



中油港燃能源集團控股有限公司

CHINA OIL GANGRAN ENERGY GROUP HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)
Stock Code: 8132

INTERIM REPORT

2017

CREATING
A BRIGHTER
FUTURE



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The Report, for which the board of directors (the “Board”) of China Oil Gangran Energy Group Holdings Limited (the “Company”) collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on GEM of the Stock Exchange (the “GEM Listing Rules”) for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in 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

Cricket Square, Hutchins Drive
P.O. Box 2681, Grand Cayman, KY1-1111
Cayman Islands

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Suites 707-9, 7th Floor
Prudential Tower, The Gateway
Harbour City
Tsim Sha Tsui, Kowloon
Hong Kong

PRINCIPAL PRODUCTION PLANT

Block Nos. 3, 4 and 5
Dong Feng Industrial Area
Song Gang Community
Song Gang Sub-district Baoan District
Shenzhen, Guangdong Province
The People's Republic of China

COMPANY'S WEBSITES

www.chinaoilgangran.com
chinaoilgangran.todayir.com

LEGAL ADVISERS

Michael Li & Co.
19/F, Prosperity Tower,
No. 39 Queen's Road Central, Central,
Hong Kong

AUDITOR

HLM CPA Limited
Room 305, Arion Commercial Centre,
2-12 Queen's Road West,
Hong Kong

STOCK CODE

8132

BOARD OF DIRECTORS

Executive Directors

Mr. Zou Donghai (*Chairman*)
Mr. Rong Changjun (*Vice Chairman*)
Mr. Zhang Xueming
Dr. Ho Chun Kit Gregory
Dr. Zheng Jian Peng

Non-Executive Directors

Mr. Chan Shiu Man
(appointed on 25 July 2017)
Mr. Hua Xujie
(appointed on 25 July 2017)

Independent Non-Executive Directors

Ms. Eugenia Yang
Mr. Chan Ying Kay
Mr. Lau Sung Tat, Vincent
Mr. Sun Dexin
(appointed on 24 October 2017)

AUDIT COMMITTEE

Mr. Lau Sung Tat, Vincent (*Chairman*)
Ms. Eugenia Yang
Mr. Chan Ying Kay

REMUNERATION COMMITTEE

Mr. Lau Sung Tat, Vincent (*Chairman*)
Ms. Eugenia Yang
Mr. Chan Ying Kay
(appointed on 7 August 2017)

NOMINATION COMMITTEE

Ms. Eugenia Yang (*Chairman*)
Mr. Lau Sung Tat, Vincent
Mr. Chan Ying Kay
(appointed on 7 August 2017)
Mr. Hua Xujie
(appointed on 7 August 2017)





COMPANY SECRETARY

Dr. Zheng Jian Peng

COMPLIANCE OFFICER

Dr. Ho Chun Kit Gregory

AUTHORISED REPRESENTATIVES

(for the purpose of the GEM Listing Rules)

Mr. Zou Donghai
Dr. Zheng Jian Peng

THE PRINCIPAL SHARE REGISTRAR IN THE CAYMAN ISLANDS

Codan 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 22, Hopewell Centre
183 Queen's Road East
Wanchai
Hong Kong

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Review

The revenue of the Company and its subsidiaries (together the “**Group**”) for the six months ended 30 September 2017 (the “**Interim Period**”) was approximately HK\$212.9 million, representing an increase of approximately 16.3% from approximately HK\$183 million for the comparable period of last year. Such increase was attributable to a rise in revenues from the sales of refined oil and the trading of Methyl tert-butyl ether (“**MTBE**”), a chemical used as a component in fuel for gasoline engines of automobiles.

The Group’s loss attributable to the Company’s owners decrease to approximately HK\$28.8 million from approximately HK\$34 million for the comparable period of last year. The main reasons for the decrease were because of (i) the increase in the Group’s revenue from sales of refined oil and chemicals by approximately HK\$42.3 million for the six months ended 30 September 2017; (ii) the reversal of provision made for deposit for acquisition of a subsidiary of HK\$22.9 million; and (iii) the equity settled share-based payment expense of approximately HK\$16 million for the Interim Period.

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

Business Review

During the Interim Period, the Group operates a diverse business portfolio comprising: (i) the manufacture and sale of power cords and inlet sockets for household electric appliances as well as power and data cords for mobile phones and medical control devices; (ii) the trading of mobile smart phones; (iii) the development of digital applications, including handheld electronic game consoles, mobile game applications, digital marketing solutions; (iv) the liquefied natural gas (“**LNG**”), compressed natural gas (“**CNG**”) and other related clean energy businesses; (v) refined oil retail business; and (vi) trading of MTBE (collectively the “**Business Sectors**”). Despite the challenging development in the sector, the Group continues to diversify its operating risks and expand its sources of revenue and proactively seeks to capture a full spectrum of development strategies and investment opportunities.

Prior to the Interim Period, the Group contributed capital in conjunction with two strategic collaborative partners to establish a subsidiary, Jiangxi China Oil Gangran Energy Technology Company Limited (江西中油港燃能源科技有限責任公司) (the “**Jiangxi China Oil**”), 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)*

In terms of geographical market performance, United States and mainland China contributed to approximately 6% (2016: approximately 7%) and approximately 92% (2016: approximately 89%) of the Group's total revenue respectively, while the remaining approximately 2% (2016: approximately 4%) 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\$3.7 million (2016: approximately HK\$4.3 million) in the Interim Period, representing a year-on-year decrease of approximately 14%.

