



# 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

| 2018

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

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## CORPORATE INFORMATION

### REGISTERED OFFICE

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](http://www.chinaoilgangran.com)  
[chinaoilgangran.todayir.com](http://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 Wenrong  
(appointed on 23 October 2018)  
Dr. Ho Chun Kit Gregory  
Dr. Zheng Jian Peng  
Mr. Zhang Xueming  
(retired on 31 August 2018)

#### Non-Executive Directors

Mr. Chan Shiu Man  
(resigned on 28 August 2018)  
Mr. Hua Xujie  
(retired on 31 August 2018)

#### Independent Non-Executive Directors

Mr. Lau Sung Tat, Vincent  
Mr. Tam Kim Fung  
(appointed on 4 September 2018)  
Ms. Eugenia Yang  
(resigned on 7 June 2018)  
Mr. Chan Ying Kay  
(resigned on 28 August 2018)  
Mr. Sun Dexin  
(retired on 31 August 2018)

### AUDIT COMMITTEE

Mr. Lau Sung Tat, Vincent (*Chairman*)  
Mr. Tam Kim Fung  
(appointed on 4 September 2018)  
Ms. Eugenia Yang  
(resigned on 7 June 2018)  
Mr. Chan Ying Kay  
(resigned on 28 August 2018)  
Mr. Sun Dexin  
(appointed on 7 June 2018 and  
retired on 31 August 2018)

## REMUNERATION COMMITTEE

Mr. Lau Sung Tat, Vincent (*Chairman*)  
Dr. Zheng Jian Peng  
Mr. Tam Kim Fung  
(appointed on 4 September 2018)  
Ms. Eugenia Yang  
(resigned on 7 June 2018)  
Mr. Chan Ying Kay  
(resigned on 28 August 2018)  
Mr. Sun Dexin  
(appointed on 28 August 2018  
and retired on 31 August 2018)

## NOMINATION COMMITTEE

Mr. Lau Sung Tat, Vincent  
Mr. Tam Kim Fung  
(appointed on 4 September 2018)  
Ms. Eugenia Yang  
(resigned on 7 June 2018)  
Mr. Chan Ying Kay  
(resigned on 28 August 2018)  
Mr. Hua Xujie  
(resigned on 31 August 2018)  
Mr. Sun Dexin  
(appointed on 28 August 2018  
and retired on 31 August 2018)

## 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 2018 (the “**Interim Period**”) was approximately HK\$48 million, representing a decrease of approximately 77.4% from approximately HK\$212.9 million for the comparable period of last year. Such decrease was attributable to a decrease 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\$28.3 million from approximately HK\$28.8 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 power and data cords and inlet sockets by approximately HK\$5 million for the Interim Period; and (ii) the decrease in equity settled share-based payment expense of approximately HK\$12.2 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 and glasses; (iii) the liquefied natural gas (“**LNG**”), compressed natural gas (“**CNG**”) and other related clean energy businesses; (iv) refined oil retail business; and (v) trading of MTBE (collectively the “**Business Sectors**”). Despite the challenging development in the Business Sectors, 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责任公司) (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, the United States and mainland China contributed to approximately 16% (2017: approximately 6%) and approximately 65% (2017: approximately 92%) of the Group's total revenue respectively, while the remaining approximately 19% (2017: approximately 2%) 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\$4.6 million (2017: approximately HK\$3.7 million) in the Interim Period, representing a year-on-year increase of approximately 24%.

The Group's power cords and inlet sockets used in household electric appliances received safety approvals and/or certificates in many countries, many of which also complied with eleven types of international safety standards. The 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**

The Group's unaudited revenue from power and data cords for mobile phones recorded an increase of approximately 36.9% to approximately HK\$15.2 million (2017: approximately HK\$11.1 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\$11.3 million (2017: approximately HK\$11.8 million), representing a year-on-year decrease of approximately 4.2%.

## **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 and Glasses**

With fierce competition in the power and data cords sector, the Group also traded in mobile smart phones and glasses. The Group's unaudited revenue from the trading of mobile smart phones and glasses was approximately HK\$1.6 million (2017: HK\$1 million) for the Interim Period.

### **Development of Digital Applications**

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

Pursuant to the sale and purchase agreement in respect of the acquisition of 3 Dynamics (the "**Sale and Purchase Agreement**"), Mr. Chung Wai Sum (the "**Vendor**") irrevocably and unconditionally warrants and guarantees to Dynamic Miracle Limited, a wholly-owned subsidiary of the Company (the "**Dynamic Miracle**") that the audited net profits after tax of 3 Dynamics as shown in its audited financial statement for the 12 months from the date of the completion of acquisition, i.e. for the period from 11 December 2013 to 10 December 2014 (the "**Relevant Period**") shall not be less than HK\$42,000,000 (the "**Profit Guarantee**"). The Profit Guarantee is secured by 140,000,000 consideration shares ("**Escrow Shares**") of the Company issued to the Vendor. As certified by the previous auditors of 3 Dynamics, 3 Dynamics has recorded a net loss after tax in its audited financial statement for the period from 11 December 2013 to 10 December 2014 and there was no profit for the Relevant Period pursuant to the Sale and Purchase Agreement. Under the terms and conditions as stipulated in the Sale and Purchase Agreement, the Escrow Shares would be sold in order to pay for the Profit Guarantee. During the year ended 31 March 2016, a portion of the Escrow Shares were sold to pay for the Profit Guarantee. An amount of HK\$20,000,000 was received by the Group to partially settle the Profit Guarantee obligation of the Vendor. As at 31 March 2018 and 2017, the balance of HK\$22,000,000 ("**Contingent Consideration Receivables**") was still outstanding for the Profit Guarantee and only 73,870,000 (after adjustment for share subdivision and consolidation) of the Escrow Shares remained as a security for the Profit Guarantee.

