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**中油港燃能源集團控股有限公司**

**CHINA OIL GANGRAN ENERGY GROUP HOLDINGS LIMITED**

*(Incorporated in the Cayman Islands with limited liability)*

**Stock Code: 8132**

**CLARIFICATION ANNOUNCEMENT RELATING TO  
FIRST QUARTERLY RESULTS ANNOUNCEMENT AND  
FIRST QUARTERLY REPORT  
FOR THE THREE MONTHS ENDED 30 JUNE 2018 AND  
RESUMPTION OF TRADING**

Reference is made to the announcement of China Oil Gangran Energy Group Holdings Limited (the “**Company**”) dated 14 August 2018 in relation to unaudited consolidated first quarterly results (the “**First Quarterly Results**”) for the three months ended 30 June 2018 (the “**Results Announcement**”) and the first quarterly report for the three months ended 30 June 2018 (the “**First Quarterly Report**”). Capitalised terms used in this announcement shall have the same meaning as those defined in the Results Announcement, unless otherwise stated therein.

The Board noted that there was an inadvertent clerical error in the Results Announcement and the First Quarterly Report. The Board wishes to clarify as follows:

- 1) *The paragraphs headed “Financial Review”, “Business Review”, “Power Cords and Inlet Sockets for Household Electric Appliances”, “Power and Data Cords for Mobile Phones and Medical Control Devices”, “Trading of Mobile Smart Phones” and “Outlook” under the section headed “Management Discussion and Analysis” on pages 2, 3, 4 and 8 of the Results Announcement and pages 2, 3, 4 and 9 of the First Quarterly Report*

**MANAGEMENT DISCUSSION AND ANALYSIS**

**Financial Review**

The unaudited revenue of the Company and its subsidiaries (collectively the “**Group**”) for the three months ended 30 June 2018 (the “**Financial Period**”) was approximately HK\$26.6 million, representing a decrease of approximately 74.1% from approximately HK\$102.9 million for the comparable period of last year. Such decrease in the unaudited revenue was mainly attributable to a drop 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 unaudited loss attributable to the Company's owners decreased to approximately HK\$11.4 million from approximately HK\$28.3 million for the comparable period of last year. The main reason for the decrease in loss attributable to the Company's owners was the decrease in share-based payment expense of approximately HK\$12.2 million for the Financial Period.

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

## **Business Review**

During the Financial Period, the Group continued to operate a diverse business portfolio comprising: (i) the manufacture and sale of power cords and inlet sockets for household electric appliances; power and data cords for mobile 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 power cords and inlet sockets for household electric appliances sector and power and data cords for mobile phones and medical control devices sector, the Group continues to diversify its operating risks and expand its sources of revenue and proactively seeks to capture a full spectrum of development strategies and investment opportunities. Prior to the Financial Period, the Group contributed capital in conjunction with two strategic collaborative partners to establish a subsidiary, Jiangxi China Oil Gangran Energy Technology Company Limited (江西中油港燃能源科技有限責任公司) (the "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.

In terms of the geographical market performance, United States and the PRC contributed to approximately 16% (2017: approximately 6%) and approximately 66% (2017: approximately 91%) of the Group's total unaudited revenue respectively, while the remaining revenue of approximately 18% (2017: approximately 3%) 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\$2.8 million (2017: approximately HK\$1.9 million) in the Financial Period, representing a year-on-year increase of approximately 47.4%.

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 conform with eleven types of international safety standards.

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

With fierce competition in the power and data cords sector during the Financial Period, the Group focused on those customer groups generating high profit margins and rigorously controlled its production costs; and the Group's unaudited revenue from power and data cords for mobile phones recorded an increase of approximately 6.6% to approximately HK\$6.5 million (2017: approximately HK\$6.1 million) for the Financial Period.

The power and data cords for mobile phones are generally used for power charging and data transfer and are essential accessories for all mobile phones. The decreasing demand for telecommunication devices, especially in the PRC, limited the Group's expansion in the market of power and data cords of mobile phones. All our power and data cords conform with the standards of mobile phone designs set by USB Implementers Forum, Inc..

During the Financial Period, the Group's unaudited revenue from power and data cords for medical control devices was approximately HK\$6.4 million (2017: approximately HK\$6.5 million), representing a year-on-year decrease of approximately 1.5%.

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

### ***Trading of Mobile Smart Phones 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 reached approximately HK\$0.1 million (2017: HK\$1 million) for the Financial Period.

### **Outlook**

During the Financial 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 74.1% 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 the "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 the PRC's 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 major customers of Jiangxi China Oil's six bunker barges to stop operating and indirectly caused an upward fluctuation in the prices of chemical.

