



中油港燃能源集團控股有限公司

CHINA OIL GANGRAN ENERGY GROUP HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 8132

2015

First Quarterly Report



CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET (“GEM”) OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE “STOCK EXCHANGE”)

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

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Review

The turnover of the Company and its subsidiaries (together the “Group”) for the three months ended 30 June 2015 (the “Financial Period”) was HK\$21.2 million, representing a decrease of approximately 9.8% from HK\$23.5 million for the comparable period of last year. Such decrease in the turnover was mainly attributable to the decrease in turnover from power and data cords for household electric appliances. Because of (i) the significant increase in the Group’s other income by 2,362.5% to approximately HK\$5.1 million for the three months ended 30 June 2015; and (ii) the amount of the decrease in finance costs by approximately HK\$1.1 million from HK\$4.7 million for the three months ended 30 June 2014 to approximately HK\$3.6 million for the three months ended 30 June 2015 due to less issuance of promissory notes and convertible bonds. The Group’s loss was attributable to the Company’s owners decrease to approximately HK\$21.4 million from HK\$24.1 million for the comparable period of last year.

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

Business Review

During the Financial Period, the Group continued to operate its business of power and data cords in a steadfast manner and its major product categories included: (i) power cords and inlet sockets for household electric appliances; (ii) power and data cords for mobile phones and medical control devices; (iii) business in digital applications of 3 Dynamics; (iv) natural gas and clean energy business; and (v) a newly developed business to engage in the retail business of the refined oil in the Jiangxi Province of the People’s Republic of China (the “PRC”). Despite the backdrop of a challenging development of 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.

Business Review *(Continued)*

Power Cords and Inlet Sockets for Household Electric Appliances

Turnover from power cords and inlet sockets for household electric appliances was approximately HK\$3.9 million (2014: approximately HK\$7.4 million) in the Financial Period, representing a year-on-year decrease of approximately 47.3%.

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 received eleven types of international safety standards. Although the turnover from such business experienced a downturn during the Financial Period due to fierce market competition, the Group believes that the high standard of these products can satisfy market expectation and customer needs and the business can contribute a stable source of income for the Group. The Group believes that the high standard of these products can fulfill the expectations and requirements of customers and benefit the Group's business expansion in the long run.

Power and Data Cords for Mobile Phones and Medical Control Devices

With fierce competition in the sector during the Financial Period, the Group focused on those customer groups generating high profit margins and rigorously controlled its production costs, and the Group's turnover from power and data cords for mobile phones recorded a year-on-year decrease of 8.2% to HK\$9 million (2014: approximately HK\$9.8 million).

The power and data cords for mobile phones are generally used for power charging and data transfer and are essential accessories for all mobile handsets. The enormous demand for telecommunication devices, especially in the 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.

For the Financial Period under review, the Group's turnover from power and data cords for medical control devices was approximately HK\$5.4 million (2014: approximately HK\$6.3 million), representing a year-on-year decrease of approximately 14.3%.

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

Business Review *(Continued)*

Natural Gas and Clean Energy Business

On 27 January 2014, the Group has set up and registered a joint venture company (the "JV Company") under the name "Jiangxi China Oil Gangran Energy Technology Company Limited". The Group has paid RMB51 million (equivalent to approximately HK\$65.8 million) to the JV Company in accordance with the terms of the JV Agreement as part of the Group's contribution to the 51% registered capital of the JV Company. The proposed business scopes of the JV Company includes developing the businesses of LNG, CNG and related clean energy, including but not limited to the conversion of traditional diesel utilization to LNG utilization by vessels for water transportation ("Vessel LNG Utilization Conversion"). During the Financial Period, the natural gas business was in a preparation stage and has contributed approximately HK\$2.8 million turnover to the Group. The JV Company has been set up with an office premises leased and recruited clerical staff and was ready to liaise with potential customers in the Ganjiang River area of the Jiangxi Province to provide service to vessel owners to convert traditional diesel utilization to LNG utilization by vessels.