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

### **Development of Digital Applications** *(Continued)*

During the period ended 30 September 2018, the Company is still negotiating with the Vendor continuously to recover the Contingent Consideration Receivables. However, given that the Contingent Consideration Receivables has been long outstanding despite of the Escrow Shares held, the Board considered that the chance to collect the Contingent Consideration Receivables would be low and has made full provision for the amount receivable during the year ended 31 March 2017.

### **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 commencing in mid 2015.

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

The Group 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\$12.3 million (2017: approximately HK\$42.9 million) revenue to the Group, represented a decrease of 71.3%.

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

### **Trading of MTBE 甲基叔丁基醚 and other chemicals**

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. During the Interim Period, the trading of MTBE generated an unaudited revenue of approximately HK\$3 million (2017: approximately HK\$142.2 million) to the Group, representing a decrease of 97.9%.

### **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.

Reference is made 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 (the “**Acquisition Agreement**”) with Zhang Weihua (“**Vendor A**”) and Wei Yingming (“**Vendor B**”, together with Vendor A, the “**Vendors**”), 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 pursuant to which it was agreed that as additional time is required to complete the due diligence exercise, the long stop date is would be extended from 5 April 2016 to 30 June 2016.

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

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

As the long stop date was not further extended, the Acquisition Agreement lapsed on 30 June 2016 and the deposit paid to the Vendors amounting to HK\$32,000,000 was required to be refunded to the Group.

On 28 June 2017, the deposit in the partial amount of HK\$9,100,000 was refunded by the Vendors to the Company and a provision was made by the Company for the remaining balance of HK\$22,900,000.

On 3 July 2017 and 19 September 2017, the deposit in the partial amount of HK\$2,000,000 and HK\$20,900,000 was refunded by the Vendors to the Company respectively. As a result, the amount of provision made for the deposits of HK\$22,900,000 has been reversed in the financial year ended 31 March 2018.

## **Fundraising Activity**

### **Placing of new shares under general mandate**

On 22 June 2018 and 28 June 2018, the Company entered into a conditional placing agreement (the "**Placing Agreement**") and a supplemental agreement respectively with Taijin Securities and Futures Limited (the "**Placing Agent**"), pursuant to which the Placing Agent agrees, as agent of the Company, to procure on a fully underwritten basis (formerly on a best effort basis according to the Placing Agreement) not less than six places who and whose ultimate beneficial owners shall be independent third parties to subscribe for up to 1,000,000,000 placing shares (the "**Placing Shares**") at the placing price of HK\$0.041 per Placing Share (the "**Placing**"). The 1,000,000,000 Placing Shares represent (i) approximately 16.28% of the existing issued share capital of the Company as at 22 June 2018; and (ii) approximately 14.00% of the issued share capital of the Company as enlarged by the allotment and issue of all the Placing Shares. The gross proceeds from the Placing would be HK\$41 million. The net proceeds, after deduction of all relevant expenses was estimated to be approximately HK\$39.65 million. The Company intended to apply the net proceeds from the Placing as to approximately HK\$28.9 million for the repayment of promissory notes due in the financial year ending 31 March 2019, HK\$2.25 million for the repayment of interests on bonds and the remaining balance of approximately HK\$8.5 million as general working capital of the Group. The actual net proceeds from the Placing was approximately HK\$39.75 million. As at 30 September 2018, the actual net proceeds (adjusted to actual net proceeds) from the Placing was utilised as to approximately HK\$27.35 million for the repayment of promissory notes due in the financial year ending 31 March 2019, as to approximately HK\$4.68 million as general working capital of the Group and the balance to be utilised as intended. For further details of the Placing, please refer to the announcements of the Company dated 22 June 2018 and 28 June 2018.

## **Resignation of non-executive Director and independent non-executive Directors**

On 8 June 2018, the Company announced that Ms. Eugenia Yang (“**Mr. Yang**”) has tendered her resignation as an independent non-executive Director with effect from 7 June 2018. Ms. Yang has confirmed that she has no disagreement with the Board and there is no other matter that needs to be brought to the attention of the shareholders of the Company or the Stock Exchange in relation to her resignation.

On 28 August 2018, the Company announced that Mr. Chan Ying Kay has tendered his resignation as an independent non-executive Director with effect from 28 August 2018. Mr. Chan Ying Kay has confirmed that he has no disagreement with the Board and there is no other matter that needs to be brought to the attention of the shareholders of the Company or the Stock Exchange in relation to his resignation.

On 28 August 2018, the Company announced that Mr. Chan Shiu Man has tendered his resignation as a non-executive Director with effect from 28 August 2018. Mr. Chan Shiu Man has confirmed that he has no disagreement with the Board and there is no other matter that needs to be brought to the attention of the shareholders of the Company or the Stock Exchange in relation to his resignation.

## **Retirement of executive Director, non-executive Director and independent non-executive Director**

On 31 August 2018, the Company announced that Mr. Zhang Xueming was not re-elected at the annual general meeting (the “**AGM**”) of the Company and thus has retired as an executive Director. The Board is not aware of any disagreement with Mr. Zhang Xueming or any matter relating to his retirement that needs to be brought to the attention of the Shareholders and the Stock Exchange.