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 revenue from such business experienced a downturn during the Interim Period due to fierce market competition, the Group believes that the high standard of these products can satisfy market expectation and customer needs and the business can contribute a stable source of income for the Group. The Group believes that the high standard of these products can fulfill the expectations and requirements of customers.

Power and Data Cords for Mobile Phones and Medical Control Devices

With fierce competition in the sector during the Interim Period, the Group focused on those customer groups generating high profit margins and rigorously controlled its production costs, and the Group's unaudited revenue from power and data cords for mobile phones recorded a significant decrease of approximately 44.8% to approximately HK\$11.1 million (2016: approximately HK\$20.1 million) for the Interim Period.

The power and data cords for mobile phones are generally used for power charging and data transfer and are essential accessories for all mobile handsets. The demand for telecommunication devices, especially in the PRC, facilitated the Group to produce power and data cords of different specifications, including high speed USB connectors and data cord products, which can support higher data transmission speeds and better audiovisual output quality. All our devices conform with the standards of mobile handset designs set by USB Implementers Forum, Inc.

During the Interim Period, the Group's unaudited revenue from power and data cords for medical control devices was approximately HK\$11.8 million (2016: approximately HK\$12.8 million), representing a year-on-year decrease of approximately 7.8%.

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

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 was approximately HK\$1 million (2016: HK\$3.5 million) for the Interim Period. The decrease was due to the shrink in demand of mobile smart phones during 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 terms of the sale and purchase agreement dated 21 November 2013 ("**SPA**"), 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 statements 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 former auditor of the 3 Dynamics, 3 Dynamics has recorded a net loss after tax in its audited financial statements for the period from 11 December 2013 to 10 December 2014 and there was no profit for the Relevant Period pursuant to the SPA. Under the terms and conditions as stipulated in SPA, 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.





Business Review *(Continued)*

Development of Digital Applications *(Continued)*

As at 30 September 2017, the balance of HK\$22,000,000 was still outstanding for the Profit Guarantee and 73,870,000 (after adjustment for share subdivision and consolidation) of the Escrow Shares remained as a security for the Profit Guarantee. The Company has demanded the Vendor to sell such Escrow Shares to satisfy the profit guarantee shortfall. The Company had also demanded the Vendor to settle all profit guarantee shortfall or otherwise to commence legal proceedings against the Vendor. The Vendor subsequently proposed to the Company to settle the HK\$22,000,000 profit guarantee shortfall ("**Contingent Consideration Receivables**") by selling the Escrow Shares and by transferring equity interest in a project (the "**Project**"). The Company is in the course of obtaining more information about the Project to decide as to whether or not the Company should accept the Project in lieu of cash compensation from the Vendor. Should the Company not be satisfied with the information provided by the Vendor, the Company will demand the sale of the Escrow Shares and initiate legal proceedings against the Vendor for settlement of all remaining outstanding sum. Taking the above into account, the Board considered that the Contingent Consideration Receivables would be recoverable.

The number of Escrow Shares have been adjusted to reflect the share consolidation which became effective on 30 September 2016.

LNG, CNG and Other Related Clean Energy Business

Demand for LNG, a type of clean energy resource, decreased due to the volatile fluctuation of crude oil prices, which affected the Group's earnings from this business segment. Operating through Jiangxi China Oil, the Group continued to develop the businesses of LNG, CNG and other 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 PRC 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.

With the backup from the PRC'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)*

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.

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 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 the 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 Interim Period, the sales of refined oil contributed approximately HK\$42.9 million (2016: approximately HK\$20.8 million) revenue to the Group, augmenting its total revenues. Considering the enormous market potential and demand for refined oil in the PRC, the Group believes that its future earnings from this business segment will continue to expand from strength to strength.





Business Review *(Continued)*

Trading of MTBE 甲基叔丁基醚

During the Interim Period, the Group continued its 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. The Group takes the view that its engagement in the trading of such chemical will bring in considerable revenues over the long term. During the Interim Period, the trading of MTBE generated an unaudited revenue of approximately HK\$142.2 million (2016: approximately HK\$121.9 million) to the Group, contributing to an increase of 16.7% of its total revenues due to the increasing market demand.

Potential Acquisition Activities

During the Interim Period, the Group continued to look for other investment opportunities so as to achieve the aims of business diversification, to expand the source of income and optimise the returns to the Shareholders.

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 12 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 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 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.

Business Review *(Continued)*

Potential Acquisition Activities *(Continued)*

Due to no further extension of the long stop date, the deposit paid amounting HK\$32,000,000 was required to be refunded to the Group.

On 28 June 2017, HK\$9,100,000 of the above deposits was refunded to the Company and a provision was made for the remaining balance of HK\$22,900,000.

On 3 July 2017 and 19 September 2017, HK\$2,000,000 and HK\$20,900,000 of the above deposits was refunded to the Company respectively. As a result, the amount of HK\$22,900,000 provision made for the deposits has been reversed.

Fundraising Activity

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 which constituted a connected transaction. 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 Subscription Agreement was approved by the Shareholders at the extraordinary general meeting held on 10 February 2017. The transaction was completed on 24 April 2017.

Appointment of non-executive Director

On 25 July 2017, the Company announced that each of Mr. Chan Shiu Man and Mr. Hua Xujie has been appointed as a non-executive Director of the Company with effect from 25 July 2017.