Development of Digital Applications

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

Pursuant to the sale and purchase agreement in respect of the acquisition of 3 Dynamics (the "Sale and Purchase Agreement"), Mr. Chung Wai Sum (the "Vendor") irrevocably and unconditionally warrants and guarantees to Dynamic Miracle Limited, a directly wholly-owned subsidiary of the Company (the "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 shall instruct 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.

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

Business Review *(Continued)*

Development of Digital Applications *(Continued)*

Regarding the Group's operational structure, Hong Kong and mainland China remained to be the major markets for its business, with the aggregate turnover from these two regions accounting for approximately 59% (2014: approximately 49%) of the Group's total turnover. The turnover from other overseas markets, including the United States, accounted for approximately 41% (2014: approximately 51%) of the total turnover.

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.

In the Financial Period, a subsidiary of the Company, namely Jiangxi China Oil Gangran Energy Technology Company Limited (江西中油港燃能源科技有限責任公司) has entered into an agreement with Jiangxi Jiujiang Sales Branch Company Of PetroChina Company Limited (中國石油天然氣股份有限公司江西九江銷售分公司) in relation to the leasing of six bunker barges 加油船, each with a loading capacity of 1,800 tonnes and a total loading capacity of 10,800 tonnes. The Group will operate 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).

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

* For identification purpose only

Business Review *(Continued)*

Resignation of Non-Executive Director

Mr. Tse Yee Hin, Tony (“Mr. Tse”) has tendered his resignation as a Non-Executive Director of the Company with effect from 30 April 2015 due to his other business engagements which require more of his time and dedication.

Mr. Tse 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 resignation.

Outlook

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

During the first quarter of 2015, China’s market of mobile phone games continued to boom despite its nascent stage. Mobile gaming segment continues to grow fast and has become the second largest segment among the sector. The revenue growth of mobile gaming on intelligent device was the major driving force. As smartphones are gaining further popularity in the country, it can be foreseen that the development of mobile phone games will continue to grow, and the Board is optimistic about the Chinese market of mobile phone games which shows tremendous potential. 3 Dynamics, the Group’s wholly-owned subsidiary, has sophisticated experience in developing games, owns a vast array of cartoon character resources and is supported by its strong distributor partners. Hence the Board believes that the Group’s future profitability will improve through 3 Dynamics.

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

Outlook *(Continued)*

By expanding the Group's business to the retails of refined oil, a subsidiary of the Company, namely Jiangxi China Oil Gangran Energy Technology Company Limited (江西中油港燃能源科技有限責任公司), has entered into an agreement with Jiangxi Jiujiang Sales Branch Company of PetroChina Company Limited (中國石油天然氣股份有限公司江西九江銷售分公司) in relation to the leasing of six bunker barges. Moreover, the Group has obtained Refined Oil Retail 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.

Potential Acquisition Activities

During the Financial Period, the Group continued to seek for other investment opportunities so as to achieve the aims of business diversification and 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 Holdings Limited (the "Jian Long") 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 the Jian Long. The Exclusivity Period was extended for 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.

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 some fundraising activities during the Financial Period.

Fundraising Activities *(Continued)*

Reference is made to the announcements of 20 December 2013, 6 January 2014 and 27 January 2014 respectively in relation to the placing of the convertible bonds of an aggregate principal amount of HK\$55,500,000 with the maturity date of 23 July 2015 (the "Convertible Bonds 1"). Reference is also made to the Company's announcements dated 19 February 2014 and 20 March 2014 respectively in relation to the placing of the convertible bonds of an aggregate principal amount of HK\$15,600,000 with the maturity date of 19 September 2015 (the "Convertible Bonds 2").

Pursuant to the respective terms and conditions of the Convertible Bonds 1 and Convertible Bonds 2, if, at any time during the relevant conversion period, the average closing price per share for 10 consecutive trading days exceeds (but does not include) HK\$3.20, which is 35% more than the conversion price of HK\$2.37 per share (the "Automatic Conversion Price"), the holders of the Convertible Bonds 1 and the Convertible Bonds 2 shall be deemed to have exercised their rights to convert all outstanding convertible bonds and such convertible bonds will be automatically converted into conversion shares at the Conversion Price which is subject to adjustment in accordance with the respective terms and conditions of the Convertible Bonds 1 and Convertible Bonds 2 (the "Automatic Conversion").