On 31 August 2018, the Company announced that Mr. Hua Xujie (“**Mr. Hua**”) was not re-elected at the AGM and thus has retired as a non-executive Director. The Board is not aware of any disagreement with Mr. Hua or any matter relating to his retirement that needs to be brought to the attention of the Shareholders and the Stock Exchange.

On 31 August 2018, the Company announced that Mr. Sun Dexin (“**Mr. Sun**”) was not re-elected at the AGM and thus has retired as an independent non-executive Director. The Board is not aware of any disagreement with Mr. Sun or any matter relating to his retirement that needs to be brought to the attention of the Shareholders and the Stock Exchange.

## **Appointment of executive Director and independent non-executive Director**

On 4 September 2018, the Company announced that Mr. Tam Kim Fung (“**Mr. Tam**”) has been appointed as an independent non-executive Director with effect from 4 September 2018.

On 23 October 2018, the Company announced that Mr. Zhang Wenrong (“**Mr. Zhang**”) has been appointed as an executive Director with effect from 23 October 2018.

## **Change in composition of board committees**

On 8 June 2018, the Company announced that (i) Mr. Hua was appointed as the chairman of the nomination committee (the “**Nomination Committee**”) of the Board; (ii) Mr. Sun was appointed as a member of the audit committee (the “**Audit Committee**”) of the Board; and (iii) Dr. Zheng Jian Peng (“**Dr. Zheng**”), an executive director, has been appointed as a member of the remuneration committee (the “**Remuneration Committee**”) of the Board with effect from 7 June 2018.

On 28 August 2018, the Company announced that Mr. Sun was appointed as a member of each of the Remuneration Committee and the Nomination Committee. On 31 August 2018, Mr. Sun had retired as a member of each of the Audit Committee, the Remuneration Committee and the Nomination Committee.

On 4 September 2018, the Company announced that Mr. Tam has been appointed as a member of each of the Audit Committee, the Remuneration Committee and the Nomination Committee with effect from 4 September 2018.

## Outlook

During the Interim Period, the global economic environment is still deeply fluctuating. The medium-to-long-term economic growth of the PRC has slowed down. Falling commodity price, the declining global industrial output and depressed trading added to the uncertainties. Due to the challenging macro-economic conditions, the Group recorded a 77.4% decrease in overall unaudited revenue, which was mainly contributed by the decline in the sales of refined oil and MTBE trading.

While this low-growth environment appears likely to persist in 2018 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.

The significant drop in revenue from the sales of refined oil and the trading of MTBE was due to changes in environmental regulations. A ban of sand mining was imposed in the middle and lower Gan River which caused sand mining vessels along Gan River, being the major customer of Jiangxi China Oil's six bunker barges, to stop operating and indirectly caused an upward fluctuation in the prices of chemical.

In line with the 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 research and development 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. In recent years, the PRC has been 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 were promulgated by the state to promote natural gas consumption across all transportation sectors, which include 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 2018, the Group employed 263 (31 March 2018: 269) 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, 211,250,000 share options (31 March 2018: 264,000,000) 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\$12.8 million (31 March 2018: approximately HK\$27.5 million).

## Liquidity, Financial Resources and Capital Structure

As at 30 September 2018, total debts of the Group was approximately HK\$142.4 million (31 March 2018: approximately HK\$146.8 million). The Group had bank balances and cash of approximately HK\$32 million (31 March 2018: approximately HK\$46.7 million). The gearing ratio of the Group as at 30 September 2018, calculated as net debt divided by total equity, was approximately 51.2% (31 March 2018: approximately 49.6%). Net debts is defined as total debts (includes promissory notes, bond and bank loans) less bank balances and cash. Equity comprises share capital and reserves.

As at 30 September 2018, the types of capital instruments used include promissory notes.

As at 30 September 2018, the Group's trade receivables was approximately HK\$30 million (31 March 2018: approximately HK\$33.5 million), representing approximately 62.5% (31 March 2018: approximately 8.5%) of the Group's revenue of approximately HK\$48 million (31 March 2018: approximately HK\$395.3 million) for the Interim Period.

As at 30 September 2018, the ratio of current assets to current liabilities of the Group was approximately 2.17 (31 March 2018: approximately 2.03).

No capital commitments of unaudited condensed consolidated interim financial statements of the Group as at 30 September 2018.

## **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 2018, the Group pledged its leasehold land and buildings with an aggregate carrying amount of approximately HK\$13,186,000 (31 March 2018: HK\$13,403,000).

## **Significant Investment and Disposals**

Save as disclosed in note 6, 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 2018 (31 March 2018: HK\$Nil).

## **Segment Information**

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

## Events after the Reporting Period

### Issue of convertible notes under the general mandate

On 4 October 2018, the Company entered into the subscription agreements (the “**Subscription Agreements**”) with each of 李超志 (Li Chaozhi\*), 李瑞敏 (Li Ruimin\*), Chan Lok Yu and Asiapac Strategic Investment Limited (collectively as the “**Subscribers**”) pursuant to which the Company has conditionally agreed to issue, and the Subscribers have conditionally agreed to subscribe for, the 1.5% coupon convertible notes in the aggregate principal amount of HK\$15,000,000 (the “**Notes**”) (as to HK\$10,000,000 for Li Chaozhi, HK\$2,500,000 for Li Ruimin, HK\$2,000,000 for Chan Lok Yu and HK\$500,000 for Asiapac Strategic Investment Limited). Under the terms and conditions of the Notes, the Notes will bear coupon interest at the rate of 1.5% per annum. The Notes are convertible into new Shares at a conversion price of HK\$0.2 per Share (subject to adjustments). The maturity of the Notes will be the date falling on the second anniversary of the date of issue of the Notes. The conversion shares of 75,000,000 Shares represent (i) approximately 1.05% of the existing issued share capital of the Company on 4 October 2018; and (ii) approximately 1.04% of the issued share capital of the Company as enlarged by the issue of the conversion shares.