Appointment of independent non-executive Director

On 24 October 2017, the Company announced that Mr. Sun Dexin has been appointed as an independent non-executive Director of the Company with effect from 24 October 2017.





Outlook

During the Interim Period, the Business Sectors in which the Group operated saw their growths hampered by international financial volatility and a slowdown in the emerging markets, including the PRC. Falling commodity prices, the declining global industrial output and depressed trading added to the uncertainties. Despite the challenging macro-economic conditions, the Group achieved a steady growth across its traditional and new business segments generally. Correspondingly, it recorded a 16.3% increase in overall unaudited revenue, due to revenue growth from the sales of refined oil and trading of MTBE.

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 the PRC's 13th Five-Year Plan and "One Belt One Road" plan.

In line with PRC'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 Jiangxi China Oil for the conversion of vessels 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 Jiangxi China Oil, 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 optimizing and upgrading its technology for LNG vessels conversion. Recent years have seen the PRC 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 Standardized Subsidy on Inland Canal Sessel and Plan to Cope with Climate Changes (2014-2020).

Outlook *(Continued)*

Given these definitive policy and industry trends, the Group has tasked Jiangxi China Oil 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, Jiangxi China Oil 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, 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 the PRC's waterborne transportation sector.

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

While the growth opportunities are wide ranging, the challenge for the Group 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 the PRC. Still, continual improvement and innovation in product portfolio is critical in securing optimal returns and value for the Company's Shareholders and its other stakeholders.





Employees' Remuneration Policy

As at 30 September 2017, the Group employed 233 (31 March 2017: 297) 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, 264,000,000 share options (31 March 2017: Nil) were granted to eligible participants under the share option scheme of the Company.

Total staff costs (including Directors' remuneration) for the Interim Period amounted to approximately HK\$9.1 million (31 March 2017: approximately HK\$21.0 million).

Liquidity, Financial Resources and Capital Structure

As at 30 September 2017, total debts of the Group was approximately HK\$124.1 million (31 March 2017: approximately HK\$127.1 million). The Group had bank balances and cash of approximately HK\$54 million (31 March 2017: approximately HK\$45.1 million). The gearing ratio of the Group as at 30 September 2017, calculated as net debt divided by total equity, was approximately 34.6% (31 March 2017: approximately 53.7%). Net debts is defined as total debts (includes bill payables, obligation under a finance lease, promissory notes, bond and bank loans) less bank balances and cash. Equity comprises share capital and reserves.

As at 30 September 2017, the types of capital instruments used include promissory notes.

As at 30 September 2017, the Group's trade receivables was approximately HK\$8 million (31 March 2017: approximately HK\$8.7 million), representing approximately 3.8% (31 March 2017: approximately 2.6%) of the Group's revenue of approximately HK\$212.9 million (31 March 2017: approximately HK\$331.8 million) for the Interim Period. The Group adopted a stringent credit policy to minimise credit risk.

As at 30 September 2017, the ratio of current assets to current liabilities of the Group was approximately 1.95 (31 March 2017: approximately 1.53).

No capital commitments of unaudited condensed consolidated interim financial statements of the Group as at 30 September 2017.

Exposure to Foreign Exchange Risk

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

Pledge of Assets

As at 30 September 2017, no assets of the Group have been pledged.

Significant Investment and Disposals

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

Contingent Liabilities and Capital Commitment

The Group had no significant contingent liabilities and capital commitment at 30 September 2017 (31 March 2017: HK\$Nil).

Segment Information

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



CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 September 2017

	Notes	Three months ended 30 September		Six months ended 30 September	
		2017 HK\$'000 (Unaudited)	2016 HK\$'000 (Unaudited)	2017 HK\$'000 (Unaudited)	2016 HK\$'000 (Unaudited)
Revenue	5	109,990	67,438	212,851	183,391
Cost of sales		(103,836)	(60,164)	(199,856)	(165,023)
Gross profit		6,154	7,274	12,995	18,368
Other income	6	22,923	372	29,739	3,270
Selling expenses		(2,083)	(1,876)	(3,295)	(6,492)
Administrative expenses		(24,843)	(26,148)	(63,246)	(48,443)
Loss from operations		2,151	(20,378)	(23,807)	(33,297)
Gain on disposal of a subsidiary	7	–	–	628	–
Finance costs	8	(3,678)	(2,704)	(7,087)	(5,316)
Loss before tax		(1,527)	(23,082)	(30,266)	(38,613)
Income tax credit	9	824	2,010	1,592	2,821
Loss for the period	10	(703)	(21,072)	(28,674)	(35,792)
Other comprehensive expenses, net of tax:					
<i>Items that may be reclassified to profit or loss:</i>					
Fair value change of available for- sale investments		(54)	211	(439)	261
Exchange differences on translating foreign operations		2,571	(2,720)	3,963	(3,411)
		2,517	(2,509)	3,524	(3,150)
Total comprehensive income/ (expenses) for the period		1,814	(23,581)	(25,150)	(38,942)