- 2) *Unaudited condensed consolidated statement of profit or loss and other comprehensive income on pages 11 and 12 of the Results Announcement and pages 12 and 13 of the First Quarterly Report*

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

*For the three months ended 30 June 2018*

	<i>Note</i>	<b>Restated HK\$'000</b>	Per original stated HK\$'000
<b>Revenue</b>	3	<b>26,591</b>	17,859
Cost of sales		<u>(21,587)</u>	<u>(16,740)</u>
<b>Gross profit</b>		<b>5,004</b>	1,119
Other income and gain	4	<b>6,878</b>	355
Selling expenses		<b>(2,350)</b>	(1,627)
Administrative expenses		<u>(18,643)</u>	<u>(11,590)</u>
<b>Loss from operations</b>		<b>(9,111)</b>	(11,743)
Finance costs	5	<u>(3,556)</u>	<u>(3,205)</u>
<b>Loss before tax</b>		<b>(12,667)</b>	(14,948)
Income tax expense	6	<u>(164)</u>	–
<b>Loss for the period</b>		<b>(12,831)</b>	(14,948)
<b>Other comprehensive expenses, net of tax:</b>			
<i>Items that may be reclassified to profit or loss:</i>			
Exchange differences on translating foreign operations		<u>(23,624)</u>	<u>(19,657)</u>
<b>Total comprehensive expenses for the period</b>		<u><b>(36,455)</b></u>	<u><b>(34,605)</b></u>

		<b>Restated</b>	Per original
	<i>Note</i>	<b>HK\$'000</b>	stated
			<i>HK\$'000</i>
<b>Loss for the period attributable to:</b>			
Owners of the Company		(11,442)	(13,559)
Non-controlling interests		<u>(1,389)</u>	<u>(1,389)</u>
		<u><b>(12,831)</b></u>	<u><b>(14,948)</b></u>
<b>Total comprehensive loss for the period</b>			
<b>attributable to:</b>			
Owners of the Company		(35,463)	(33,613)
Non-controlling interests		<u>(992)</u>	<u>(992)</u>
		<u><b>(36,455)</b></u>	<u><b>(34,605)</b></u>
		<i>HK\$ cents</i>	<i>HK\$ cents</i>
Loss per share	7		
Basic		<u><b>(0.19)</b></u>	<u><b>(0.22)</b></u>
Diluted		<u><b>(0.19)</b></u>	<u><b>(0.22)</b></u>

- 3) *Note 3 to the first quarterly unaudited results on page 13 of the Results Announcement and page 15 of the First Quarterly Report*

### 3. REVENUE

	<b>For the three months ended 30 June 2018</b>	
	<b>Restated</b>	Per original stated
	<b>HK\$'000</b>	<b>HK\$'000</b>
Sales of power and data cords and inlet sockets	15,836	7,104
Sales of refined oil and chemicals	10,755	10,755
	<u>26,591</u>	<u>17,859</u>

- 4) *Notes 4 and 5 to the first quarterly unaudited results on Page 14 of the Results Announcement and page 15 of the First Quarterly Report*

### 4. OTHER INCOME AND GAIN

	<b>For the three months ended 30 June 2018</b>	
	<b>Restated</b>	Per original stated
	<b>HK\$'000</b>	<b>HK\$'000</b>
Interest income	97	94
Net foreign exchange loss	21	(8)
Sundry income	661	269
Reversal of impairment of trade receivables	6,099	–
Gain on disposal of property, plant and equipment	–	–
	<u>6,878</u>	<u>355</u>

## 5. FINANCE COSTS

	<b>For the three months ended 30 June 2018</b>	
	<b>Restated</b>	Per original stated
	<b>HK\$'000</b>	<b>HK\$'000</b>
Interest on secured bank loan	529	178
Interest on unsecured interest-bearing bond	1,246	1,246
Effective interest expenses on promissory notes		
– Wholly repayable within five years	1,781	1,781
Interest on obligation under finance leases	–	–
	<u>3,556</u>	<u>3,205</u>

5) *Notes 6 and 7 to the first quarterly unaudited results on Page 15 of the Results Announcement and page 16 of the First Quarterly Report*

## 6. INCOME TAX EXPENSE

	<b>For the three months ended 30 June 2018</b>	
	<b>Restated</b>	Per original stated
	<b>HK\$'000</b>	<b>HK\$'000</b>
Current tax – Hong Kong Profits Tax		
Provision for the period	–	–
Current tax – PRC Enterprise Income Tax		
Provision for the period	164	–
	<u>–</u>	<u>–</u>
Deferred tax	–	–
	<u>–</u>	<u>–</u>
	<u>164</u>	<u>–</u>

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

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

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

## 7. LOSS PER SHARE

### Basic loss per share

Basic loss per share is calculated by dividing the loss attributable to owners of the Company of approximately HK\$11,442,000 (2017: approximately HK\$28,319,000) by the weighted average number of ordinary shares of 6,142,456,372 (2017: 5,798,028,975) in issue for the Financial Period.