Pursuant to the Subscription Agreements, the Company had issued the Notes in the aggregate principal amount of HK\$15,000,000 to the Subscribers on 2 November 2018. The maturity date of the Notes will be on 2 November 2020. To the best of the Directors’ knowledge, information and belief having made all reasonable enquiries, each of the Subscribers and, where applicable, its ultimate beneficial owner(s) are third parties independent of the Company and its connected persons (as defined under the GEM Listing Rules).

The gross proceeds from the issue of the Notes will be HK\$15,000,000 and the net proceeds, after deduction of all relevant expenses incidental to the subscription, are estimated to be approximately HK\$14,800,000. The Company intends to apply the net proceeds from the issue of the Notes as to approximately HK\$5 million for the repayment on interest of promissory notes due in the financial year ending 31 March 2019, HK\$2.25 million for the repayment of interests on bonds and the remaining balance of approximately HK\$7.55 million as general working capital of the Group. As at the date of this report, none of the net proceeds from the issue of the Notes had been utilised.

For further details of the issue of the Notes, please refer to the announcements of the Company dated 4 October 2018 and 19 October 2018.

\* for identification purposes only

## **Proposed Share Consolidation and Change of Board Lot Size**

Subsequent to the Interim Period, the Company proposed (i) that every twenty (20) Shares in the share capital of the Company be consolidated into one (1) consolidated share; and (ii) to change the board lot size for trading on the Stock Exchange from 20,000 Shares to 10,000 Consolidated Shares after and conditional upon the Share Consolidation becoming effective.

An extraordinary general meeting of the Company will be held on 28 November 2018 at which an ordinary resolution will be proposed to the Shareholders to consider and, if thought fit, to approve the proposed share consolidation. Shareholders are not required to vote for the proposed change in board lot size. However, the proposed change in board lot size is conditional upon the share consolidation becoming effective and will not proceed if the Shareholders vote down the share consolidation.

For further details of the proposed share consolidation and change of board lot size of the Company, please refer to the announcements of the Company dated 29 October 2018 and 12 November 2018 as well as the circular of the Company dated 12 November 2018.

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

For the six months ended 30 September 2018

	Notes	Three months ended 30 September		Six months ended 30 September	
		2018 HK\$'000 (Unaudited)	2017 HK\$'000 (Unaudited)	2018 HK\$'000 (Unaudited)	2017 HK\$'000 (Unaudited)
<b>Revenue</b>	4	21,412	109,990	48,003	212,851
Cost of sales		(16,334)	(103,836)	(37,921)	(199,856)
<b>Gross profit</b>		5,078	6,154	10,082	12,995
Other (loss)/income	5	(907)	22,923	5,971	29,739
Selling expenses		(1,516)	(2,083)	(3,866)	(3,295)
Administrative expenses		(16,974)	(24,843)	(35,617)	(63,246)
<b>(Loss)/profit from operations</b>		(14,319)	2,151	(23,430)	(23,807)
Gain on disposal of a subsidiary	6	–	–	–	628
Finance costs	7	(2,939)	(3,678)	(6,495)	(7,087)
<b>Loss before tax</b>		(17,258)	(1,527)	(29,925)	(30,266)
Income tax (expenses)/credit	8	(131)	824	(295)	1,592
<b>Loss for the period</b>	9	(17,389)	(703)	(30,220)	(28,674)
<b>Other comprehensive expenses, net of tax:</b>					
<i>Items that may be reclassified to profit or loss:</i>					
Fair value change of available for- sale investments		–	(54)	–	(439)
Exchange differences on translating foreign operations		12,526	2,571	(11,098)	3,963
		12,526	2,517	(11,098)	3,524
<b>Total comprehensive (expense)/ income for the period</b>		(4,863)	1,814	(41,318)	(25,150)

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

For the six months ended 30 September 2018

	Notes	Three months ended 30 September		Six months ended 30 September	
		2018 HK\$'000 (Unaudited)	2017 HK\$'000 (Unaudited)	2018 HK\$'000 (Unaudited)	2017 HK\$'000 (Unaudited)
<b>Loss for the period attributable to:</b>					
Owners of the Company		(16,846)	(482)	(28,288)	(28,801)
Non-controlling interests		(543)	(221)	(1,932)	127
		<b>(17,389)</b>	<b>(703)</b>	<b>(30,220)</b>	<b>(28,674)</b>
<b>Total comprehensive (expenses)/income for the period attributable to:</b>					
Owners of the Company		(6,613)	1,634	(42,076)	(26,147)
Non-controlling interests		1,750	180	758	997
		<b>(4,863)</b>	<b>1,814</b>	<b>(41,318)</b>	<b>(25,150)</b>
<b>Loss per share (HK\$ cents)</b>					
Basic	11(a)	(0.24)	(0.01)	(0.43)	(0.49)
Diluted	11(b)	(0.24)	(0.01)	(0.43)	(0.49)

