



# 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

# 2016

## THIRD 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 unaudited revenue of the Company and its subsidiaries (collectively the “Group”) for the nine months ended 31 December 2016 (the “Financial Period”) was approximately HK\$251 million, representing an increase of approximately 114.24% from approximately HK\$117.16 million for the comparable period of last year. Such increase in the unaudited revenue was mainly attributable to a rise in revenues from the sales of refined oil and the trading of Methyl tert-butyl ether, a chemical used as a component in fuel for gasoline engines of automobiles.

The Group’s unaudited loss attributable to the Company’s owners decrease to approximately HK\$46.4 million from HK\$67 million for the comparable period of last year. The main reasons for the decrease were (i) the significant increase in the Group’s unaudited revenue from retail of refined oil and Methyl tert-butyl ether by approximately HK\$130.9 million for the Financial Period; and (ii) the amount of the decrease in administrative expenses by approximately HK\$18.6 million from approximately HK\$84.5 million for the nine months ended 31 December 2015 to approximately HK\$65.9 million for the Financial Period.

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

### Business Review

During the Financial Period, the Group continued to operate a diverse business portfolio comprising: (i) the manufacture and sale of power cords and inlet sockets for household electric appliances; power and data cords for mobile handsets and medical control devices; (ii) the development of digital applications, including handheld electronic game consoles, mobile game applications, digital marketing solutions; and (iii) the liquefied natural gas (“LNG”), compressed natural gas (“CNG”) and other related clean energy businesses (collectively the “Business Sectors”). 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. Prior to the Financial Period, the Group contributed capital in conjunction with two strategic collaborative partners to establish a subsidiary, Jiangxi China Oil Gangran Energy Technology Company Limited (江西中油港燃能源科技有限責任公司) (the “JV Company”), in the People’s Republic of China (the “PRC”) for conducting the business of the LNG, the CNG and related clean energy, for which the Group acts as its controlling shareholder and holding a 51%-stake.

## **Business Review** *(Continued)*

Up to 31 December 2016, the businesses of the JV Company focus on the sales of refined oil and the trading of Methyl tert-butyl ether in the PRC, and participate in other clean energy businesses to grasp opportunities. In terms of geographical market performance, United States and the PRC contributed to approximately 7% (2015: approximately 13%) and approximately 89% (2015: approximately 81%) of the Group's total revenue respectively, while the remaining approximately 4% (2015: approximately 6%) came from its other markets, including Taiwan and Hong Kong.

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

The unaudited revenue of the Group from power cords and inlet sockets for household electric appliances was approximately HK\$6.16 million (2015: approximately HK\$9.75 million) in the Financial Period, representing a year-on-year decrease of approximately 36.8%.

The Group's power cords and inlet sockets used in household electric appliances received safety approvals and/or certificates in many countries, many of which also received eleven types of international safety standards. The unaudited revenue from such business experienced a downturn during the Financial Period due to fierce market competition and the Group believes that the business can contribute a limited source of income for the Group.

### **Power and Data Cords for Mobile Phones and Medical Control Devices**

With fierce competition in the power and data cords 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 unaudited revenue from power and data cords for mobile phones recorded a slight decrease of approximately 2.1% to approximately HK\$28 million (2015: approximately HK\$28.6 million) for the Financial Period.

The power and data cords for mobile phones are generally used for power charging and data transfer and are essential accessories for all mobile handsets. The decreasing demand for telecommunication devices, especially in the PRC, limited the Group's expansion in the market of power and data cords of different specifications, including high speeds and better audiovisual output quality. All our power and data cords 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)*

During the Financial Period, the Group's unaudited revenue from power and data cords for medical control devices was approximately HK\$18 million (2015: approximately HK\$15.4 million), representing a year-on-year increase of approximately 16.8%.

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

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

With fierce competition in the power and data cords sector, the Group started the trading of mobile smart phones. The Group's unaudited revenue from the trading of mobile smart phones reached approximately HK\$4 million (2015: Nil) for the Financial Period.

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

During the Financial Period, the demand for LNG, a type of clean energy resource, decreased due to the volatile fluctuation of crude oil prices, which affected the Group's earnings from this business segment. Operating through the JV Company, the Group continued to develop the businesses of LNG, CNG and related clean energy. Through the patented technology it held, the JV Company also helped the conversion of diesel-powered vessels to run on LNG, which is more environmental friendly and also prolonged the engine's lifespan. The JV Company also embarked on joint research projects with some of China's top tertiary institutions and research units to uncover possibilities of conversion technology upgrades. Jilin China Oil Gangran Energy, another subsidiary of the Group, has entered into negotiations with the Jilin Oilfield Management Bureau to jointly develop the related oilfields.