### Diluted loss per share

No diluted loss per share is presented as the share options have anti-dilutive effects on basic loss per share for the Financial Period (2017: Nil).

6) *Note 9 to the first quarterly unaudited results on Page 16 of the Results Announcement and page 17 of the First Quarterly Report*

## 9. RESERVES

	(Unaudited)									
	Attributable to owners of the Company									
	Share capital	Share premium	Statutory reserve	Available-for-sale investment revaluation reserve	Foreign currency translation reserve	Share-based payment reserve	Accumulated loss	Total	Non-controlling interests	Total equity
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 April 2017	1,057	557,337	3,744	(598)	(8,445)	41,430	(513,158)	81,367	(10,672)	70,695
Total comprehensive loss for the period	-	-	-	(385)	923	-	(28,319)	(27,781)	817	(26,964)
Subscription of shares	140	70,560	-	-	-	-	-	70,700	-	70,700
Equity settled share-based transactions	-	-	-	-	-	16,044	-	16,044	-	16,044
At 30 June 2017	<u>1,197</u>	<u>627,897</u>	<u>3,744</u>	<u>(983)</u>	<u>(7,522)</u>	<u>57,474</u>	<u>(541,477)</u>	<u>140,330</u>	<u>(9,855)</u>	<u>130,475</u>
At 1 April 2018	1,228	657,343	3,909	-	3,749	45,754	(599,290)	112,693	(11,036)	101,657
Total comprehensive loss for the period	-	-	-	-	(24,021)	-	(11,442)	(35,463)	(992)	(36,455)
Equity settled share-based transactions	-	-	-	-	-	3,866	-	3,866	-	3,866
At 30 June 2018	<u>1,228</u>	<u>657,343</u>	<u>3,909</u>	<u>-</u>	<u>(20,272)</u>	<u>49,620</u>	<u>(610,732)</u>	<u>81,096</u>	<u>(12,028)</u>	<u>69,068</u>

Save for the aforesaid, all other information in the Results Announcement and First Quarterly Report remain unchanged.



The Board would like to supplement that the unaudited condensed consolidated statement of financial position of the Company as at 30 June 2018 are as follows:

## UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	<b>Restated</b> <i>HK\$'000</i>	Per original stated <i>HK\$'000</i>
<b>Non-current assets</b>		
Property, plant and equipment	<u>24,905</u>	<u>24,866</u>
<b>Current assets</b>		
Inventories	22,106	24,394
Trade and other receivables	245,923	231,467
Amount due from a director	4,023	2,370
Amount due from a related party	16,891	16,891
Bank and cash balances	<u>37,356</u>	<u>38,996</u>
	<b>326,299</b>	314,118
<b>Current liabilities</b>		
Trade and other payables	127,648	113,957
Promissory note – short term	27,262	27,262
Borrowings	36,600	36,600
Current tax liabilities	<u>6,112</u>	<u>5,733</u>
	<b>197,622</b>	183,552

	<b>Restated</b> <b>HK\$'000</b>	Per original stated <i>HK\$'000</i>
<b>Non-current liabilities</b>		
Promissory note – long term	<b>54,802</b>	54,802
Interest-bearing bond	<b>28,739</b>	28,739
Deferred tax liabilities	<b>973</b>	973
	<b>84,514</b>	84,514
<b>Net current assets</b>	<b>128,677</b>	130,566
Total assets less current liabilities	<b>153,582</b>	155,432
<b>Net assets</b>	<b>69,068</b>	70,918
Share capital	<b>1,228</b>	1,228
Reserve	<b>79,868</b>	81,718
Equity attributable to owners of the Company	<b>81,096</b>	82,946
Non-controlling interests	<b>(12,028)</b>	(12,028)
<b>Total equity</b>	<b>69,068</b>	70,918

## RESUMPTION OF TRADING

At the request of the Company, trading in the shares of the Company on GEM has been suspended since 9:04 a.m. on Monday, 24 September 2018 pending the publication of this announcement. An application has been made to the Stock Exchange for the resumption of trading in the shares of the Company on GEM with effect from 9:00 a.m. on Tuesday, 2 October 2018.

By order of the Board  
**China Oil Gangran Energy Group Holdings Limited**  
**Zou Donghai**  
*Chairman*

Hong Kong, 28 September 2018

*As at the date of this announcement, the executive Directors are Mr. Zou Donghai, Mr. Rong Changjun, 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.*

*This announcement, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the GEM Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this announcement is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this announcement misleading.*

*This announcement will remain on the “Latest Company Announcements” page of the GEM website at <http://www.hkgem.com> for at least 7 days from the date of its posting and on the websites of the Company at [www.chinaoilgangran.com](http://www.chinaoilgangran.com) and <http://chinaoilgangran.todayir.com>.*