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 September 2018

	Notes	30 September 2018 HK\$'000 (Unaudited)	31 March 2018 HK\$'000 (Audited)
<b>Non-current assets</b>			
Property, plant and equipment	12	20,044	21,524
<b>Current assets</b>			
Inventories		24,145	23,880
Trade and other receivables	13	250,831	243,548
Amounts due from a director		2,370	2,370
Amounts due from related companies		45,994	9,893
Bank balances and cash		32,045	46,695
		<b>355,385</b>	326,386
<b>Current liabilities</b>			
Trade and other payables	14	119,866	92,520
Amounts due to a director		872	–
Promissory notes payable	15	1,436	26,842
Borrowings	16	35,100	35,400
Tax payable		6,242	5,973
		<b>163,516</b>	160,735
<b>Net current assets</b>		<b>191,869</b>	165,651
<b>Total assets less current liabilities</b>		<b>211,913</b>	187,175

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION *(Continued)*

At 30 September 2018

		<b>30 September 2018</b>	31 March 2018
	Notes	<b>HK\$'000</b> <b>(Unaudited)</b>	<i>HK\$'000</i> <i>(Audited)</i>
<b>Non-current liabilities</b>			
Promissory notes payable	15	<b>65,747</b>	54,802
Borrowings	16	<b>40,088</b>	29,743
Deferred tax liabilities		<b>973</b>	973
		<b>106,808</b>	85,518
<b>NET ASSETS</b>		<b>105,105</b>	101,657
<b>Capital and reserves</b>			
Share capital	17	<b>1,428</b>	1,228
Reserves		<b>113,955</b>	111,465
Equity attributable to owners of the Company		<b>115,383</b>	112,693
Non-controlling interests		<b>(10,278)</b>	(11,036)
<b>TOTAL EQUITY</b>		<b>105,105</b>	101,657

Approved and signed by the Board on 14 November 2018.

**Zou Donghai**  
*Chairman and Executive Director*

**Zheng Jian Peng**  
*Executive Director*

# CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 September 2018

	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 2017 (Audited)	1,057	557,337	3,744	(588)	(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
At 1 April 2018 (Audited)	1,228	657,343	3,909	-	3,749	45,754	(599,290)	112,693	(11,036)	101,657
Total comprehensive income for the period	-	-	-	-	(13,788)	-	(28,288)	(42,076)	758	(41,318)
Placement of shares	200	40,800	-	-	-	-	-	41,000	-	41,000
Share granted	-	-	-	-	-	3,766	-	3,766	-	3,766
Changes in equity for the period	200	40,800	-	-	(13,788)	3,766	(28,288)	2,690	758	3,448
At 30 September 2018 (Unaudited)	1,428	698,143	3,909	-	(10,039)	49,520	(627,578)	115,383	(10,278)	105,105

## CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 September 2018

	Notes	Six months ended 30 September	
		2018 HK\$'000 (Unaudited)	2017 HK\$'000 (Unaudited)
<b>NET CASH USED IN OPERATING ACTIVITIES</b>		<b>(38,520)</b>	(75,363)
Purchases of property, plant and equipment		(676)	(2,823)
Proceeds from disposals of property, plant and equipment		–	10
Refund of deposit paid for acquisition of a subsidiary		–	22,900
Interest received		172	63
Investment in available-for-sales investment		–	(29,907)
<b>NET CASH USED IN INVESTING ACTIVITIES</b>		<b>(504)</b>	(9,757)
Proceeds from issue of interest-bearing bond		10,000	28,200
Repayment of bank borrowings		(300)	–
Proceeds from issue of promissory notes		10,420	5,000
Repayment of promissory notes		(26,000)	(10,000)
Repayment of finance lease		–	(649)
Repayment of amount due to a director		–	(3,200)
Net proceeds from issue of shares		41,000	70,700
<b>NET CASH GENERATED FROM FINANCING ACTIVITIES</b>		<b>35,120</b>	90,051
<b>NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS</b>		<b>(3,904)</b>	4,934
Effect of foreign exchange rate changes		(10,746)	3,962
<b>CASH AND CASH EQUIVALENTS AT 1 APRIL</b>		<b>46,695</b>	45,129
<b>CASH AND CASH EQUIVALENTS AT 30 SEPTEMBER</b>		<b>32,045</b>	54,025

# NOTES TO THE CONDENSED FINANCIAL STATEMENTS

*For the six months ended 30 September 2018*

## 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 2018 (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 2018 (the “**2018 Annual Financial Statements**”).

The Interim Financial Report has been prepared in accordance with the same accounting policies adopted in the 2018 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 2018. HKFRSs comprise HKFRS, HKAS; and Interpretations. The adoption of these new and revised HKFRSs did not result in significant changes to the Group’s accounting policies, presentation of the Group’s financial statements and amounts reported for the current period and prior years.

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

### 3. SEGMENT INFORMATION

The Group's reportable segments are determined as follows:

1. Trading of refined oil and chemicals – engaged in trading of refined oil and chemicals.
2. Digital application business – engaged in activities relating to the provision of programming services, web services, mobile marketing solutions and development of mobile phone games.
3. Power and data cords 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)
<b>Six months ended 30 September 2018</b>				
Revenue from external customers	15,266	–	32,737	48,003
Segment loss	(4,237)	–	(1,278)	(5,515)
<b>At 30 September 2018</b>				
Segment assets	264,698	10	100,700	365,408
Segment liabilities	48,801	–	57,661	106,462
<b>Six months ended 30 September 2017</b>				
Revenue from external customers	185,073	–	27,778	212,851
Segment loss	(340)	(6,139)	(1,088)	(7,567)
<b>At 31 March 2018</b>				
Segment assets	255,507	26	87,708	343,241
Segment liabilities	39,170	8,294	51,262	98,726

