million (30 September 2018: approximately HK\$12.8 million).

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

As at 30 September 2019, the aggregate carrying value of the Group's indebtedness was approximately HK\$124.6 million (31 March 2019: approximately HK\$126.3 million). The Group had bank balances and cash of approximately HK\$5.5 million (31 March 2019: approximately HK\$13.8 million). The gearing ratio of the Group as at 30 September 2019, calculated as net debt divided by total equity, was approximately 337.0% (31 March 2019: approximately 240.7%). Net debts is defined as total debts (includes promissory notes, bond and bank loans) less bank balances and cash. Equity comprises share capital and reserves.

As at 30 September 2019, the ratio of current assets to current liabilities of the Group was approximately 0.74 (31 March 2019: approximately 0.99).

On 24 July 2019, the Company and an independent third party (the "Lender") entered into a loan agreement, pursuant to which the Lender has agreed to make available to the Company the loan, through itself or company controlled by it, with the principal amount of HK\$5,000,000 from 24 July 2019 on the terms and conditions contained therein, and the Company has agreed to provide, as security for the loan and in favour of the Lender, the share pledge over 51% equity interests of Able One Investments Limited (a wholly-owned subsidiary of the Company) and its subsidiaries with entire power and data cords and general trading business.

EXPOSURE TO FOREIGN EXCHANGE RISK

As the Group operates principally in Hong Kong and the PRC, its exposure to foreign currency risk is minimal as most of its business transactions, assets and liabilities are principally denominated in the functional currency of the group entities. In this respect, the only risk it is faced arose from exposures mainly to the renminbi ("RMB") and the United States dollar ("US\$"). These risks were mitigated as the Group held HK\$, US\$ and RMB bank accounts to finance transactions denominated in these currencies respectively. The Group has no foreign currency hedging policy for foreign currency transactions, assets and liabilities. During the Financial Year, the Group did not use any financial instruments for hedging purposes. The Group will continue to monitor its exposure to foreign exchange risks and will consider hedging such exposure, should such a risk arises.

PLEDGE OF ASSETS

As at 30 September 2019, the Group pledged its leasehold land and buildings with an aggregate carrying amount of approximately HK\$9,485,000 (31 March 2019: HK\$9,939,000).

SIGNIFICANT INVESTMENT

There was no significant investment held by the Group as at 30 September 2019.

MATERIAL DISPOSAL OF SUBSIDIARY

On 5 July 2019, Able One Investments Limited (the “**Issuer**”), a wholly-owned subsidiary of the Company, and Mr. Qin Junwang (the “**Subscriber**”) entered into a subscription agreement (the “**Subscription Agreement**”) in relation to which the Issuer agreed to allot and issue, and the Subscriber agreed to subscribe for, the 49 new shares of the Issuer at an aggregate subscription consideration of HK\$2,000,000. Upon the completion, the issuer was held by the Company and the Subscriber as to 51% and 49%, respectively, remained as a subsidiary of the Company and its financial results continued to be consolidated with the financial statements of the Group. The disposal was completed on 12 July 2019. For details, please refer to the announcements of the Company dated 5 July 2019.

Save as disclosed above, the Group had no other 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 at 30 September 2019 (31 March 2019: Nil).

Details of capital commitments are set out in note 19 to the unaudited condensed consolidated interim financial statements.

SEGMENT INFORMATION

Details of the segment information are set out in note 3 to the unaudited condensed consolidated interim financial statements.