The Company conducted a share subdivision (the "Share Subdivision") as disclosed in the Company's circular dated 28 February 2014 and announcement dated 24 March 2014. Hence, the conversion price of both Convertible Bonds 1 and the Convertible Bonds 2 has been adjusted from HK\$2.37 per share to HK\$0.237 per Share (the "Adjusted Conversion Price"). Also, the Automatic Conversion Price has been adjusted from HK\$3.2 per Share to HK\$0.32 per Subdivided share as confirmed by the auditors of the Company. The average closing price per share for 10 consecutive trading days up to and including 19 May 2015 is HK\$0.321, which is above the adjusted Automatic Conversion Price of HK\$0.320 and thus, the Company allotted and issued a total of 213,080,159 shares (the "Automatic Conversion Shares 1") and 65,822,781 shares (the "Automatic Conversion Shares 2") to the holders of the Convertible Bonds 1 and Convertible Bonds 2 respectively as a result of the Automatic Conversion. The Group successfully completed an automatic conversion of Convertible Bonds 1 and Convertible Bonds 2.

Reference is also made to the announcements dated 7 May 2014, 14 May 2014 and 28 May 2014 respectively in relation to the placing of the convertible bonds of an aggregate principal amount of HK\$22.1 million with the maturity date of 27 November 2015 (the "Convertible Bonds 3").

On 3 June 2015 and 25 June 2015, on application by the holders of the Convertible Bonds 3, the Company allotted and issued 48,101,262 and 45,147,676 shares to the holders of the Convertible Bonds 3 respectively.

Saved as disclosed above, the Group also effected 2 private subscription of promissory notes with a term of 3 and 7 years and an annual interest flat rate of 7% and 8% respectively during the Financial Period. The aggregate proceeds raised from such subscription of promissory notes amounted to HK\$16 million. All the subscribers are, to the best knowledge and belief of the Directors, independent third parties.

FIRST QUARTERLY UNAUDITED RESULTS

The Board is pleased to announce the unaudited consolidated results of the Group for the Financial Period together with the comparative unaudited figures for the Previous Corresponding Period as follows:

UNAUDITED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the three months ended 30 June 2015

| | | For the three months ended 30 June | |
|--|------|---------------------------------------|--------------|
| | Note | 2015 HK\$ | 2014 HK\$ |
| Turnover | 3 | 21,196,304 | 23,512,838 |
| Cost of sales | | (17,084,535) | (19,366,288) |
| Gross profit | | 4,111,769 | 4,146,550 |
| Other income | 4 | 5,130,725 | 208,358 |
| Selling expenses | | (1,225,577) | (1,441,565) |
| Administrative expenses | | (27,975,183) | (23,691,548) |
| Loss from operations | | (19,958,266) | (20,778,205) |
| Finance costs | 5 | (3,563,197) | (4,710,936) |
| Loss before tax | | (23,521,463) | (25,489,141) |
| Income tax credit | 6 | 1,399,820 | 1,368,208 |
| Loss for the period | | (22,121,643) | (24,120,933) |
| Other comprehensive income, net of tax: | | | |
| <i>Items that may be reclassified to profit or loss:</i> | | | |
| Exchange differences on translating foreign operations | | (652,520) | 7,795 |
| Total comprehensive loss for the period | | (22,774,163) | (24,113,138) |