With the backup from China's positive policy and market developments for clean energy utilisation, the Group remains confident this business segment will eventually drive its profitability and revenue growth going forward into the country's 13th Five-Year Plan period from 2016 to 2020.

## **Business Review** *(Continued)*

### **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 “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 is secured by 140,000,000 consideration shares (“Escrow Shares”) of the Company issued to the Vendor. As certified by the auditors of 3 Dynamics, 3 Dynamics has recorded a net loss after tax in its audited financial statement for the period from 11 December 2013 to 10 December 2014 and therefore the actual profit for the Relevant Period shall be deemed as zero pursuant to the Sale and Purchase Agreement. Hence, Dynamic Miracle has instructed a licensed securities dealer to depose of (the “Sale”) such number of Escrow Shares appropriately sufficient to pay the Profit Guarantee at the then preset price it reasonably obtained and thereafter, pay the net proceeds of the Sale to Dynamic Miracle 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 Escrow Shares would be sold in order to pay for the Profit Guarantee. During last financial year, the Group has received HK\$20,000,000 from the Vendor to partially honour its Profit Guarantee obligations. As at 31 December 2016, HK\$22,000,000 is still outstanding from the Vendor and he is still holding 73,870,000 consideration shares. The number of consideration shares have been adjusted to reflect the share consolidation during the Financial Period. The Company has been negotiating with the Vendor on a timely basis to recover the outstanding amount.

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

### **Refined Oil Retail Business**

In order to expand the Group’s principal business, the Group has diversified its business development by engaging in the refined oil retail business commencing in the mid of 2015.

## **Business Review** (Continued)

### **Refined Oil Retail Business** (Continued)

The JV Company 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 has successfully obtained a Refined Oil Retail License (成品油零售經營批准證書) from the Business Bureau of Jiangxi Province of the PRC which enables the Group to engaging 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 GEM Listing Rules).

During the Financial Period, the sales of refined oil contributed approximately HK\$76.4 million revenue (unaudited) to the Group, augmenting its total revenues. Considering the enormous market potential and demand for refined oil in the PRC, the Group believes that its future earnings from this business segment will continue to expand from strength to strength.

\* For identification purpose only

## **Business Review** *(Continued)*

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

During the Financial Period, the Group continued its trading of Methyl tert-butyl ether, a gasoline additive and used almost exclusively as a component in fuel for gasoline engines. Besides increasing the octane number, Methyl tert-butyl ether also reduces the fuel vapour pressure (Reid vapour pressure), so that the vapour emissions during automobile fuelling and operation are reduced. In addition, Methyl tert-butyl ether reduces exhaust emissions, particularly carbon monoxide, unburnt hydrocarbons, polycyclic aromatics and particulate carbon. In the PRC, where the oxygenated content and environmental concerns are of paramount importance, it is used in significant quantities. The Group takes the view that its engagement in the trading of such a chemical will bring in considerable revenues, immediately and over the long term. During the Financial Period, the trading of Methyl tert-butyl ether generated an unaudited revenue of approximately HK\$118.4 million to the Group, contributing to an increase of its total revenues.

### **Potential Acquisition Activities**

During the Financial Period, the Group continued to look for other investment opportunities so as to achieve the aims of business diversification, to expand the source of income and optimise the returns to its shareholders (the "Shareholders").

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





## **Business Review** *(Continued)*

### **Potential Acquisition Activities** *(Continued)*

Details of the MOU and the Supplemental MOUs are set out in the Company's announcements dated 10 January 2014, 9 October 2014, 20 January 2015, 9 April 2015 and 31 July 2015 respectively. During the Financial Period, the Group and the Seller has reached a preliminary understanding to refund the full deposit of HK\$15,000,000 and to enter into a termination agreement to terminate the MOU and the Supplemental MOUs. Upon the refund of the full deposit and the termination of the MOU and the Supplemental MOUs, the parties will have no further obligations to proceed with the proposed acquisition. Up to 31 December 2016, the deposit remains outstanding.

Besides, with reference to the announcements of the Company dated 7 August 2014, 20 October 2014, 12 February 2015 and 16 October 2015 in relation to the memorandum of understanding dated 7 August 2014, Supplemental memorandum of understanding dated 20 October 2014 and the Second Supplemental memorandum of understanding dated 2 February 2015 signed by the Group and Sino Grandway International Investment Limited (the "Sino Grandway") in relation to the Company's proposed investment in the Sino Grandway to engage in the mining and sales of quartz stone and the production of float glass in the PRC.