EVENTS AFTER THE REPORTING PERIOD

- (i) On 22 October 2019, the Company filed a winding up petition at Grand Court of the Cayman Islands (the “**Cayman Court**”) under section 93 of the Cayman Companies Law. On 5 November 2019, the Cayman Court ordered that 3 persons be appointed as the Joint Provisional Liquidators (“**JPLs**”) of the Company with the power to act jointly and severally. The JPLs were authorised to develop and propose a restructuring of the Company’s indebtedness in a manner designed to allow the Company to continue as a going concern, with a view to making a compromise or arrangement with the Company’s creditors, including (without limitation) a compromise or arrangement by way of a scheme of arrangement pursuant to section 86 of the Cayman Companies law.
- (ii) Since December 2019, the outbreak of novel coronavirus (“**COVID-19**”) has impact on the global business environment. Pending the development and spread of the epidemic subsequent to the date of the approval of these consolidated financial statements, further changes in economic conditions for the Group arising thereof may have impact on the financial results of the Group, the extent of which could not be estimated as at the date of the approval of these consolidated financial statements. The Group will pay close attention to the development of COVID-19 and evaluate its impact on the financial position and operating results of the Group.
- (iii) On 23 December 2019, the Company and a potential investor (“**First Potential Investor**”) entered into a non-legally binding memorandum of understanding (“**MOU**”) pursuant to the First Potential Investor shall invest a sum of HK\$40,000,000 in the Company by way of subscription of shares and bonds. The First Potential Investor has paid to the Company an non-refundable deposit in the sum of HK\$5,000,000 in cash (“**Deposit**”).
- (iv) On 6 March 2020, the Company entered into a deed of assignment and novation with the First Potential Investor as assignor, the Assignee (“**Second Potential Investor**”) and a warrantor (a director of the First Potential Investor) pursuant to which (a) the First Potential Investor has assigned to the Second Potential Investor all its rights, titles, benefits and interests in and under the MOU (including the Deposit under the MOU); and (b) the Second Potential Investor has undertaken to each of the First Potential Investor and the Company to be bound by and to observe and perform the terms, conditions and covenants of the MOU on the part of the First Potential Investor, and to assume all liabilities of the First Potential Investor under the MOU from the date of the deed of assignment and novation.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 September 2019

	Notes	Three months ended 30 September		Six months ended 30 September	
		2019 HK\$'000 (Unaudited)	2018 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)	2018 HK\$'000 (Unaudited)
Revenue	4	11,130	21,412	23,547	48,003
Cost of sales		(8,215)	(16,334)	(16,727)	(37,921)
Gross profit		2,915	5,078	6,820	10,082
Other income/(loss)	5	8,034	(907)	9,057	5,971
Selling expenses		(494)	(1,516)	(1,209)	(3,866)
Administrative expenses		(3,656)	(16,974)	(19,344)	(35,617)
Profit/(loss) from operations		6,799	(14,319)	(4,676)	(23,430)
Finance costs	6	(4,256)	(2,939)	(8,482)	(6,495)
Profit/(loss) before tax		2,543	(17,258)	(13,158)	(29,925)
Income tax expenses	7	(3,467)	(131)	(444)	(295)
Loss for the period	8	(924)	(17,389)	(13,602)	(30,220)
Other comprehensive (expenses)/income, net of tax:					
Items that may be reclassified to profit or loss:					
Exchange reserve released on deregistration of subsidiary		—	—	1,211	—
Exchange differences on translating foreign operations		(5,663)	12,526	(6,457)	(11,098)
		(5,663)	12,526	(5,246)	(11,098)
Total comprehensive expense for the period		(6,587)	(4,863)	(18,848)	(41,318)

	Notes	Three months ended 30 September		Six months ended 30 September	
		2019	2018	2019	2018
		HK\$'000 (Unaudited)	HK\$'000 (Unaudited)	HK\$'000 (Unaudited)	HK\$'000 (Unaudited)
Loss for the period attributable to:					
Owners of the Company		(1,759)	(16,846)	(14,437)	(28,288)
Non-controlling interests		835	(543)	835	(1,932)
		<u>(924)</u>	<u>(17,389)</u>	<u>(13,602)</u>	<u>(30,220)</u>
Total comprehensive (expenses)/income for the period attributable to:					
Owners of the Company		(6,214)	(6,613)	(19,688)	(42,076)
Non-controlling interests		838	1,750	840	758
		<u>(5,376)</u>	<u>(4,863)</u>	<u>(18,848)</u>	<u>(41,318)</u>
Loss per share (HK\$ cents)					
Basic	10(a)	(0.5)	(4.8)	(3.8)	(8.6)
			(Restated)		(Restated)
Diluted	10(b)	(0.5)	(4.8)	(3.8)	(8.6)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 September 2019

	Notes	30 September 2019 HK\$'000 (Unaudited)	31 March 2019 HK\$'000 (Audited)
Non-current assets			
Property, plant and equipment	11	22,942	16,782
Right-of-use assets		2,100	—
		25,042	16,782
Current assets			
Inventories		3,546	5,290
Trade and other receivables	12	90,733	77,520
Bank balances and cash		5,453	13,752
		99,732	96,562
Current liabilities			
Trade and other payables	13	73,768	53,278
Promissory notes payable	14	19,770	1,513
Borrowings	15	32,752	35,835
Lease liabilities		2,133	—
Tax payable		7,094	6,738
		135,517	97,364
Net current liabilities		(35,785)	(802)
Total assets less current liabilities		(10,743)	15,980