UNAUDITED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME *(Continued)*

For the three months ended 30 June 2015

| | Note | For the three months ended 30 June 2015 <i>HK\$</i> | 2014 <i>HK\$</i> |
|---|------|--|---------------------|
| Loss for the period attributable to: | | | |
| Owners of the Company | | (21,375,963) | (24,068,296) |
| Non-controlling interests | | (745,680) | (52,637) |
| | | (22,121,643) | (24,120,933) |
| Total comprehensive loss for the period attributable to: | | | |
| Owners of the Company | | (21,640,360) | (24,060,501) |
| Non-controlling interests | | (1,133,803) | (52,637) |
| | | (22,774,163) | (24,113,138) |
| | | <i>HK\$ cents</i> | <i>HK\$ cents</i> |
| Loss per share | 7 | | |
| Basic | | (0.24) | (0.33) |
| Diluted | | N/A | N/A |

NOTES TO THE FIRST QUARTERLY UNAUDITED RESULTS

1. GENERAL INFORMATION

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

The Company is an investment holding company. The principal activities of its subsidiaries (together with the Company referred to as the "Group") is the development of digital applications, including but not limited to handheld electronic game consoles, mobile game applications, digital marketing solutions, development of liquefied natural gas, compressed natural gas and related clean energy business, engaging in the retail business of refined oil, and the manufacturing and trading of power and data cords for household electronic appliances, mobile phones and medical control devices.

2. BASIS OF PREPARATION

The first quarterly unaudited condensed consolidated financial statements have been prepared in accordance with accounting principles generally accepted in Hong Kong which include Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards and Interpretations (collectively, "HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") and the applicable disclosures required by the GEM Listing Rules. The principal accounting policies used in the first quarterly unaudited condensed consolidated financial statements are consistent with those adopted in the preparation of the Group's consolidated financial statements for the year ended 31 March 2015.

The HKICPA has issued a number of new and revised HKFRSs. For those which are relevant to the Group's operations and effective for its accounting period beginning on 1 April 2015, the adoption has no significant changes on the Group's accounting policies, the presentation, the reported results and the financial position of the Group for the current or prior accounting periods.

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

3. TURNOVER

| | For the three months ended 30 June | |
|---|---------------------------------------|--------------|
| | 2015 HK\$ | 2014 HK\$ |
| Sales of power and data cords and inlet sockets | 18,371,517 | 23,512,838 |
| Sales of clean energy | 2,824,787 | – |
| | 21,196,304 | 23,512,838 |

4. OTHER INCOME

| | For the three months ended 30 June | |
|---|---------------------------------------|--------------|
| | 2015 HK\$ | 2014 HK\$ |
| Interest income | 140,616 | 27,872 |
| Net foreign exchange gain | – | 159,396 |
| Sundry income | 197,230 | 21,090 |
| Reversal of impairment of trade receivables | 4,157,606 | – |
| Gain on initial recognition of promissory notes | 339,220 | – |
| Gain on early redemption of promissory notes | 296,053 | – |
| | 5,130,725 | 208,358 |

5. FINANCE COSTS

| | For the three months ended 30 June | |
|--|---------------------------------------|--------------|
| | 2015 HK\$ | 2014 HK\$ |
| Interest on bank borrowings | 2,238 | 1,380 |
| Interest on trust receipt loans | 28,040 | 68,071 |
| Effective interest expenses on convertible bonds wholly repayable within five years | 385,468 | 446,601 |
| Effective interest expenses on promissory notes | | |
| – Wholly repayable within five years | 1,038,353 | 1,922,376 |
| – Not wholly repayable within five years | 2,059,858 | 2,272,508 |
| Interest on obligation under finance leases | 49,240 | – |
| | 3,563,197 | 4,710,936 |

6. INCOME TAX CREDIT

| | For the three months ended 30 June | |
|---|---------------------------------------|-------------|
| | 2015 | 2014 |
| | HK\$ | HK\$ |
| Current tax – Hong Kong Profits Tax | | |
| Provision for the period | 4,307 | 21,952 |
| Current tax – PRC Enterprise Income Tax | | |
| Provision for the period | 66,398 | 80,365 |
| | 70,705 | 102,317 |
| Deferred tax | (1,470,525) | (1,470,525) |
| | (1,399,820) | (1,368,208) |

Hong Kong profits tax has been provided at the rate of 16.5% on the estimated assessable profits for the period.