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

For the six months ended 30 September 2017

	Notes	Three months ended 30 September		Six months ended 30 September	
		2017 HK\$'000 (Unaudited)	2016 HK\$'000 (Unaudited)	2017 HK\$'000 (Unaudited)	2016 HK\$'000 (Unaudited)
Loss for the period attributable to:					
Owners of the Company		(482)	(20,469)	(28,801)	(34,174)
Non-controlling interests		(221)	(603)	127	(1,618)
		(703)	(21,072)	(28,674)	(35,792)
Total comprehensive income/ (expenses) for the period attributable to:					
Owners of the Company		1,634	(22,806)	(26,147)	(36,461)
Non-controlling interests		180	(775)	997	(2,481)
		1,814	(23,581)	(25,150)	(38,942)
Loss per share (HK\$ cents)					
Basic	12(a)	(0.01)	(0.40)	(0.49)	(0.68)
Diluted	12(b)	(0.01)	(0.40)	(0.49)	(0.68)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 September 2017

	Notes	30 September 2017 HK\$'000 (Unaudited)	31 March 2017 HK\$'000 (Audited)
Non-current assets			
Property, plant and equipment	13	24,036	21,889
Available-for-sale investments		2,838	3,277
Goodwill		21,372	21,372
Intangible assets	14	6,628	14,519
		54,874	61,057
Current assets			
Inventories		18,820	30,448
Trade and other receivables	16	226,711	143,988
Available-for-sale investments		29,907	–
Amounts due from a director		12,570	12,570
Contingent consideration receivables		–	–
Bank balances and cash	17	54,022	45,129
		342,030	232,135
Current liabilities			
Trade and other payables	18	120,117	105,811
Obligations under a finance lease		555	1,204
Amounts due to a director		–	3,200
Amounts due to a related party		11,803	3,387
Promissory notes	19	37,299	31,775
Tax payable		5,792	6,303
		175,566	151,680
Net current assets		166,464	80,455
Total assets less current liabilities		221,338	141,512

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION *(Continued)*

At 30 September 2017

	Notes	30 September 2017 HK\$'000 (Unaudited)	31 March 2017 HK\$'000 (Audited)
Non-current liabilities			
Promissory notes	19	55,832	66,214
Interest-bearing bond		30,428	–
Deferred tax liabilities		2,789	4,603
		89,049	70,817
NET ASSETS		132,289	70,695
Capital and reserves			
Share capital	20	1,197	1,057
Reserves		140,767	80,310
Equity attributable to owners of the Company		141,964	81,367
Non-controlling interests		(9,675)	(10,672)
TOTAL EQUITY		132,289	70,695

Approved and signed by the Board on 10 November 2017.

Zou Donghai
Chairman and Executive Director

Ho Chun Kit, Gregory
Executive Director

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 September 2017

	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 reserve HK\$'000	Accumulated losses HK\$'000	Total HK\$'000	Non-controlling interests HK\$'000	Total equity HK\$'000
At 1 April 2016 (Audited)	1,005	523,826	3,622	(1,457)	(4,459)	52,050	(352,957)	221,630	(5,632)	215,998
Total comprehensive expenses for the period	-	-	-	261	(2,548)	-	(34,174)	(36,461)	(2,481)	(38,942)
Placing of Shares	5	3,570	-	-	-	-	-	3,575	-	3,575
Exercise of share based payments	7	10,589	-	-	-	(3,910)	-	6,686	-	6,686
Lapse of share based payments	-	-	-	-	-	(6,712)	6,712	-	-	-
Changes in equity for the period	12	14,159	-	261	(2,548)	(10,622)	(27,462)	(26,200)	(2,481)	(28,681)
At 30 September 2016 (Unaudited)	1,017	537,985	3,622	(1,196)	(7,007)	41,428	(380,419)	195,430	(8,113)	187,317
At April 2017 (Audited)	1,057	557,337	3,744	(598)	(8,445)	41,430	(513,158)	81,367	(10,672)	70,695
Total comprehensive income for the period	-	-	-	(439)	3,093	-	(28,801)	(26,147)	997	(25,150)
Share subscription	140	70,560	-	-	-	-	-	70,700	-	70,700
Equity settled share-based transactions	-	-	-	-	-	16,044	-	16,044	-	16,044
Lapse of share based payments	-	-	-	-	-	(2,200)	2,200	-	-	-
Changes in equity for the period	140	70,560	-	(439)	3,093	13,844	(26,601)	60,597	997	61,594
At 30 September 2017 (Unaudited)	1,197	627,897	3,744	(1,037)	(5,352)	55,274	(539,759)	141,964	(9,675)	132,289

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 September 2017

	Notes	Six months ended 30 September	
		2017 HK\$'000 (Unaudited)	2016 HK\$'000 (Unaudited)
NET CASH (USED IN)/GENERATED FROM OPERATING ACTIVITIES		(75,363)	4,971
Purchases of property, plant and equipment		(2,823)	(2,406)
Proceeds from disposals of property, plant and equipment		10	24
Proceeds from disposal of a subsidiary	7	–	–
Refund of deposit paid for acquisition of a subsidiary	15	22,900	500
Interest received		63	–
Investment in available-for-sales investment		(29,907)	–
NET CASH USED IN INVESTING ACTIVITIES		(9,757)	(1,882)
Proceeds from issue of interest-bearing bond		28,200	–
Repayment of bank borrowings		–	(39)
Proceeds from issue of promissory notes		5,000	–
Repayment of promissory notes		(10,000)	–
Repayment of finance lease		(649)	(713)
Repayment of amount due to a director		(3,200)	–
Net proceeds from issue of shares		70,700	3,575
Exercise of share options		–	6,686
NET CASH GENERATED FROM FINANCING ACTIVITIES		90,051	9,509
NET INCREASE IN CASH AND CASH EQUIVALENTS		4,931	12,598
Effect of foreign exchange rate changes		3,962	(2,889)
CASH AND CASH EQUIVALENTS AT 1 APRIL		45,129	38,169
CASH AND CASH EQUIVALENTS AT 30 SEPTEMBER	17	54,022	47,878



NOTES TO THE CONDENSED FINANCIAL STATEMENTS

For the six months ended 30 September 2017

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 2017 (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 2017 (the “**2017 Annual Financial Statements**”).