On 5 February 2016, the Group entered into the acquisition agreement ("Acquisition Agreement") with Zhang Weihua ("Vendor A") and Wei Yingming ("Vendor B"), pursuant to which the Company has conditionally agreed to acquire and Vendor A and Vendor B have conditionally agreed to sell 800,000,000 shares of Sino Grandway, representing the entire issued share capital of the Sino Grandway, at an aggregate consideration of RMB100,000,000 which shall be satisfied by cash. On 4 May 2016, the Company entered into a supplemental agreement ("Supplemental Agreement") with Vendor A and Vendor B that as additional time is required to complete the due diligence exercise, the long stop date is to extend from 5 April 2016 to 30 June 2016.

From 1 October 2016 to 31 December 2016, the Group and Vendor A and Vendor B has continuously discussed the possibility to further proceed the proposed investment.



## Share consolidation

In order to comply with the trading requirements under the GEM Listing Rules and increase the liquidity in trading of the shares (the “Share(s)”) of the Company, on 24 August 2016, the Board proposed that every two issued and unissued then Shares of HK\$0.0001 each in the share capital of the Company be consolidated into one Share of HK\$0.0002 each (the “Share Consolidation”). The Share Consolidation was approved by the Shareholders by way of an ordinary resolution at the extraordinary general meeting of the Company held on 29 September 2016.

## Fundraising Activities

On 19 August 2016, the Company and HF Securities and Futures Limited (“HF Securities”) as the placing agent, had entered into a placing agreement, pursuant to which HF Securities had conditionally agreed to place, on behalf of the Company, a maximum of 48,000,000 new Shares, on a best efforts basis, to the placee(s) at the price of HK\$0.076 per Share. The placing Shares represented 0.47% of the then issued share capital of the Company as at 19 August 2016 and approximately 0.47% of the issued share capital of the Company as enlarged by the placing. On 26 August 2016, the conditions under the placing agreement had been fulfilled and completion of the placing took place. The gross proceeds from the placing was approximately HK\$3,648,000. The net proceeds from the placing was approximately HK\$3,575,040, which will be used as general working capital of the Group and/or for financing future investment opportunities. The details of the placing were set out in the announcements of the Company dated 19 August 2016, 25 August 2016 and 26 August 2016.

### **Fundraising Activities** *(Continued)*

On 30 November 2016, the Company and Emperor Securities Limited (“Emperor Securities”) as the placing agent, had entered into a placing agreement, pursuant to which Emperor Securities had conditionally agreed to place, on behalf of the Company, a maximum of 210,000,000 new Shares, on a best efforts basis, to the placee(s) at the price of HK\$0.101 per Share. On 9 December 2016, the conditions under the placing agreement had been fulfilled and completion of the placing took place. A total of 200,000,000 placing Shares were successfully placed, which represented 3.93% of the then issued share capital of the Company as at 9 December 2016 and approximately 3.78% of the issued share capital of the Company as enlarged by the placing. The gross proceeds from the placing was approximately HK\$20,200,000. The net proceeds from the placing was approximately HK\$19,392,000, which will be used as general working capital of the Group and/or for financing future investment opportunities. The details of the placing were set out in the announcements of the Company dated 30 November 2016, 2 December 2016, 6 December 2016 and 9 December 2016.

On 4 January 2017, the Company as issuer and Mr. Zou Donghai (the “Subscriber”) as subscriber entered into a subscription agreement (the “Subscription Agreement”) in relation to the subscription of 700,000,000 new Shares (each a “Subscription Share”) of HK\$0.0002 each in the share capital of the Company at the price (the “Subscription Price”) of HK\$0.101 per Subscription Share. The Subscription Shares represented (i) approximately 13.25% of the then issued share capital of the Company as at 20 January 2017; and (ii) approximately 11.70% of the issued share capital of the Company immediately upon completion (assuming there is no change to the issued share capital of the Company from 20 January 2017 and prior to completion) as enlarged by the Subscription. The maximum gross proceeds from the Subscription will be approximately HK\$70,700,000. The maximum net proceeds from the Subscription are estimated to be approximately HK\$70,280,000, which will be used as general working capital of the Group, development and expansion of the existing businesses of the Group and/or for financing future investment opportunities. The completion of the Subscription Agreement is subject to the approval of the Subscription Agreement and the transactions contemplated thereunder by the Shareholders at the extraordinary general meeting to be held on 10 February 2017.

### **Resignation of Executive Director**

Mr. Chan Lung Ming has retired as an executive Director of the Company with effect from 6 December 2016.

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

Mr. Ng Ka Chung has retired as an independent non-executive Director with effect from 29 July 2016.