### 3. SEGMENT INFORMATION *(Continued)*

	Six months ended 30 September	
	2018 HK\$'000 (Unaudited)	2017 HK\$'000 (Unaudited)
Reconciliation of segment results:		
Total loss of reportable segments	(5,515)	(7,567)
Unallocated amounts:		
Other income	245	22,933
Corporate expenses	(19,497)	(37,671)
Gain on disposal of a subsidiary	–	628
Finance costs	(5,453)	(6,997)
Consolidated loss for the period	(30,220)	(28,674)

### 4. REVENUE

The Group's revenue for the three months and six months ended 30 September 2018 and 2017 represented the following:

	Three months ended 30 September		Six months ended 30 September	
	2018 HK\$'000 (Unaudited)	2017 HK\$'000 (Unaudited)	2018 HK\$'000 (Unaudited)	2017 HK\$'000 (Unaudited)
Sales of power and data cords and inlets sockets	16,901	12,252	32,737	27,778
Sales of refined oil and chemicals	4,511	97,738	15,266	185,073
	21,412	109,990	48,003	212,851

## 5. OTHER (LOSS)/INCOME

	Three months ended 30 September		Six months ended 30 September	
	2018 HK\$'000 (Unaudited)	2017 HK\$'000 (Unaudited)	2018 HK\$'000 (Unaudited)	2017 HK\$'000 (Unaudited)
Interest income	75	9	172	63
Net foreign exchange (loss)/gain	188	(229)	209	(334)
Sundry income	103	243	764	553
Gain on disposal of property, plant and equipment	-	-	-	7
(Provision for)/reversal of impairment of trade receivables	(1,273)	-	4,826	6,550
Reversal of provision for deposit for acquisition of a subsidiary	-	22,900	-	22,900
	(907)	22,923	5,971	29,739

## 6. 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

## 7. FINANCE COSTS

	Three months ended 30 September		Six months ended 30 September	
	2018 HK\$'000 (Unaudited)	2017 HK\$'000 (Unaudited)	2018 HK\$'000 (Unaudited)	2017 HK\$'000 (Unaudited)
Interest on bank borrowings	514	–	1,043	–
Effective interest expenses on promissory notes – wholly repayable within five years	1,077	2,396	2,858	4,832
Interest on obligation under a finance leases	–	11	–	26
Interest on interest-bearing bond	1,348	1,271	2,594	2,229
	<b>2,939</b>	<b>3,678</b>	<b>6,495</b>	<b>7,087</b>

## 8. INCOME TAX EXPENSES/(CREDIT)

	Three months ended 30 September		Six months ended 30 September	
	2018 HK\$'000 (Unaudited)	2017 HK\$'000 (Unaudited)	2018 HK\$'000 (Unaudited)	2017 HK\$'000 (Unaudited)
Current tax – Hong Kong Profits Tax Provision for the period	–	–	–	–
Current tax – PRC Enterprise Income Tax Provision for the period	131	84	295	223
	<b>131</b>	<b>84</b>	<b>295</b>	<b>223</b>
Deferred tax	–	(908)	–	(1,815)
	<b>131</b>	<b>(824)</b>	<b>295</b>	<b>(1,592)</b>

## 8. INCOME TAX EXPENSES/(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.

## 9. 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	
	2018 HK\$'000 (Unaudited)	2017 HK\$'000 (Unaudited)	2018 HK\$'000 (Unaudited)	2017 HK\$'000 (Unaudited)
Amortisation for contractual right	-	3,946	-	7,891
Depreciation	954	1,091	1,778	2,174
Gain on disposal of property, plant and equipment	-	-	-	(7)
Directors' emoluments	1,369	1,537	2,951	3,007
Reversal of impairment of trade receivables	-	-	(4,826)	(6,550)
Reversal of provision for deposit for acquisition of a subsidiary	-	22,900	-	22,900
Equity settled share-based payment expense	-	-	3,766	16,046

## 10. DIVIDENDS

The Board does not recommend payment of any interim dividend for the six months ended 30 September 2018 (six months ended 30 September 2017: Nil).

## 11. 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\$16,846,000 (2017: HK\$482,123) by the weighted average number of ordinary shares of 7,044,630,285 (2017: 5,984,056,372) in issue for the three months ended 30 September 2018. Basic loss per share is calculated by dividing the unaudited loss attributable to owners of the Company of HK\$28,288,000 (2017: HK\$28,801,051) by the weighted average number of ordinary shares of 6,596,008,285 (2017: 5,893,919,386) in issue for the six months ended 30 September 2018.

### (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 (2017: Nil).

## 12. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 September 2018, the Group acquired property, plant and equipment of approximately HK\$676,000 (six months ended 30 September 2017: HK\$2.8 million).

## 13. TRADE AND OTHER RECEIVABLES

	<b>30 September 2018 HK\$'000 (Unaudited)</b>	31 March 2018 HK\$'000 (Audited)
Trade receivables	<b>43,997</b>	46,263
Provision for doubtful debts	<b>(14,016)</b>	(12,730)
	<b>29,981</b>	33,533
Other receivables	<b>220,850</b>	210,015
Total trade and other receivables	<b>250,831</b>	243,548

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.