The Interim Financial Report has been prepared in accordance with the same accounting policies adopted in the 2017 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 2017. HKFRSs comprise HKFRS, HKAS; and Interpretations. The adoption of these new and revised HKFRSs did not result in significant changes to the Group’s accounting policies, presentation of the Group’s financial statements and amounts reported for the current period and prior years.

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

3. FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The following disclosures of fair value measurements use a fair value hierarchy that categorises into three levels as defined in HKFRS13, *Fair value measurement*. The level into which a fair value measurement is classified is determined with reference to the observability and significance of the inputs used in the valuation technique as follows:

Level 1 valuations: Fair value measured using only Level 1 inputs i.e. unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date

Level 2 valuations: Fair value measured using Level 2 inputs i.e. observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available

Level 3 valuations: Fair value measured using significant unobservable inputs

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

Disclosures of level in fair value hierarchy

At 30 September 2017 (Unaudited)

	Level 1 HK\$'000
Recurring fair value measurement:	
Available-for-sale investments	2,838
Total recurring fair value measurement	2,838

At 31 March 2017 (Audited)

	Level 1 HK\$'000
Recurring fair value measurement:	
Available-for-sale investments	3,277
Total recurring fair value measurements	3,277

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

4. SEGMENT INFORMATION

The Group's reportable segments are determined as follows:

1. 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 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.

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

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

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

	Trading of refined oil and chemicals <i>HK\$'000</i> (Unaudited)	Digital application business <i>HK\$'000</i> (Unaudited)	Power and data cords business <i>HK\$'000</i> (Unaudited)	Total <i>HK\$'000</i> (Unaudited)
Six months ended 30 September 2017				
Revenue from external customers	185,073	–	27,778	212,851
Segment loss	(340)	(6,139)	(1,088)	(7,567)
At 30 September 2017				
Segment assets	258,932	28,040	64,198	351,170
Segment liabilities	57,246	10,109	17,780	85,135
Six months ended 30 September 2016				
Revenue from external customers	142,720	–	40,671	183,391
Segment loss	(1,997)	(97)	(9,308)	(11,402)
At 31 March 2017				
Segment assets	115,517	35,933	89,810	241,260
Segment liabilities	40,939	11,923	41,867	94,729

4. SEGMENT INFORMATION (Continued)

	Six months ended 30 September	
	2017 HK\$'000 (Unaudited)	2016 HK\$'000 (Unaudited)
Reconciliation of segment results:		
Total loss of reportable segments	(7,567)	(11,402)
Unallocated amounts:		
Other income	22,933	3,270
Corporate expenses	(37,671)	(22,344)
Gain on disposal of a subsidiary	628	–
Finance costs	(6,997)	(5,316)
Consolidated loss for the period	(28,674)	(35,792)

5. REVENUE

The Group's revenue for the three months and six months ended 30 September 2017 and 2016 represented the following:

	Three months ended 30 September		Six months ended 30 September	
	2017 HK\$'000 (Unaudited)	2016 HK\$'000 (Unaudited)	2017 HK\$'000 (Unaudited)	2016 HK\$'000 (Unaudited)
Sales of power and data cords and inlets sockets	12,252	17,998	27,778	40,671
Sales of refined oil and chemicals	97,738	49,440	185,073	142,720
	109,990	67,438	212,851	183,391

6. OTHER INCOME

	Three months ended		Six months ended	
	30 September		30 September	
	2017	2016	2017	2016
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Interest income	9	19	63	21
Net foreign exchange (loss)/gain	(229)	345	(334)	502
Sundry income	243	–	553	–
Gain on disposal of property, plant and equipment	–	–	7	–
Reversal of impairment of trade receivables	–	8	6,550	2,747
Reversal of provision for deposit for acquisition of a subsidiary	22,900	–	22,900	–
	22,923	372	29,739	3,270

7. GAIN ON DISPOSAL OF A SUBSIDIARY

On 27 June 2017, the Group has transferred the entire interest of Capital Convoy Limited (the "Transfer"), a wholly-owned subsidiary of the Company, to Mr. Yeung Shing Wai at a consideration of HK\$8 and as at 30 September 2017, the Transfer has been completed.

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

	HK\$ (Unaudited)
Other receivable	102,346
Tax payables	(729,871)
Net liabilities disposed of	(627,525)
Gain on disposal of a subsidiary	627,533
Total consideration	8
Net cash inflow arising on the Transfer:	
Cash consideration received	8

8. FINANCE COSTS

	Three months ended 30 September		Six months ended 30 September	
	2017 HK\$'000 (Unaudited)	2016 HK\$'000 (Unaudited)	2017 HK\$'000 (Unaudited)	2016 HK\$'000 (Unaudited)
Interest on bank borrowings	-	164	-	327
Interest on trust receipt loans	-	41	-	85
Effective interest expenses on promissory notes				
– wholly repayable within five years	2,396	1,358	4,832	2,649
– not wholly repayable within five years	-	1,096	-	2,173
Interest on obligation under a finance leases	11	45	26	82
Interest on interest-bearing bond	1,271	-	2,229	-
	3,678	2,704	7,087	5,316