Mr. Chan Ying Kay has been appointed as an independent non-executive Director with effect from 29 July 2016.

### **Changes of Company Secretary and Authorised Representative**

Mr. Ho Chun Kit, Gregory has tendered his resignation as the authorised representative of the Company with effect from 1 September 2016 but he continues to act as the executive Director.

Mr. Wong Ching Wan has tendered his resignation as the company secretary of the Company with effect from 31 October 2016 and authorised representative with effect from 23 January 2017.

Mr. Zheng Jian Peng, an executive Director, has been appointed as the company secretary of the Company with effect from 31 October 2016 and one of the authorised representatives of the Company with effect from 1 September 2016.

Mr. Zou Donghai, an executive Director, has been appointed as one of the authorised representatives of the Company with effect from 23 January 2017.

### **Outlook**

During the Financial Period, the Business Sectors in which the Group saw their growths were hampered by international financial volatility and a slowdown in the emerging markets, including the PRC. Falling commodity price, the declining global industrial output and depressed trading added to the uncertainties. Despite the challenging macro-economic conditions, the Group recorded a 114.24% increase in overall unaudited revenue, which was mainly contributed by the growth from the sales of refined oil and chemicals trading.



## **Outlook** *(Continued)*

While this low-growth environment appears likely to persist in 2017 and beyond, the Group is steadfastly committed to expanding its market presence and profitability, through an operational strategy calculated to broaden its revenue bases and capture new business opportunities presented by the market developments and in alignment with China's 13th Five-Year Plan and the "One Belt One Road" plan.

The unaudited revenue from power cords and inlet sockets for household electric appliances, power and data cords for mobile phones and medical devices decreased slightly during the Financial Period and the Group believes that the market competition continues to be fierce in the future.

In line with China's 13th Five-Year Plan, which continues to encourage LNG utilisation within the waterborne transportation industry, the Group will continue to leverage on the patent technology held by the JV Company for the conversion of vessel to LNG bunkers and develop this business segment further. Presently, such conversion can result in a saving of 15% of fuel cost, a 70% reduction in emission of nitrogen oxides (NOx) and longer engine life. However, the continuously low prices of crude oil deterred vessel operators from utilising natural gas, which was costlier, hence slowing the demand for such clean energy. Over the longer haul, the Group believes that the demand for LNG will continue to expand due to state policies mandating environmental protection.

Through its JV Company in Jiangxi, the Group has also embarked on R&D projects jointly with the country's key tertiary institutions and research organisations, such as Harbin Industrial University, with a view of optimising and upgrading its technology for LNG vessels conversion. Recent years have seen China pursuing a clean energy policy, including one for the waterborne transportation sector, as evident in a plan by the Ministry of Transport of the PRC to cut polluting emission from vessels in the Pearl River Delta, Yangtze River Delta and Bohai Sea by 65% by 2020. The country also plans to boost its regulations preventing ship and port pollution, reducing emission and promoting the use of clean energy. Nationwide guidelines and measures promulgated by the state to promote natural gas consumption across all transportation sectors included Guiding Opinions on Accelerating the LNG Utilisation in the Waterborne Industry; Administrative Measures of Standardised Subsidy on Inland Canal Vessel and Plan to Cope with Climate Changes (2014-2020).

## **Outlook** *(Continued)*

Given these definitive policy and industry trends, the Group has tasked its JV Company to set up oil and natural gas refilling stations, as part of an initiative to refine its product sales model. Alongside PetroChina Company, Sinopec, and CNOOC, the JV Company holds the franchise to operate six refueling vessels, each weighing 1,800 tonnes, in Yangtze River, Gan River and Poyang Lake. Discussions are also underway between Jilin China Oil Gangran Energy, another subsidiary of the Group, and the Jilin Oilfield Management Bureau on possible collaboration projects, such as electrical energy upgrades and joint exploration of local oilfields. All these potential projects are moving forward to the technical and feasibility analysis stage. Successful execution of the above initiatives will position the Group as a credible clean energy provider in China's waterborne transportation sector.

In 2013, Chinese President Xi Jinping outlined the nation's "One Belt One Road" plan, which is a developmental initiative designed to link China's Southern and Eastern commercial hubs with Europe and Africa. This strategic initiative to create a modern trade route through infrastructure investments is expected to bring an array of possibilities. Responding positively to the vision, the Group is confident that "One Belt One Road" will open new markets for its entry and expansion. Building on its robust business foundation in clean energy, the Group sees itself being offered the opportunities to branch into newer product categories, including solar power, solar thermal energy, new energy automobiles, day-to-day clean energy applications, cultural tourism and big-data network solutions.