Tax charge on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries in which the Group operates, based on existing legislation, interpretation and practices in respect thereof.

Pursuant to the Enterprise Income Tax rules and regulations of the PRC, the PRC subsidiaries of the Group are subject to Enterprise Income Tax at a rate of 25%, except for Sun Fair Electric Wire & Cable (Shenzhen) Company Limited is entitled to a preferential tax rate of 15% for the three years since 2012 for being a high technology enterprise.

7. LOSS PER SHARE

Basic loss per share

Basic loss per share is calculated by dividing the loss attributable to owners of the Company of HK\$21,375,963 (2014: HK\$24,068,296) by the weighted average number of ordinary shares of 9,045,829,383 (2014: 7,264,500,000, as adjusted to reflect share subdivision on 24 March 2014) in issue for the Financial Period.

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 Financial Period (2014: Nil).

8. DIVIDEND

No dividend had been paid or declared by the Company for the Financial Period (2014: Nil).

9. RESERVES

| | (Unaudited) | | | | | | | | | |
|--|---------------------------------------|---------------|-------------------|--------------------------------------|-----------------------------|-----------------------------------|--------------------|--------------|---------------------------|--------------|
| | Attributable to owners of the Company | | | | | | | | | |
| | Share capital | Share premium | Statutory reserve | Foreign currency translation reserve | Share-based capital reserve | Convertible bonds equity reserves | Accumulated losses | Total | Non-controlling interests | Total equity |
| | HK\$ | HK\$ | HK\$ | HK\$ | HK\$ | HK\$ | HK\$ | HK\$ | HK\$ | HK\$ |
| At 1 April 2014 | 726,450 | 147,589,826 | 3,225,270 | 293,989 | 46,448,000 | 85,831,422 | (61,600,122) | 222,514,835 | (72,206) | 222,442,629 |
| Total comprehensive income for the period | - | - | - | 7,795 | - | - | (24,068,296) | (24,060,501) | (52,637) | (24,113,138) |
| Recognition of equity component of convertible bonds | - | - | - | - | - | 28,234,583 | - | 28,234,583 | - | 28,234,583 |
| Changes in equity for the period | - | - | - | 7,795 | - | 28,234,583 | (24,068,296) | 4,174,082 | (52,637) | 4,121,445 |
| At 30 June 2014 | 726,450 | 147,589,826 | 3,225,270 | 301,784 | 46,448,000 | 114,066,005 | (85,668,418) | 226,688,917 | (124,843) | 226,564,074 |
| At 1 April 2015 | 877,240 | 295,300,163 | 3,382,323 | 283,377 | 82,156,598 | 126,620,791 | (243,164,700) | 265,455,792 | (3,012,628) | 262,443,164 |
| Total comprehensive income for the period | - | - | - | (264,397) | - | - | (21,375,963) | (21,640,360) | (1,133,803) | (22,774,163) |
| Issue of new shares upon conversion of convertible bonds | 37,215 | 97,262,817 | - | - | - | (100,842,642) | - | (3,542,610) | - | (3,542,610) |
| Exercise of share option | 31,652 | 66,339,522 | - | - | (36,855,135) | - | - | 29,516,039 | - | 29,516,039 |
| Changes in equity for the period | 68,867 | 163,602,339 | - | (264,397) | (36,855,135) | (100,842,642) | (21,375,963) | 4,333,069 | (1,133,803) | 3,199,266 |
| At 30 June 2015 | 946,107 | 458,902,502 | 3,382,323 | 18,980 | 45,301,463 | 25,778,149 | (264,540,663) | 269,788,861 | (4,146,431) | 265,642,430 |

10. CONTINGENT LIABILITIES

The Group had no significant contingent liabilities at 30 June 2015 and 31 March 2015.