9. INCOME TAX CREDIT

	Three months ended 30 September		Six months ended 30 September	
	2017 HK\$'000 (Unaudited)	2016 HK\$'000 (Unaudited)	2017 HK\$'000 (Unaudited)	2016 HK\$'000 (Unaudited)
Current tax – Hong Kong Profits Tax Provision for the period	-	-	-	-
Current tax – PRC Enterprise Income Tax Provision for the period	84	-	223	120
Over provision in respect of prior periods	-	(540)	-	-
	84	(540)	223	120
Deferred tax	(908)	(1,470)	(1,815)	(2,941)
	(824)	(2,010)	(1,592)	(2,821)

9. INCOME TAX CREDIT (Continued)

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

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

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

10. LOSS FOR THE PERIOD

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

	Three months ended 30 September		Six months ended 30 September	
	2017 HK\$'000 (Unaudited)	2016 HK\$'000 (Unaudited)	2017 HK\$'000 (Unaudited)	2016 HK\$'000 (Unaudited)
Amortisation for contractual right	3,946	5,882	7,891	11,764
Depreciation	1,091	980	2,174	2,003
Gain on disposal of property, plant and equipment	–	–	(7)	–
Directors' emoluments	1,537	1,697	3,007	3,137
Reversal of impairment of trade receivables	–	(8)	(6,550)	(2,747)
Reversal of provision for deposit for acquisition of a subsidiary	22,900	–	22,900	–
Equity settled share-based payment expense	–	–	16,046	–

11. DIVIDENDS

The Board does not recommend payment of any interim dividend for the six months ended 30 September 2017 (six months ended 30 September 2016: Nil).

12. LOSS PER SHARE

(a) Basic loss per share

Basic loss per share is calculated by dividing the unaudited loss attributable to owners of the Company of HK\$482,123 (2016: HK\$20,468,231) by the weighted average number of ordinary shares of 5,984,056,372 (2016: 5,063,493,530) in issue for the three months ended 30 September 2017. Basic loss per share is calculated by dividing the unaudited loss attributable to owners of the Company of HK\$28,801,051 (2016: HK\$34,173,262) by the weighted average number of ordinary shares of 5,893,919,386 (2016: 5,053,617,306) in issue for the six months ended 30 September 2016.

(b) Diluted loss per share

Diluted loss per share is the same as basic loss per share as the outstanding share options have anti-dilutive effects on basic loss per share (2016: Nil).

13. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 September 2017, the Group acquired property, plant and equipment of approximately HK\$2.8 million (six months ended 30 September 2016: HK\$2.4 million).

14. INTANGIBLE ASSETS

As at 30 September 2017, the Group possessed a contractual right which represents the design, development, sales and distribution of mobile phone games with popular cartoon characters in the PRC arising from a co-operation agreement with a PRC company, Guangzhou Blue Arc Culture Communication Company Limited (廣州藍弧文化傳播有限公司) (the “**Cooperation Agreement**”). The Cooperation Agreement has a term of 5 years from 1 March 2013 to 28 February 2018 and is renewable for 5 years subject to negotiation by the parties concerned. In the opinion of the Directors, the contractual right is expected to be available for use by the Group over a useful life of 4.17 years from the date of acquisition and it is being amortised on a straight-line basis over its useful life. The remaining amortisation period of the contractual right is 0.42 years (2017: 1.42 years).





15. DEPOSITS PAID FOR ACQUISITION OF SUBSIDIARIES

(a) Sino Grandway International Investment Limited (“Sino Grandway”)

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

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

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

On 5 February 2016, the Company entered into an acquisition agreement (the “**Acquisition Agreement**”) with the Vendors, pursuant to which the Company has conditionally agreed to acquire and the Vendors have conditionally agreed to sell the entire issued share capital of Sino Grandway.

Further details of the Proposed Acquisition are set out in the Company’s announcements dated 7 August 2014, 20 October 2014, 12 February 2015, 16 October 2015, 5 February 2016 and 4 May 2016.

On 28 June 2017, HK\$9,100,000 of the above deposits was refunded to the Company and a provision was made for the remaining balance of HK\$22,900,000.

On 3 July 2017 and 19 September 2017, HK\$2,000,000 and HK\$20,900,000 of the above deposits was refunded to the Company respectively. As a result, the amount of HK\$22,900,000 provision made for the deposits has been reversed.

16. TRADE AND OTHER RECEIVABLES

	30 September 2017 HK\$'000 (Unaudited)	31 March 2017 HK\$'000 (Audited)
Trade receivables	20,279	18,958
Provision for doubtful debts	(12,328)	(10,215)
	7,951	8,743
Bill receivables	94	226
Other receivables	218,666	135,019
Total trade and other receivables	226,711	143,988

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 2017 HK\$'000 (Unaudited)	31 March 2017 HK\$'000 (Audited)
1 – 30 days	7,938	5,250
31 – 60 days	13	3,362
61 – 90 days	–	114
91 – 180 days	–	17
	7,951	8,743



17. BANK BALANCES AND CASH

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

	30 September 2017 HK\$ (Unaudited)	31 March 2017 HK\$ (Audited)
Denominated in:		
Hong Kong Dollars ("HK\$")	44,038	34,657
Renminbi ("RMB")	6,209	5,616
United States Dollars ("US\$")	3,775	4,856
	54,022	45,129