	Notes	30 September 2019 HK\$'000 (Unaudited)	31 March 2019 HK\$'000 (Audited)
Non-current liabilities			
Promissory notes payable	14	50,332	67,698
Borrowings	15	10,000	10,000
Convertible notes		11,731	11,211
Deferred tax liabilities		974	973
		73,037	89,882
NET LIABILITIES		(83,780)	(73,902)
Capital and reserves			
Share capital	17	1,520	1,520
Reserves		(85,973)	(75,332)
Equity attributable to owners of the Company		(84,453)	(73,812)
Non-controlling interests		673	(90)
TOTAL EQUITY		(83,780)	(73,902)

Approved and signed by the Board on 31 August 2020.

Yeung Shing Wai
Executive Director

Chen Tian Gang
Executive Director

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 September 2019

	Attributable to owners of the Company										
	Share capital	Share premium	Statutory reserve	Convertible notes equity reserve	Foreign currency translation reserve	Share-based capital reserve	Equity		Sub-total	Non-controlling interests	Total equity
							transaction reserve	Accumulated losses			
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
At 1 April 2018 (Audited)	1,228	657,343	3,909	—	3,749	45,754	—	(599,290)	112,693	(11,036)	101,657
Total comprehensive income for the period	—	—	—	—	(13,788)	—	—	(28,288)	(42,076)	758	(41,318)
Placement of shares	200	40,800	—	—	—	—	—	—	41,000	—	41,000
Recognition of share options	—	—	—	—	—	3,766	—	—	3,766	—	3,766
At 30 September 2018 (Unaudited)	1,428	698,143	3,909	—	(10,039)	49,520	—	(627,578)	115,383	(10,278)	105,105
At 1 April 2019 (Audited)	1,520	703,768	3,918	2,215	(1,368)	50,794	—	(834,659)	(73,812)	(90)	(73,902)
Total comprehensive income for the period	—	—	—	—	(3,187)	—	—	(16,501)	(19,488)	840	(18,848)
Changes in ownership interest in a subsidiary without loss of control	—	—	(1,920)	—	909	—	3,087	—	2,076	(77)	1,999
Share options lapsed	—	—	—	—	—	(3,263)	—	3,263	—	—	—
Recognition of share options	—	—	—	—	—	6,971	—	—	6,971	—	6,971
At 30 September 2019 (Unaudited)	1,520	703,768	1,998	2,215	(3,646)	54,502	3,087	(847,897)	(84,453)	673	(83,780)

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 September 2019

	Notes	Six months ended 30 September	
		2019 HK\$'000 (Unaudited)	2018 HK\$'000 (Unaudited)
NET CASH USED IN OPERATING ACTIVITIES		1,435	(38,520)
Purchases of property, plant and equipment		(8,739)	(676)
Proceeds from disposals of property, plant and equipment		—	—
Interest received		6	172
NET CASH USED IN INVESTING ACTIVITIES		(8,733)	(504)
Proceeds from issue of interest-bearing bond		—	10,000
Repayment of bank borrowings		—	(300)
Proceeds from issue of promissory notes		—	10,420
Repayment of promissory notes		—	(26,000)
Repayment for other loan		(2,404)	—
Proceeds from issue of shares		2,000	41,000
NET CASH (USED IN)/GENERATED FROM FINANCING ACTIVITIES		(404)	35,120
NET DECREASE IN CASH AND CASH EQUIVALENTS		(7,702)	(3,904)
Effect of foreign exchange rate changes		(597)	(10,746)
CASH AND CASH EQUIVALENTS AT 1 APRIL		13,752	46,695
CASH AND CASH EQUIVALENTS AT 30 SEPTEMBER		5,453	32,045

NOTES TO THE CONDENSED FINANCIAL STATEMENTS

For the six months ended 30 September 2019

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 2019 (the “**Interim Financial Report**”) have been prepared in accordance with Hong Kong Accounting Standard 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (“**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 2019 (the “**2019 Annual Financial Statements**”).

The Interim Financial Report has been prepared in accordance with the same accounting policies adopted in the 2019 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.

The unaudited condensed consolidated interim financial statements have not been audited by the Company’s auditors, but have been reviewed by the audit committee of the Company.