While the growth opportunities are wide ranging, the challenge for China Oil Gangran Energy Group Holdings Limited is to assess, identify and take advantage of those that can ensure the attractiveness of its corporate brand is maintained and that high quality execution is sustained. To accomplish this, considerable risk management and control are called for, with a degree of prudence to be exercised on every major business decision made.

Over the years ahead, the clean energy business will remain as a significant part of the Group, owing to its promising outlook combined with the positive policy milieu and market from China. Still, continual improvement and innovation in product portfolio is critical in securing optimal returns and value for the Shareholders and its other stakeholders.

## THIRD QUARTERLY UNAUDITED RESULTS

The Board is pleased to announce the unaudited condensed consolidated results of the Group for the Financial Period together with the comparative figures for the nine months ended 31 December 2015 ("the Previous Corresponding Period") as follows:

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

For the three and nine months ended 31 December 2016

	Note	(Unaudited) Three months ended 31 December		(Unaudited) Nine months ended 31 December	
		2016 HK\$'000	2015 HK\$'000	2016 HK\$'000	2015 HK\$'000
<b>Revenue</b>	2	<b>67,641</b>	50,612	<b>251,032</b>	117,625
Cost of sales		<b>(61,119)</b>	(42,996)	<b>(226,142)</b>	(103,199)
<b>Gross profit</b>		<b>6,522</b>	7,616	<b>24,890</b>	14,426
Other gains and losses	3	<b>1,085</b>	1,536	<b>4,355</b>	10,369
Selling expenses		<b>(1,724)</b>	(1,967)	<b>(8,216)</b>	(5,490)
Administrative expenses		<b>(17,483)</b>	(30,388)	<b>(65,926)</b>	(84,551)
<b>Loss from operations</b>		<b>(11,600)</b>	(23,203)	<b>(44,897)</b>	(65,426)
Gain on disposal of subsidiaries		-	264	-	2,114
Finance costs	4	<b>(2,725)</b>	(2,526)	<b>(8,041)</b>	(9,150)
<b>Loss before tax</b>		<b>(14,325)</b>	(25,465)	<b>(52,938)</b>	(72,282)
Income tax credit/(expense)	5	<b>1,413</b>	1,330	<b>4,234</b>	4,232
<b>Loss for the period</b>		<b>(12,912)</b>	(24,135)	<b>(48,704)</b>	(68,050)
<b>Other comprehensive income, net of tax:</b>					
<i>Items that may be reclassified to profit or loss:</i>					
Fair value change of available-for-sale investments		<b>1,386</b>	-	<b>1,647</b>	-
Exchange differences on translating foreign operations		<b>(4,002)</b>	(273)	<b>(7,413)</b>	(3,658)
<b>Total comprehensive income for the period</b>		<b>(15,528)</b>	(24,408)	<b>(54,470)</b>	(71,708)

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

(Continued)

For the three and nine months ended 31 December 2016

	Note	(Unaudited) Three months ended 31 December		(Unaudited) Nine months ended 31 December	
		2016	2015	2016	2015
		HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>Loss for the period attributable to:</b>					
Owners of the Company		(12,249)	(24,012)	(46,423)	(67,042)
Non-controlling interests		(663)	(123)	(2,281)	(1,008)
		(12,912)	(24,135)	(48,704)	(68,050)
<b>Total comprehensive income for the period attributable to:</b>					
Owners of the Company		(13,898)	(24,285)	(50,359)	(69,570)
Non-controlling interests		(1,630)	(123)	(4,111)	(2,138)
		(15,528)	(24,408)	(54,470)	(71,708)
			(restated)		(restated)
<b>Loss per share (HK\$ cents)</b>	6				
Basic		(0.24)	(0.49)	(0.91)	(1.42)
Diluted		N/A	N/A	N/A	N/A



# NOTES TO THE THIRD QUARTERLY UNAUDITED RESULTS

## 1. BASIS OF PREPARATION

The third quarterly unaudited condensed consolidated financial statements have been prepared in accordance with accounting principles generally accepted in Hong Kong which include Hong Kong Financial Reporting Standards (“HKFRSs”), Hong Kong Accounting Standards (“HKAS”) and Interpretations issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) and the applicable disclosures required by the GEM Listing Rules. The principal accounting policies used in the third quarterly unaudited condensed consolidated financial statements are consistent with those adopted in the preparation of the Group’s financial statements for the year ended 31 March 2016.

The HKICPA has issued a number of new and revised standards, amendments and interpretations (hereinafter collectively referred to as “new and revised HKFRSs”). For those which are relevant to the Group’s operations and effective for its accounting period beginning on 1 April 2016, the adoption has no significant changes on the Group’s accounting policies, presentation, reported results and the financial position of the Group for the current or prior accounting periods.