### 13. TRADE AND OTHER RECEIVABLES (Continued)

The aging analysis of trade receivables are as follows:

	<b>30 September 2018 HK\$'000 (Unaudited)</b>	31 March 2018 HK\$'000 (Audited)
1 – 30 days	10,069	26,067
31 – 60 days	–	7,411
61 – 90 days	–	55
91 – 180 days	19,912	–
	<b>29,981</b>	<b>33,533</b>

### 14. TRADE AND OTHER PAYABLES

	<b>30 September 2018 HK\$'000 (Unaudited)</b>	31 March 2018 HK\$'000 (Audited)
Trade payables	23,800	23,707
Other payables	96,066	68,813
Total trade and other payables	<b>119,866</b>	<b>92,520</b>

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

	<b>30 September 2018 HK\$'000 (Unaudited)</b>	31 March 2018 HK\$'000 (Audited)
Not yet due	4,305	4,478
1 – 30 days past due	2,843	1,330
31 – 60 days past due	64	82
61 – 90 days past due	6	16
91 – 180 days past due	–	41
Over 180 days	16,582	17,760
	<b>23,800</b>	<b>23,707</b>

## 15. PROMISSORY NOTES PAYABLE

	<b>30 September 2018 HK\$'000 (Unaudited)</b>	31 March 2018 HK\$'000 (Audited)
Current	<b>1,436</b>	26,842
Non-current	<b>65,747</b>	54,802
	<b>67,183</b>	81,644

Movements in promissory notes is analysed as follows:

	<b>30 September 2018 HK\$'000 (Unaudited)</b>	30 September 2017 HK\$'000 (Unaudited)
At beginning of the period	<b>81,644</b>	97,989
Issuance	<b>10,420</b>	5,000
Imputed interest charged	<b>6,355</b>	4,832
Interest paid and payables	<b>(5,236)</b>	(14,690)
Redemption	<b>(26,000)</b>	–
At end of the period	<b>67,183</b>	93,131

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

## 16. BORROWINGS

	30 September 2018 <i>HK\$'000</i> (Unaudited)	31 March 2018 <i>HK\$'000</i> (Audited)
Secured bank loan ( <i>Note a</i> )	35,100	35,400
Unsecured interest-bearing bond ( <i>Note b</i> )	40,088	29,743
	75,188	65,143
Less: Amount classified as current liabilities	(35,100)	(35,400)
Amount classified as non-current liabilities	40,088	29,743

Notes:

### (a) Secured bank loan

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

	30 September 2018 <i>HK\$'000</i> (Unaudited)	31 March 2018 <i>HK\$'000</i> (Audited)
The carrying amount of the bank loan is repayable:		
Within one year	35,100	35,400

### (b) Unsecured Interest-bearing bond

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

	30 September 2018 <i>HK\$'000</i> (Unaudited)	31 March 2018 <i>HK\$'000</i> (Audited)
At beginning of the period/year	29,743	–
Issuance	10,000	28,200
Effective interest charged	2,595	4,731
Interest paid	(2,250)	(3,188)
At end of the period/year	40,088	29,743

## 17. SHARE CAPITAL

	Notes	Number of shares	Amount HK\$'000
<i>Authorised:</i>			
Ordinary shares of HK\$0.0002 each			
At 1 April 2017, 31 March 2018 and 30 September 2018			
		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 each			
At 1 April 2017 (Audited)			
		5,284,056,372	1,057
Placement of shares	(a)	700,000,000	140
Exercise of share options	(b)	158,400,000	31
At 31 March 2018 and 1 April 2018 (Audited)			
		6,142,456,372	1,228
Placement of shares	(c)	1,000,000,000	200
At 30 September 2018 (Unaudited)			
		7,142,456,372	1,428

Notes:

- On 24 April 2017, the Company issued 700,000,000 new ordinary shares at a subscription price of HK\$0.101 per subscription share for a total cash consideration of HK\$70,700,000. The premium on the issue of shares amounted to approximately HK\$70,560,000.
- During the year ended 31 March 2018, the Company issued 158,400,000 new ordinary shares at a subscription price of HK\$0.126 per share for share options exercised for a total cash consideration of approximately HK\$19,958,000.
- On 10 July 2018, the Company issued 1,000,000,000 new ordinary shares at a subscription price of HK\$0.041 per subscription share for a total cash consideration of HK\$41,000,000. The premium on the issue of shares amounted to approximately HK\$40,800,000.

## 18. SHARE-BASED PAYMENTS

### Equity-settled share option scheme

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

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

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

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.

## 18. SHARE-BASED PAYMENTS (Continued)

### Equity-settled share option scheme (Continued)

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

	30 September 2018		30 September 2017	
	Number of	Weighted	Number of	Weighted
	share options	average	share options	average
		exercise price		exercise price
		HK\$		HK\$
Outstanding at beginning of the period	420,198,000	0.26	342,098,000	0.08
Granted during the period	211,250,000	0.052	264,000,000	0.13
Forfeited/lapsed during the period	–	–	(27,500,000)	0.31
Outstanding and exercisable at the end of the period	631,448,000	0.19	578,598,000	0.14

The options outstanding at the end of the period have a weighted average remaining contractual life of 4.13 years (six months ended 30 September 2017: 8.11 years) and the exercise price range from HK\$0.052 to HK\$0.39 (six months ended 30 September 2017: from HK\$0.13 to HK\$0.39). The estimated fair values of the options granted on 11 April 2018 were HK\$3,765,875.

## 19. CAPITAL COMMITMENTS

Save as disclosed elsewhere to the condensed financial statements, the Group has no other capital commitments as at 30 September 2018 (At 31 March 2018: Nil).

## 20. CONTINGENT LIABILITIES

The Group did not have any significant contingent liabilities at 30 September 2018 (At 31 March 2018: Nil).