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

In the current period, the Group has adopted all the new and revised HKFRSs issued by the HKICPA that are relevant to its operations and effective for its accounting year beginning on 1 April 2019. 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. SEGMENT INFORMATION

The Group's reportable segments are determined as follows:

- | | |
|--|---|
| 1. Trading of refined oil and chemicals | – engaged in trading of refined oil and chemicals. |
| 2. Digital application business | – engaged 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 and general trading business | – engaged 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 general trading business. |

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.

3. SEGMENT INFORMATION *(Continued)*

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

	Power and data cords and general trading business HK\$'000 (Unaudited)	Trading of refined oil and chemicals HK\$'000 (Unaudited)	Digital application business HK\$'000 (Unaudited)	Total HK\$'000 (Unaudited)
Six months ended 30 September 2019				
Revenue from external customers	23,547	—	—	23,547
Segment gain	3,376	—	—	3,376
At 30 September 2019				
Segment assets	106,425	—	10	106,435
Segment liabilities	74,140	—	8,294	82,434
Six months ended 30 September 2018				
Revenue from external customers	32,737	15,266	—	48,003
Segment loss	(1,278)	(4,237)	—	(5,515)
At 31 March 2019				
Segment assets	70,118	—	1	70,119
Segment liabilities	31,661	—	8,294	39,955

3. SEGMENT INFORMATION *(Continued)*

	Six months ended 30 September	
	2019 HK\$'000 (Unaudited)	2018 HK\$'000 (Unaudited)
Reconciliation of segment results:		
Total loss of reportable segments	3,376	(5,515)
Unallocated amounts:		
Other income	4,807	245
Corporate expenses	(13,721)	(19,497)
Finance costs	(8,064)	(5,453)
Consolidated loss for the period	(13,602)	(30,220)

4. REVENUE

The Group's revenue for the three months and six months ended 30 September 2019 and 2018 represented the following:

	Three months ended 30 September		Six months ended 30 September	
	2019 HK\$'000 (Unaudited)	2018 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)	2018 HK\$'000 (Unaudited)
Sales of power and data cords and inlets sockets	11,130	16,901	23,547	32,737
Sales of refined oil and chemicals	—	4,511	—	15,266
	11,130	21,412	23,547	48,003

5. OTHER INCOME/(LOSS)

	Three months ended 30 September		Six months ended 30 September	
	2019 HK\$'000 (Unaudited)	2018 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)	2018 HK\$'000 (Unaudited)
Interest income	1	75	6	172
Net foreign exchange gain/(loss)	19	188	(59)	209
Sundry (expense)/income	(73)	103	1,023	764
Gain on deregistration of subsidiary	5,731	—	5,731	—
Reversal of/(provision for) impairment of trade receivables	2,356	(1,273)	2,356	4,826
	8,034	(907)	9,057	5,971

6. FINANCE COSTS

	Three months ended 30 September		Six months ended 30 September	
	2019 HK\$'000 (Unaudited)	2018 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)	2018 HK\$'000 (Unaudited)
Effective interest expenses on convertible notes	311	—	618	—
Interest on secured bank loan	176	514	338	1,043
Interest on other loan	1,806	—	3,613	—
Effective interest expenses on promissory notes	1,722	1,077	3,421	2,858
Interest on interest-bearing bond	204	1,348	407	2,594
Interest on lease liability	37	—	85	—
	4,256	2,939	8,482	6,495

7. INCOME TAX EXPENSES

	Three months ended 30 September		Six months ended 30 September	
	2019 HK\$'000 (Unaudited)	2018 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)	2018 HK\$'000 (Unaudited)
Current tax – Hong Kong				
Provision for the period	—	—	—	—
Over-provision in prior years	—	—	(3,368)	—
Current tax – PRC Enterprise				
Provision for the period	3,467	131	3,812	295
	3,467	131	444	295
Deferred tax	—	—	—	—
	3,467	131	444	295

No Hong Kong Profits Tax has been provided as the Group had no assessable profits in Hong Kong for the year (2018: Nil).

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% (2018: 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).

8. LOSS FOR THE PERIOD

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

	Three months ended 30 September		Six months ended 30 September	
	2019 HK\$'000 (Unaudited)	2018 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)	2018 HK\$'000 (Unaudited)
Depreciation of property, plant and equipment	809	954	1,923	1,778
Depreciation of right-of-use assets	663	–	1,314	–
Directors' emoluments	1,811	1,369	3,623	2,951
Equity settled share-based payment expense	–	–	6,971	3,766

9. DIVIDENDS

The Board does not recommend payment of any interim dividend for the six months ended 30 September 2019 (six months ended 30 September 2018: Nil).