18. TRADE AND OTHER PAYABLES

	30 September 2017 HK\$'000 (Unaudited)	31 March 2017 HK\$'000 (Audited)
Trade payables	12,569	30,865
Other payables	107,548	74,946
Total trade and other payables	120,117	105,811

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 2017 HK\$'000 (Unaudited)	31 March 2017 HK\$'000 (Audited)
Not yet due	11,332	29,557
1 – 30 days past due	1,099	1,161
31 – 60 days past due	51	146
61 – 90 days past due	46	–
91 – 180 days past due	41	1
	12,569	30,865

19. PROMISSORY NOTES

	30 September 2017 HK\$'000 (Unaudited)	31 March 2017 HK\$'000 (Audited)
Current	37,299	31,775
Non-current	55,832	66,214
	93,131	97,989

Movements in promissory notes is analysed as follows:

	30 September 2017 HK\$'000 (Unaudited)	30 September 2016 HK\$'000 (Unaudited)
At beginning of the period	97,989	95,468
Issue at fair value during the period	5,000	–
Imputed interest charged	4,832	4,822
Interest paid and payables	(14,690)	(4,640)
At end of the period	93,131	95,650

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



20. SHARE CAPITAL

	Notes	Number of shares	Amount HK\$'000
<i>Authorised:</i>			
Ordinary shares as at 1 April 2016 of HK\$0.0001 each		80,000,000,000	8,000
Share consolidation	(a)	(40,000,000,000)	–
As at 31 March 2017 and 30 September 2017 of HK\$0.0002 each		40,000,000,000	8,000
	Notes	Number of shares	Amount HK\$'000
<i>Issued and fully paid:</i>			
Ordinary shares of HK\$0.0002 (2016: HK\$0.0001) each			
At 1 April 2016 (Audited)		10,047,438,744	1,005
Exercise of share option	(b)	72,674,000	7
Placement of shares	(c)	48,000,000	5
Consolidation of shares	(a)	(5,084,056,372)	–
Placement of shares	(d)	200,000,000	40
At 31 March 2017 and 1 April 2017 (Audited)		5,284,056,372	1,057
Share Subscription	(e)	700,000,000	140
At 30 September 2017 (Unaudited)		5,984,056,372	1,197

20. SHARE CAPITAL (Continued)

Note:

- (a) Pursuant to an ordinary resolution passed on 29 September 2016, the Company consolidated every existing 2 issued and unissued shares of HK\$0.0001 each into 1 consolidated share of HK\$0.0002 each (the “**Share Consolidation**”). Upon the Share Consolidation becoming effective, the authorised share capital of the Company became HK\$8,000,000 divided into 40,000,000,000 ordinary shares of HK\$0.0002 each. Based on a total of 10,168,112,744 ordinary shares of HK\$0.0001 each in issue immediately prior to the Share Consolidation, the issued and fully-paid share capital of the Company became approximately HK\$1,017,000 divided into 5,084,056,372 ordinary shares of HK\$0.0002 each.
- (b) During the year ended 31 March 2017, prior to the Share Consolidation, the Company issued 72,674,000 new ordinary shares at a subscription price of HK\$0.092 per share, as a result of exercise of the share options for a total cash consideration of approximately HK\$6,686,000.
- (c) During the year ended 31 March 2017, prior to the Share Consolidation, the Company issued 48,000,000 new ordinary shares at a subscription price of HK\$0.076 per share for a total cash consideration of HK\$3,648,000. The premium on the issue of shares amounted to approximately HK\$3,570,000, net of share issue expenses.
- (d) During the year ended 31 March 2017, after the Share Consolidation, the Company issued 200,000,000 new ordinary shares at subscription price of HK\$0.101 per share for a total cash consideration of HK\$19,392,000. The premium on the issue of shares amounted to approximately HK\$19,352,000, net of share issue expenses.
- (e) During the six months ended 30 September 2017, after the Share Consolidation, the Company issued 700,000,000 new ordinary shares at subscription price of HK\$0.101 per share for a total cash consideration of HK\$70,700,000.





21. 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.

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.

21. SHARE-BASED PAYMENTS (Continued)

Equity-settled share option scheme (Continued)

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

	30 September 2017		30 September 2016	
	Number of share options	Weighted average exercise price HK\$	Number of share options	Weighted average exercise price HK\$
Outstanding at beginning of the period	342,098,000	0.08	811,870,000	0.10
Granted during the period	264,000,000	0.13	–	–
Exercised during the period	–	–	(72,674,000)	0.09
Forfeited/lapsed during the period	(27,500,000)	0.31	(55,000,000)	0.22
Share consolidation during the period	–	–	(342,098,000)	–
Outstanding and exercisable at the end of the period	578,598,000	0.14	342,098,000	0.08

The options outstanding at the end of the period have a weighted average remaining contractual life of 8.11 years (six months ended 30 September 2016: 7.91 years) and the exercise price range from HK\$0.13 to HK\$0.39 (six months ended 30 September 2016: from HK\$0.16 to HK\$0.44). The estimated fair values of the options granted on 21 April 2017 were HK\$16,045,920.

Note: The exercise price and number of shares subject to share options were adjusted pursuant to the share Consolidation of the Company's shares became effective on 30 September 2016.



22. CAPITAL COMMITMENTS

Save as disclosed elsewhere to the condensed financial statements, the Group has no other capital commitments as at 30 September 2017 (At 31 March 2017: Nil).