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

## 2. Revenue

	(Unaudited) Three months ended 31 December		(Unaudited) Nine months ended 31 December	
	2016 HK\$'000	2015 HK\$'000	2016 HK\$'000	2015 HK\$'000
Power and data cords and inlets sockets	15,556	17,551	56,227	53,733
Sales of refined oil	52,085	33,061	194,805	63,892
	<b>67,641</b>	50,612	<b>251,032</b>	117,625

### 3. OTHER GAINS AND LOSSES

	(Unaudited) Three months ended 31 December		(Unaudited) Nine months ended 31 December	
	2016 HK\$'000	2015 HK\$'000	2016 HK\$'000	2015 HK\$'000
Interest income	22	1	43	145
Net foreign exchange gain	905	1,468	1,407	1,512
Sundry income	2	190	2	528
Imputed interest income arising from issuance of promissory notes	-	-	-	1,134
Gain on early redemption of promissory notes	-	-	-	296
(Loss)/Gain on disposal of property, plant and equipment	-	(123)	-	2,596
Reversal of impairment of trade receivables	156	-	2,903	4,158
	<b>1,085</b>	1,536	<b>4,355</b>	10,369

### 4. FINANCE COSTS

	(Unaudited) Three months ended 31 December		(Unaudited) Nine months ended 31 December	
	2016 HK\$'000	2015 HK\$'000	2016 HK\$'000	2015 HK\$'000
Interest on bank borrowings and early settlement of trade receivables	138	7	465	11
Interest on trust receipt loans	6	45	91	105
Effective interest expenses on convertible bonds wholly repayable within five years	-	57	-	520
Interest expenses on promissory notes - wholly repayable within five years	1,370	1,052	4,019	3,566
- not wholly repayable within five years	1,182	1,338	3,355	4,827
Interest on obligation under finance leases	29	27	111	121
	<b>2,725</b>	2,526	<b>8,041</b>	9,150

## 5. INCOME TAX (CREDIT)/EXPENSE

	(Unaudited) Three months ended 31 December		(Unaudited) Nine months ended 31 December	
	2016 HK\$'000	2015 HK\$'000	2016 HK\$'000	2015 HK\$'000
<b>Current tax – Hong Kong</b>				
<b>Profits Tax</b>				
Provision for the period	–	141	–	142
<b>Current tax – PRC Enterprise</b>				
<b>Income Tax</b>				
Provision for the period	58	–	178	38
Deferred tax	(1,471)	(1,471)	(4,412)	(4,412)
	<b>(1,413)</b>	<b>(1,330)</b>	<b>(4,234)</b>	<b>(4,232)</b>

Hong Kong Profits Tax has been provided at a rate of 16.5% (2015: 16.5%) on the estimated assessable profit for the both periods.

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

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

## 6. LOSS PER SHARE

### (a) Basic loss per share

For the three months ended 31 December 2016, basic loss per share is calculated by dividing the unaudited loss attributable to owners of the Company of HK\$12,249,000 (2015: HK\$24,012,586) by the weighted average number of ordinary shares of 5,134,329,596 (2015: 4,861,079,133 as adjusted to reflect share consolidation on 29 September 2016) in issue for the reporting period.

For the nine months ended 31 December 2016, basic loss per share is calculated by dividing the unaudited loss attributable to owners of the Company of HK\$46,423,000 (2015: HK\$67,042,220) by the weighted average number of ordinary shares of 5,080,631,306 (2015: 4,713,253,998 as adjusted to reflect share consolidation on 29 September 2016) in issue for the reporting period.

## 6. LOSS PER SHARE (Continued)

### (b) Diluted loss per share

No diluted loss per share is presented as the Company did not have any potential dilutive ordinary shares outstanding for the nine months ended 31 December 2016 and 2015.

## 7. DIVIDEND

The Board does not recommend the payment of an interim dividend for the nine months ended 31 December 2016 (2015: Nil).