10. 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 approximately HK\$1,759,000 (2018: HK\$16,846,000) by the weighted average number of ordinary shares of 380,019,818 (2018: 352,231,514 (restated)) in issue for the three months ended 30 September 2019. Basic loss per share is calculated by dividing the unaudited loss attributable to owners of the Company of approximately HK\$14,437,000 (2018: HK\$28,288,000) by the weighted average number of ordinary shares of 380,019,818 (2018: 329,800,414 (restated)) in issue for the six months ended 30 September 2019.

The weighted average number of ordinary shares for three months and six months ended 30 September 2019 and 2018 for the purpose of calculating basic loss per share has been adjusted for the consolidation of shares on the basis that every twenty issued and authorised shares being converted into one consolidated share which took place on 29 November 2018. Details of the share consolidation are set out in note 17 to the consolidated financial statements.

(B) DILUTED LOSS PER SHARE

Diluted loss per share is the same as basic loss per share as the outstanding convertible notes and share options have anti-dilutive effects on basic loss per share for Financial Period and the corresponding period last year.

11. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 September 2019, the Group acquired property, plant and equipment of approximately HK\$8,739,000 (six months ended 30 September 2018: HK\$676,000).

12. TRADE AND OTHER RECEIVABLES

	30 September 2019 HK\$'000 (Unaudited)	31 March 2019 HK\$'000 (Audited)
Trade receivables from contract with customers	21,219	20,460
Less: Allowance for credit losses	(5,347)	(5,948)
	15,872	14,512
Other receivables	74,861	63,008
	90,733	77,520
Total trade and other receivable	90,733	77,520

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:

	30 September 2019 HK\$'000 (Unaudited)	31 March 2019 HK\$'000 (Audited)
Within 30 days	8,732	4,596
31 – 60 days	3,065	2,566
61 – 90 days	1,606	3,828
91 – 180 days	2,469	3,522
	15,872	14,512
	15,872	14,512

13. TRADE AND OTHER PAYABLES

	30 September 2019 HK\$'000 (Unaudited)	31 March 2019 HK\$'000 (Audited)
Trade payables	4,143	5,802
Other payables	69,625	47,476
Total trade and other payables	73,768	53,278

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

	30 September 2019 HK\$'000 (Unaudited)	31 March 2019 HK\$'000 (Audited)
Not yet due	2,763	4,333
1 – 30 days past due	1,048	1,127
31 – 60 days past due	125	76
61 – 90 days past due	6	137
91 – 180 days past due	8	63
Over 180 days	193	66
	4,143	5,802

14. PROMISSORY NOTES PAYABLE

	30 September 2019 HK\$'000 (Unaudited)	31 March 2019 HK\$'000 (Audited)
Current	19,770	1,513
Non-current	50,332	67,698
	<u>70,102</u>	<u>69,211</u>

Movements in promissory notes is analysed as follows:

	30 September 2019 HK\$'000 (Unaudited)	30 September 2018 HK\$'000 (Unaudited)
At beginning of the period	69,211	81,644
Issuance	—	10,420
Imputed interest charged	3,421	6,355
Interest paid and payables	(2,530)	(5,236)
Redemption	—	(26,000)
At end of the period	<u>70,102</u>	<u>67,183</u>

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

15. BORROWINGS

	30 September 2019 HK\$'000 (Unaudited)	31 March 2019 HK\$'000 (Audited)
Secured bank loan (Note a)	10,993	11,672
Unsecured interest-bearing bond (Note b)	10,000	10,000
Other loan	21,759	24,163
	42,752	45,835
Less: Amount classified as current liabilities	(32,752)	(35,835)
Amount classified as non-current liabilities	10,000	10,000

Notes:

- (a) Secured bank loan

The scheduled principal repayments dates of the bank loan with reference to the bank loan agreement are as follows:

	30 September 2019 HK\$'000 (Unaudited)	31 March 2019 HK\$'000 (Audited)
The carrying amount of the bank loan is repayable:		
Within one year	10,993	11,672

15. BORROWINGS (Continued)

Notes: (Continued)

(b) Unsecured Interest-bearing bond

The unsecured interest-bearing bonds recognised in the consolidated statement of financial position of the Group is calculated as follows:

	30 September 2019 HK\$'000 (Unaudited)	31 March 2019 HK\$'000 (Audited)
At beginning of the period/year	10,000	29,743
Issuance	—	10,000
Effective interest charged	406	3,261
Interest paid/payable	(406)	(4,010)
Interest paid	—	(28,994)
At end of the period/year	<u>10,000</u>	<u>10,000</u>

16. CONVERTIBLE NOTES

	30 September 2019 HK\$'000 (Unaudited)	31 March 2019 HK\$'000 (Audited)
At beginning of the period/year	11,211	—
Liability component on initial recognition	—	10,785
Interest charges	617	506
Interest payable	(97)	(80)
At end of the period/year	<u>11,731</u>	<u>11,211</u>

17. SHARE CAPITAL

	Notes	Number of ordinary shares		
		at HK\$0.0002 per share	at HK\$0.004 Per share	Amount HK\$'000
Authorised:				
At 1 April 2018 (Audited)		40,000,000,000	—	8,000
Consolidation of shares	(b)	(40,000,000,000)	2,000,000,000	—
At 31 March 2019 (Audited) and 30 September 2019(Unaudited)				
		—	2,000,000,000	8,000

	Notes	Number of ordinary shares		
		at HK\$0.0002 per share	at HK\$0.004 Per share	Amount HK\$'000
<i>Issued and fully paid:</i>				
Ordinary shares of HK\$0.0002 each				
At 1 April 2018 (Audited)		6,142,456,372	—	1,228
Placement of shares	(a)	1,000,000,000	—	200
Consolidation of shares	(b)	(7,142,456,372)	357,122,818	—
Placement of shares	(c)	—	22,897,000	92
At 31 March 2019, 1 April 2019 (Audited) and 30 September 2019 (Unaudited)				
		—	380,019,818	1,520

Notes:

- (a) On 10 July 2018, the Company allotted 1,000,000,000 ordinary shares under placing at the price of HK\$0.041 each for a total cash consideration of HK\$41,000,000. The premium on the allotment of shares amounted to approximately HK\$40,800,000.

17. SHARE CAPITAL *(Continued)*

- (b) Pursuant to an ordinary resolution passed on 28 November 2018, the Company consolidated every existing 20 issued and unissued shares of HK\$0.0002 each into 1 consolidated share of HK\$0.004 each (the “**Share Consolidation**”). Upon the Share Consolidation becoming effective, the authorised share capital of the Company became HK\$8,000,000 divided into 2,000,000,000 ordinary shares of HK\$0.004 each. Based on a total of 7,142,456,372 ordinary shares of HK\$0.0002 each in issue immediately prior to the Share Consolidation, the issued and fully-paid share capital of the Company became approximately HK\$1,428,000 divided into 357,122,818 ordinary shares of HK\$0.004 each.
- (c) On 26 March 2019, the Company allotted 22,897,000 ordinary shares under placing at the price of HK\$0.316 each for a total cash consideration of approximately HK\$7,235,000. The premium on the allotment of shares amounted to approximately HK\$7,144,000.

18. 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 the time the Scheme was adopted. 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 (the “**Shareholders**”), 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 the Shareholders’ approval in advance in a general meeting.

18. SHARE-BASED PAYMENTS *(Continued)***EQUITY-SETTLED SHARE OPTION SCHEME** *(Continued)*

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 the Shareholders' meetings.

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

	30 September 2019		30 September 2018	
	Number of share options	Weighted average exercise price HK\$	Number of share options	Weighted average exercise price HK\$
Outstanding at beginning of the period	31,572,400	3.20	420,198,000	0.21
Granted during the period	35,700,000	0.36	211,250,000	0.052
Lapsed during the year	(2,640,000)	2.52	—	—
Consolidation of shares	—	—	(599,875,600)	N/A
Outstanding and exercisable at the end of the period	<u>64,632,400</u>	<u>1.66</u>	<u>31,572,400</u>	<u>3.20</u>

18. SHARE-BASED PAYMENTS *(Continued)***EQUITY-SETTLED SHARE OPTION SCHEME** *(Continued)*

The options outstanding at the end of the period have a weighted average remaining contractual life of 1.88 years (six months ended 30 September 2018: 4.13 years) and the exercise price range from HK\$0.36 to HK\$7.82 (six months ended 30 September 2018: from HK\$1.04 to HK\$7.8(after the share consolidation becoming effective on 29 November 2018)).