11. EVENTS AFTER THE REPORTING DATE

On 13 July 2015, the Company and Ample Capital Limited (“Ample Capital”) have mutually agreed to terminate the compliance adviser agreement entered into between the Company and Ample Capital dated 9 July 2014 (the “CA Agreement”). Under Rules 6A.19 and 6A.20 of the GEM Listing Rules, the Company is not required to retain a compliance adviser and it is a commercial decision of the Company to cease the appointment of the compliance adviser under the CA Agreement.

12. COMPARATIVE AMOUNTS

Certain comparative amounts have been reclassified to conform to the current period’s presentation.

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

As at 30 June 2015, 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:

(i) Share options

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 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 valid and effective for 10 years from the adoption of the Scheme. The terms of the Scheme are in compliance with the provisions of Chapter 23 of the GEM Listing Rules.

Particulars of the options to subscribe for shares granted to the Directors pursuant to the Scheme as at the beginning and the end of the Financial Period are set out below:

| Name of Directors | Capacity/ Nature of interest | Date of grant | Exercise price | Exercise period of share options | Maximum number of Shares subject to the outstanding options |
|-----------------------------------|---------------------------------|---------------|----------------|---|--|
| Mr. Ho Chun Kit Gregory (Note) | Beneficial owner/ personal | 17 March 2015 | HK\$0.092 | 17 March 2015 – 16 March 2025 (Both date inclusive) | 87,174,000 |

(i) Share options *(Continued)*

Note:

On 3 July 2015, Mr. Ho Chun Kit Gregory has exercised his share options of 44,000,000 ordinary shares out of the share options of 87,174,000 ordinary shares outstanding as at 30 June 2015.

Save as disclosed above, as at 30 June 2015, none of the Directors or Chief Executives of the Company had any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Division 7 and 8 of Part XV of the SFO (including interests or short positions which they are taken or deemed to have under the provision of the SFO), or which were required to be entered in the register kept by the Company pursuant to section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules relating to securities transactions by the Directors.

SUBSTANTIAL SHAREHOLDERS AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES OF THE COMPANY

So far as the Directors are aware, as at 30 June 2015, no entities or persons (not being a Director or Chief Executive of the Company) had any 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. Ng Ka Chung. The audit committee has reviewed the first quarterly unaudited consolidated results of the Group for the Financial Period.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted 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 three months ended 30 June 2015.

INTERESTS OF THE COMPLIANCE ADVISER

As notified by the compliance adviser of the Company, Ample Capital Limited, as at 30 June 2015, except for (i) the CA Agreement entered into between the Company and Ample Capital Limited dated 9 July 2014; and (ii) the annual Director's emolument payable by the Company to one of its Executive Directors monthly, Mr. Chan Lung Ming, who is also a licensed representative of Ample Capital Limited during the Financial period, neither Ample Capital Limited or its directors, employees or close associates as defined under the GEM Listing Rules had any interest in relation to the Group.

As announced on 13 July 2015, the Company and Ample Capital Limited have mutually agreed to terminate the CA Agreement.

CORPORATE GOVERNANCE PRACTICES

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

During the Financial Period, the Company had complied with the code provisions in the CG Code with the exception of the CG Code provision A.6.7. 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. 2 independent Non-Executive Directors attended annual general meeting held on 30 July 2015. 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.

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

Neither the Company nor any of its subsidiaries had purchased, sold, or redeemed any of the listed securities of the Company during the Financial Period.

INTEREST IN A COMPETING BUSINESS

During the three months ended 30 June 2015, none of the Directors, the controlling shareholders of the Company and their respective close associates (as defined under GEM Listing Rules) had any interest in any business which competes or is likely to compete, directly or indirectly, with the business of the Group or any other conflict of interest with the Group.

By order of the Board

Zou Donghai

Chairman and Executive Director

Hong Kong, 12 August 2015

As at the date of this report, the Executive Directors are Mr. Zou Donghai, Mr. Rong Changjun, Mr. Zhang Xueming, Mr. Ho Chun Kit Gregory and Mr. Chan Lung Ming; and the Independent Non-Executive Directors are Ms. Eugenia Yang, Mr. Ng Ka Chung and Mr. Lau Sung Tat, Vincent.