## OTHER INFORMATION PROVIDED IN ACCORDANCE WITH THE GEM LISTING RULES

### CORPORATE GOVERNANCE PRACTICES

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

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. Due to other business engagements, all of the independent non-executive Directors did not attend the annual general meeting of the Company held on 31 August 2018.

The CG Code provision A.2.1 stipulates that the roles of the chairman of the Board of Directors (the "**Chairman**") and the chief executive officer of the Company (the "**CEO**") should be separate and should not be performed by the same individual. The Chairman of the Group is Mr. Zou Donghai. During the Interim Period, the executive Directors namely Mr. Zou Donghai, Mr. Rong Changjun, Mr. Zhang Xueming, Dr. Ho Chun Kit Gregory and Dr. Zheng Jian Peng were responsible for evaluating new potential business opportunities and investment opportunities and formulating and implementing business strategies to enhance the revenue growth of the Company. Following the appointment of Mr. Zhang Wenrong as an executive Director and the CEO with effect from 23 October 2018, the Company has complied with CG Code provision A.2.1.

Following the resignation of Mr. Chan Ying Kay on 24 August 2018 and the retirement of Mr. Sun Dexin on 31 August 2018, (i) the number of independent non-executive Directors fell below the minimum number required under Rule 5.05(1) and Rule 5.05A of the GEM Listing Rules; (ii) the number of audit committee members of the Company fell below the minimum number required under Rule 5.28 of the GEM Listing Rules; (iii) the remuneration committee of the Company did not comprise a majority of independent non-executive directors as required under Rule 5.34 of the GEM Listing Rules; and (iv) the nomination committee of the Company was not chaired by the chairman of the Board or an independent non-executive Director as required under CG Code provision A.5.1. The Company has complied with Rule 5.34 of the GEM Listing Rules following the appointment of Mr. Tam as an independent non-executive Director and a member of each of the audit committee, the remuneration committee and the nomination committee of the Company with effect from 4 September 2018. The Board is currently identifying suitable candidate(s) to fill the vacancies of the independent non-executive Director and member of the audit committee of the Company and will ensure that the suitable candidates will be appointed as soon as practicable to ensure compliance by the Company with Rule 5.05(1), Rule 5.05A and Rule 5.28 of the GEM Listing Rules and CG Code provision A.5.1.

## CORPORATE GOVERNANCE PRACTICES *(Continued)*

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

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

## 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 2018.

## 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 2018	Granted during the period	Exercised during the period	Cancelled/ Lapsed during the period	Outstanding as at 30 September 2018	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 2018
<b>Executive Directors:</b>											
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	-	0.3%
Rong Changjun	21 April 2017	HK\$0.126	21 April 2017 – 20 April 2020	52,800,000	-	-	-	52,800,000	HK\$0.12	-	0.74%
<b>Other Categories:</b>											
Consultants in aggregate	10 October 2013	HK\$0.392	10 October 2013 – 9 October 2023	27,500,000	-	-	-	27,500,000	HK\$3.8	-	0.39%
	13 January 2014	HK\$0.314	13 January 2014 – 12 January 2024	55,000,000	-	-	-	55,000,000	HK\$3.08	-	0.77%
	14 July 2014	HK\$0.256	14 July 2014 – 13 July 2024	77,000,000	-	-	-	77,000,000	HK\$0.26	-	1.08%
	21 August 2014	HK\$0.226	21 August 2014 – 20 August 2024	27,500,000	-	-	-	27,500,000	HK\$0.24	-	0.39%
	16 February 2015	HK\$0.164	16 February 2015 – 15 February 2025	43,587,000	-	-	-	43,587,000	HK\$0.17	-	0.61%
	17 March 2015	HK\$0.184	17 March 2015 – 16 March 2025	62,424,000	-	-	-	62,424,000	HK\$0.176	-	0.87%
	11 April 2018	HK\$0.052	11 July 2018 – 10 July 2021	-	42,250,000	-	-	42,250,000	HK\$0.044	-	0.59%
Employee	11 April 2018	HK\$0.052	11 July 2018 – 10 July 2021	-	169,000,000	-	-	169,000,000	HK\$0.044	-	2.37%
Former director	21 April 2017	HK\$0.126	21 April 2017 – 20 April 2020	52,800,000	-	-	-	52,800,000	HK\$0.12	-	0.74%

## 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 2018, 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	9.80%
Mr. Rong Changjun	–	52,800,000	–	52,800,000	0.74%
Dr. Ho Chun Kit Gregory	62,550,000	21,587,000	–	84,137,000	1.18%
Dr. Zheng Jian Peng	52,800,000	–	–	52,800,000	0.74%

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 2018, 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 2018, 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 two independent non-executive Directors, namely Mr. Lau Sung Tat, Vincent (Chairman) and Mr. Tam Kim Fung, which falls below the minimum number required under Rule 5.28 of the GEM Listing Rules. The Board is currently identifying suitable candidate(s) to fill the vacancies of the member of Audit Committee and will ensure that the suitable candidate(s) will be appointed as soon as practicable in compliance with Rule 5.28 of the GEM Listing Rule. 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 2018, 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, 14 November 2018

*As at the date of this report, the executive Directors are Mr. Zou Donghai, Mr. Rong Changjun, Mr. Zhang Wenrong, Dr. Ho Chun Kit Gregory and Dr. Zheng Jian Peng; and the independent non-executive Directors are Mr. Lau Sung Tat, Vincent and Mr. Tam Kim Fung.*