19. CAPITAL COMMITMENTS

	30 September 2019 HK\$'000 (Unaudited)	31 March 2019 HK\$'000 (Audited)
Capital expenditure in respect of the acquisition of intangible asset contracted for but not fully provided in the consolidated financial statements	2,230	2,230

20. CONTINGENT LIABILITIES

The Group did not have any significant contingent liabilities at 30 September 2019 (At 31 March 2019: Nil).

OTHER INFORMATION PROVIDED IN ACCORDANCE WITH THE GEM LISTING RULES

CORPORATE GOVERNANCE PRACTICES

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

Under Code Provision C.2.5 of the CG Code, the Group should have an internal audit function. The Group conducted an annual review on the need for setting up an internal audit department. Given the Group's simple operating structure, instead of setting up an internal audit department, the annual review on the risk management and internal control systems of the Group has been conducted by a professional third party and reported to the members of the Audit Committee. The review covered material controls, including financial, operational and compliance controls and risk management functions of the Group. As at the end of the Interim Period, the review was not completed due to various reasons as disclosed in the Company's announcements on 21 May 2019 and 2 July 2019.

The Board will continue to monitor and review the Company's corporate governance practices to ensure compliance with the Code.

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, legal, 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.

CHANGES IN DIRECTORS AND SUPERVISORS

APPOINTMENT OF INDEPENDENT NON-EXECUTIVE DIRECTOR

On 22 May 2019, Mr. Clay Huen (“**Mr. Huen**”) was appointed as an independent non-executive Director.

RESIGNATION OF INDEPENDENT NON-EXECUTIVE DIRECTORS

On 31 July 2019, Mr. Lau Sung Tat, Vincent (“**Mr. Lau**”) resigned as an independent non-executive Director, the chairman of each of the audit committee of the Company (the “**Audit Committee**”) and the remuneration committee of the Company (the “**Remuneration Committee**”), and a member of the nomination committee of the Company (the “**Nomination Committee**”). Mr. Lau 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 in relation to his resignation.

CHANGE IN COMPOSITION OF BOARD COMMITTEES

On 31 July 2019, Mr. Huen was appointed as the chairman of the Remuneration Committee, and a member of each of the Audit Committee and Nomination Committee.

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 2019.

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 share 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 (Note 2)	Exercise period of share options	Outstanding as at 1 April 2019 (Note 1)	Granted during the period	Exercised during the period	Cancelled/ during the period	Outstanding as at 30 September 2019	Market value per share immediately before the date of grant of options (Note 2)	Weighted	Approximate % of the Company's total issued share capital as at 30 September 2019
										average closing price per share immediately before the date of exercise of options	
Executive Directors:											
Rong Changjun	21 April 2017	HK\$2.52	21 April 2017 – 20 April 2020	2,640,000	–	–	–	2,640,000	HK\$2.4	–	0.69%
	16 April 2019	HK\$0.36	16 April 2019 – 15 April 2022	–	3,000,000	–	–	3,000,000	HK\$0.36	–	0.79%
Zou Donghai	16 April 2019	HK\$0.36	16 April 2019 – 15 April 2022	–	3,800,000	–	–	3,800,000	HK\$0.36	–	1.00%
	16 April 2019	HK\$0.36	16 April 2019 – 15 April 2022	–	3,500,000	–	–	3,500,000	HK\$0.36	–	0.92%
Zheng Jian Peng	16 April 2019	HK\$0.36	16 April 2019 – 15 April 2022	–	3,800,000	–	–	3,800,000	HK\$0.36	–	1.00%
Yuan Beisheng	16 April 2019	HK\$0.36	16 April 2019 – 15 April 2022	–	3,500,000	–	–	3,500,000	HK\$0.36	–	0.92%
Zhang Wenrong	16 April 2019	HK\$0.36	16 April 2019 – 15 April 2022	–	3,000,000	–	–	3,000,000	HK\$0.36	–	0.79%
Ex-executive Directors:											
Ho Chun Kit Gregory	17 March 2015	HK\$3.68	17 March 2015 – 16 March 2025	1,079,350	–	–	–	1,079,350	HK\$3.52	–	0.28%
Zhang Xueming	21 April 2017	HK\$2.52	21 April 2017 – 20 April 2020	2,640,000	–	–	(2,640,000)	–	HK\$2.4	–	–
Other Categories:											
Consultants in aggregate	10 October 2013	HK\$7.82	10 October 2013 – 9 October 2013	1,375,000	–	–	–	1,375,000	HK\$7.6	–	0.36%
	13 January 2014	HK\$6.28	13 January 2014 – 12 January 2024	2,750,000	–	–	–	2,750,000	HK\$6.16	–	0.72%
	14 July 2014	HK\$5.12	14 July 2014 – 13 July 2024	3,850,000	–	–	–	3,850,000	HK\$5.2	–	1.01%
	21 August 2014	HK\$4.52	21 August 2014 – 20 August 2024	1,375,000	–	–	–	1,375,000	HK\$4.8	–	0.36%
	16 February 2015	HK\$3.28	16 February 2015 – 15 February 2025	2,179,350	–	–	–	2,179,350	HK\$3.4	–	0.57%
	17 March 2015	HK\$3.68	17 March 2015 – 16 March 2025	3,121,200	–	–	–	3,121,200	HK\$3.52	–	0.82%
	11 April 2018	HK\$1.04	11 April 2018 – 10 April 2021	2,112,500	–	–	–	2,112,500	HK\$0.92	–	0.56%
	16 April 2019	HK\$0.36	16 April 2019 – 15 April 2022	–	11,000,000	–	–	11,000,000	HK\$0.36	–	2.89%
Employees	11 April 2018	HK\$1.04	11 April 2018 – 10 April 2021	8,450,000	–	–	–	8,450,000	HK\$0.92	–	2.22%
	16 April 2019	HK\$0.36	16 April 2019 – 15 April 2022	–	4,100,000	–	–	4,100,000	HK\$0.36	–	1.08%