## 8. RESERVES

	(Unaudited)										
	Attributable to owners of the Company										
	Share capital HK\$'000	Share premium HK\$'000	Statutory reserve HK\$'000	Available-for-sale investment revaluation reserve HK\$'000	Foreign currency translation reserve HK\$'000	Share-based capital reserves HK\$'000	Convertible bonds equity reserve HK\$'000	Retained earnings/(Accumulated losses) HK\$'000	Total HK\$'000	Non-controlling interests HK\$'000	Total equity HK\$'000
<b>At 1 April 2015</b>	877	295,300	3,382	-	284	82,157	126,621	(243,165)	265,456	(3,013)	262,443
Total comprehensive income for the period	-	-	-	-	(2,528)	-	-	(67,042)	(69,570)	(2,138)	(71,708)
Exercise of share based payments	54	78,581	-	-	-	(29,031)	-	-	49,604	-	49,604
Exercise of convertible bonds	39	103,132	-	-	-	-	(106,841)	-	(3,670)	-	(3,670)
Changes in equity for the period	93	181,713	-	-	(2,528)	(29,031)	(106,841)	(67,042)	(23,636)	(2,138)	(25,774)
<b>At 31 December 2015</b>	970	477,013	3,382	-	(2,244)	53,126	19,780	(310,207)	241,820	(5,151)	236,669
<b>At 1 April 2016</b>	1,005	523,826	3,622	(1,457)	(4,459)	52,050	-	(352,957)	221,630	(5,632)	215,998
Total comprehensive income for the period	-	-	-	1,647	(5,583)	-	-	(46,423)	(50,359)	(4,111)	(54,470)
Placing of share	45	22,922	-	-	-	-	-	-	22,967	-	22,967
Exercise of share based payments	7	10,589	-	-	-	(3,910)	-	-	6,686	-	6,686
Lapse of share base payments	-	-	-	-	-	(6,712)	-	6,712	-	-	-
Change in equity of the period	52	33,511	-	1,647	(5,583)	(10,622)	-	(39,711)	(20,706)	(4,111)	(24,817)
<b>At 31 December 2016</b>	1,057	557,337	3,622	190	(10,042)	41,428	-	(392,660)	200,924	(9,743)	191,181

## 9. CAPITAL COMMITMENTS

The Group had no other capital commitments as at 31 December 2016 and 31 March 2016.

## 10. CONTINGENT LIABILITIES

The Group had no significant contingent liabilities as at 31 December 2016 and 31 March 2016.



## SHARE OPTION SCHEME

The Company has a share option scheme (“Scheme”) which was adopted pursuant to a resolution of the sole shareholder passed on 27 April 2011. The purpose of the Scheme is to attract, retain and motivate talented Participants (as defined below), to strive for future developments and expansion of the Group. The Scheme shall be an incentive to encourage the Participants to perform their best in achieving the goals of the Group and allow the Participants to enjoy the results of the Group attained through their efforts and contributions.

The Scheme became effective on 27 April 2011 and, unless otherwise cancelled or amended, will remain in force for 10 years from the adoption of the Scheme. The terms of the Scheme are in compliance with the provisions of Chapter 23 of the GEM Listing Rules.

Eligible participants (the “Participants”) of the Scheme include the following:

- a. any executive or non-executive Director including any independent non-executive Director or any employee (whether full-time or part-time) of any member of the Group;
- b. any adviser or consultant (in the areas of legal, technical, financial or corporate managerial) to the Group;
- c. any provider of goods and/or services to the Group;
- d. any other person who the board considers, in its sole discretion, has contributed to the Group; and
- e. any trustee of a trust (whether family, discretionary or otherwise) whose beneficiaries or objects include any of those of (a), (b), (c) and (d) above.

## SHARE OPTION SCHEME (Continued)

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

Grantee	Date of grant	Exercise price*	Exercise period of share options	Outstanding as at 1 April 2016	Granted during the period	Exercised during the period	Cancelled/ Lapsed during the period	Consolidated shares pursuant to a resolution of share consolidation passed by EGM on 29 September 2016	Outstanding as at 31 December 2016	Market value per share immediately before the date of grant of options*	Weighted average closing price per share immediately before the date of exercise of options*	Approximate % of the Company's total issued share capital as at 31 December 2016
<b>Executive Directors:</b>												
Ho Chun Kit Gregory	17 March 2015	HK\$0.184	17 March 2015 – 16 March 2025	43,174,000	-	-	-	21,587,000	21,587,000	HK\$0.176	-	0.42%
<b>Chief Financial Officer:</b>												
Fok Sing Yan Joyce	23 September 2014	HK\$0.310	23 September 2014 – 22 September 2024	55,000,000	-	-	-	27,500,000	27,500,000	HK\$0.34	-	0.54%
<b>Other Categories:</b>												
Consultants in aggregate	17 September 2013	HK\$0.436	17 September 2013 – 16 September 2023	55,000,000	-	-	55,000,000	-	-	HK\$3.8	-	-
	10 October 2013	HK\$0.392	10 October 2013 – 9 October 2023	55,000,000	-	-	-	27,500,000	27,500,000	HK\$3.8	-	0.54%
	13 January 2014	HK\$0.314	13 January 2014 – 12 January 2024	110,000,000	-	-	-	55,000,000	55,000,000	HK\$3.08	-	1.08%
	14 July 2014	HK\$0.256	14 July 2014 – 13 July 2024	154,000,000	-	-	-	77,000,000	77,000,000	HK\$0.26	-	1.51%
	21 August 2014	HK\$0.226	21 August 2014 – 20 August 2024	55,000,000	-	-	-	27,500,000	27,500,000	HK\$0.24	-	0.54%
	16 February 2015	HK\$0.164	16 February 2015 – 15 February 2025	87,174,000	-	-	-	43,587,000	43,587,000	HK\$0.17	-	0.86%
	17 March 2015	HK\$0.184	17 March 2015 – 16 March 2025	197,522,000	-	72,674,000	-	62,424,000	62,424,000	HK\$0.176	HK\$0.088	1.22%