23. CONTINGENT LIABILITIES

The Group did not have any significant contingent liabilities at 30 September 2017 (At 31 March 2017: 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**").

The CG Code provision A.6.7 requires that independent non-executive Directors shall attend general meetings and develop a balanced understanding of the views of shareholders. Two independent non-executive Directors attended annual general meeting held on 7 August 2017. The other independent non-executive Director was 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.

Pursuant to CG Code provision I(f) and Rule 5.05A of the GEM Listing Rules, an issuer must appoint independent non-executive Directors representing at least one-third of the board. For the period from 25 July 2017 to 23 October 2017, the number of independent non-executive Directors had fallen below the minimum number required. Since 24 October 2017, the Company has complied with this requirement following the appointment of Mr. Sun Dexin.

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.





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 2017.

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.

SHARE OPTION SCHEME (Continued)

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

Grantee	Date of grant	Exercise price	Exercise period of share options	Outstanding as at 1 April 2017	Granted during the period	Exercised during the period	Cancelled/ Lapsed during the period	Outstanding as at 30 September 2017	Market value per share immediately before the date of grant of options	Weighted average closing price per share immediately before the date of exercise of options	Approximate % of the Company's total issued share capital as at 30 September 2017
Executive Directors:											
Ho Chun Kit Gregory	17 March 2015	HK\$0.184	17 March 2015 – 16 March 2025	21,587,000	-	-	-	21,587,000	HK\$0.176	-	0.36%
	21 April 2017	HK\$0.126	21 April 2017 – 20 April 2020	-	52,800,000	-	-	52,800,000	HK\$0.12	-	0.88%
Rong Changjun	21 April 2017	HK\$0.126	21 April 2017 – 20 April 2020	-	52,800,000	-	-	52,800,000	HK\$0.12	-	0.88%
Zhang Xueming	21 April 2017	HK\$0.126	21 April 2017 – 20 April 2020	-	52,800,000	-	-	52,800,000	HK\$0.12	-	0.88%
Zheng Jian Peng	21 April 2017	HK\$0.126	21 April 2017 – 20 April 2020	-	52,800,000	-	-	52,800,000	HK\$0.12	-	0.88%
Other Categories:											
Consultants in aggregate	10 October 2013	HK\$0.392	10 October 2013 – 9 October 2023	27,500,000	-	-	-	27,500,000	HK\$3.8	-	0.46%
	13 January 2014	HK\$0.314	13 January 2014 – 12 January 2024	55,000,000	-	-	-	55,000,000	HK\$3.08	-	0.92%
	14 July 2014	HK\$0.256	14 July 2014 – 13 July 2024	77,000,000	-	-	-	77,000,000	HK\$0.26	-	1.29%
	21 August 2014	HK\$0.226	21 August 2014 – 20 August 2024	27,500,000	-	-	-	27,500,000	HK\$0.24	-	0.46%
	16 February 2015	HK\$0.164	16 February 2015 – 15 February 2025	43,587,000	-	-	-	43,587,000	HK\$0.17	-	0.73%
	17 March 2015	HK\$0.184	17 March 2015 – 16 March 2025	62,424,000	-	-	-	62,424,000	HK\$0.176	-	1.04%
Employee	21 April 2017	HK\$0.126	21 April 2017 – 20 April 2020	-	52,800,000	-	-	52,800,000	HK\$0.12	-	0.88%
Former employee	23 September 2014	HK\$0.310	23 September 2014 – 22 September 2024	27,500,000	-	-	27,500,000	-	HK\$0.34	-	-

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 2017, 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 Shares in issue
		Personal interests	Share Options		
Mr. Zou Donghai	700,000,000	–	–	700,000,000	11.7%
Mr. Rong Changjun	–	52,800,000	–	52,800,000	0.88%
Mr. Zhang Xueming	–	52,800,000	–	52,800,000	0.88%
Dr. Ho Chun Kit Gregory	9,750,000	74,387,000	–	84,137,000	1.41%
Dr. Zheng Jian Peng	–	52,800,000	–	52,800,000	0.88%

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 2017, 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 2017, 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 Directors namely Mr. Lau Sung Tat, Vincent (Chairman), Ms. Eugenia Yang and Mr. Chan Ying Kay. The Audit Committee has reviewed the unaudited consolidated results of the Company for the Interim Period.

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

Save as the Escrow Shares disclosed above, neither the Company nor any of its subsidiaries had purchased, sold, or redeemed any of the listed securities of the Company during the Interim Period.





INTEREST IN A COMPETING BUSINESS

During the six months ended 30 September 2017, none of the Directors, the controlling shareholders of the Company and their respective close associates (as defined under GEM Listing Rules) had any interest in any business which competes or is likely to compete, directly or indirectly, with the business of the Company or any other conflict of interest with the Company.

By order of the Board

Zou Donghai

Chairman and Executive Director

Hong Kong, 10 November 2017

As at the date of this report, the executive Directors are Mr. Zou Donghai, Mr. Rong Changjun, Mr. Zhang Xueming, Dr. Ho Chun Kit Gregory and Dr. Zheng Jian Peng; the non-executive Directors are Mr. Chan Shiu Man and Mr. Hua Xujie; and the independent non-executive Directors are Ms. Eugenia Yang, Mr. Lau Sung Tat, Vincent, Mr. Chan Ying Kay and Mr. Sun Dexin.