Note:

- Save for the share options granted on 16 April 2019, the number of underlying shares comprised in outstanding share options has been adjusted as a result of the share subdivision and/or the share consolidation becoming effective on 25 March 2014, 30 September 2016 and 29 November 2018.
- Save for the share options granted on 16 April 2019, the exercise price and the market value per share immediately before the date of grant of options of the outstanding share options is subject to adjustment of the share subdivision and/or the share consolidation becoming effective on 25 March 2014, 30 September 2016 and 29 November 2018.

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 2019, the interest and short position of each Director and chief executive of the Company nor their associates in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571) (the "SFO"), which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein or which were required, pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules relating to securities transactions by Directors, to be notified to the Company and the Stock Exchange, were as follows:

LONG POSITIONS – ORDINARY SHARES

Interests in the Shares and underlying shares of the Company

Name of Director	Derivatives		Total	Percentage of aggregate interests to the total number of Share in issue
	Number of Shares	Share options		
	Personal interests	Personal interests		
Mr. Zou Donghai	35,000,000	3,800,000	38,800,000	10.21%
Mr. Rong Changjun	—	5,640,000	5,640,000	1.48%
Dr. Zheng Jian Peng	2,640,000	3,800,000	6,440,000	1.69%
Ms. Hui Sai Ha	—	3,500,000	3,500,000	0.92%
Mr. Yuan Beisheng	—	3,500,000	3,500,000	0.92%
Mr. Zhang Wenrong	—	3,000,000	3,000,000	0.79%

Notes:

Further details of the above share options are set out in the section of "Share Option Scheme" above showing details of the options granted to subscribe for ordinary shares under the Company's Share Option Scheme.

Save as disclosed above, as at 30 September 2019, 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 2019, 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 (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 three independent non-executive Director, namely Mr. Chu Kin Ming (the chairman of the committee), Mr. Chiam Tat Yiu and Mr. Chan Wai Cheung Admiral. 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 COMPETING BUSINESS

During the Interim Period, 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
China Oil Gangran Energy Group Holdings Limited
(Provisional Liquidators Appointed)
(For Restructuring Purposes)
Yeung Shing Wai
Executive Director

Hong Kong, 31 August 2020

As at the date of this report, the executive Directors are Mr. Rong Changjun, Mr. Zhang Wenrong, Mr. Yuan Beisheng, Ms. Hui Sai Ha (duties suspended), Mr. Yeung Shing Wai, Mr. Chen Tian Gang, Mr. Li Shu Wang and Mr. Zhang Shao Wu and the independent non-executive Directors are Mr. Chu Kin Ming, Mr. Chiam Tat Yiu and Mr. Chan Wai Cheung Admiral.