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

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

As at 31 December 2016, the interest and short position of each Director 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"), 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	Number of Shares	Derivatives		Total	Percentage of aggregate interests to the total number of Share in issue
		Personal interests	Share Options		
Mr. HO Chun Kit Gregory	9,750,000	21,587,000		31,337,000	0.62%

Notes:

- The numbers of Shares have been adjusted to reflect the Share Consolidation during the Financial Period.
- 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 31 December 2016, none of the Directors or chief executives had any interests or short positions in the Shares, underlying shares or debentures 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 THE SHARES AND UNDERLYING SHARES**

So far as the Directors were aware, as at 31 December 2016, no entity or person (not being a Director or chief executive of the Company) had an interest and short position of 5% or more in the Shares and underlying shares of the Company which would fall to be disclosed to the Company under the provision of Division 2 and 3 of Part XV of the SFO, or which were required to be disclosed pursuant to section 336 of the SFO.

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

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

## **INTEREST IN COMPETING BUSINESS**

During the Financial 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.

## **CORPORATE GOVERNANCE PRACTICES**

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

The CG Code provision A.6.7 requires that independent non-executive Directors shall attend general meetings and develop a balanced understanding of the views of the Shareholders. Two independent non-executive Directors attended annual general meeting held on 29 July 2016. The other independent non-executive Directors were obliged to be away for their business matters. The Board has continued to monitor and review the corporate governance principles and practices to ensure compliance.





## **CORPORATE GOVERNANCE PRACTICES** *(Continued)*

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.

### **Board Composition**

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

#### *Executive Directors*

Mr. Zou Donghai (*Chairman*)

Mr. Rong Changjun (*Vice Chairman*)

Mr. Zhang Xueming

Mr. Ho Chun Kit Gregory

Mr. Chan Lung Ming (retired on 6 December 2016)

Mr. Zheng Jian Peng

#### *Independent non-executive Directors*

Ms. Eugenia Yang

Mr. Chan Ying Kay

Mr. Lau Sung Tat, Vincent

## **CORPORATE GOVERNANCE PRACTICES** *(Continued)*

### **Board Composition** *(Continued)*

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

#### **Audit Committee:**

Mr. Lau Sung Tat, Vincent *(Chairman)*

Ms. Eugenia Yang

Mr. Chan Ying Kay

#### **Remuneration Committee:**

Mr. Lau Sung Tat, Vincent *(Chairman)*

Mr. Chan Lung Ming (retired on 6 December 2016)

Ms. Eugenia Yang

#### **Nomination Committee:**

Ms. Eugenia Yang *(Chairman)*

Mr. Lau Sung Tat, Vincent

Mr. Chan Lung Ming (retired on 6 December 2016)

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

## **DIRECTORS’ SECURITIES TRANSACTIONS**

The Company has adopted a code of conduct regarding securities transactions by Directors (the “Model Code”) on terms no less exacting than the required standard of dealings set out in Rules 5.48 to 5.67 of the GEM Listing Rules. Upon the specific enquiry made to all the Directors, the Company was not aware of any non-compliance with the Model Code regarding securities transactions by Directors for the Financial Period.



## AUDIT COMMITTEE

The Company has established the audit committee on 27 April 2011 with written terms of reference in compliance with Rules 5.28 to 5.29 of the GEM Listing Rules. The audit committee currently comprises of three independent non-executive Directors. The audit committee has reviewed the third quarterly unaudited consolidated results of the Company for the Financial Period.

By order of the Board

**Zou Donghai**

*Chairman and Executive Director*

Hong Kong, 8 February 2017

*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. Zheng Jian Peng and the independent non-executive Directors are Ms. Eugenia Yang, Mr. Chan Ying Kay and Mr. Lau Sung Tat, Vincent.*