中油港燃能源集團控股有限公司
CHINA OIL GANGRAN ENERGY GROUP HOLDINGS LIMITED
(Provisional Liquidators Appointed)
(For Restructuring Purposes)
(Incorporated in the Cayman Islands with limited liability)
Stock Code: 8132

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 MARCH 2019

The board (the "**Board**") of directors (the "**Directors**") of China Oil Gangran Energy Group Holdings Limited (the "**Company**") is pleased to announce the audited consolidated results of the Company and its subsidiaries for the year ended 31 March 2019. This announcement, containing the full text of the 2019 annual report of the Company ("**Annual Report**"), complies with the relevant requirements of the Rules Governing the Listing of Securities on GEM of The Stock Exchange of Hong Kong Limited (the "**GEM Listing Rules**") in relation to information to accompany the preliminary announcement of annual results. The printed version of the Annual Report containing the information required by the GEM Listing Rules will be despatched to the shareholders of the Company in due course in the manner required by the GEM Listing Rules.

By order of the Board
China Oil Gangran Energy Group Holdings Limited
(Provisional Liquidators Appointed)
(For Restructuring Purposes)
Yeung Shing Wai
Executive Director

Hong Kong, 2 July 2020

As at the date of this announcement, the executive Directors are Mr. Rong Changjun, Mr. Zhang Wenrong, Mr. Yuan Beisheng, Ms. Hui Sai Ha (duties suspended), Mr. Yeung Shing Wai, Mr. Chen Tian Gang, Mr. Li Shu Wang and Mr. Zhang Shao Wu and the independent non-executive Directors are Mr. Chu Kin Ming, Mr. Chiam Tat Yiu and Mr. Chan Wai Cheung Admiral.

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.chinaoilgangrans.com.

CHARACTERISTICS OF GEM OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE "STOCK EXCHANGE")

GEM has been positioned as a market designed to accommodate companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.

Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the main board of the Stock Exchange and no assurance is given that there will be a liquid market in the securities traded on GEM.

Hong Kong Exchanges and Clearing Limited and the Stock Exchange take no responsibility for the contents of this annual report (the "Report"), make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of the Report.

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

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CORPORATE INFORMATION

REGISTERED OFFICE

Cricket Square, Hutchins Drive
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Cayman Islands

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1-3 Wong Chuk Yeung Street, Fo Tan,
New Territories, Hong Kong

COMPANY'S WEBSITES

www.chinaoilgangrans.com

LEGAL ADVISER

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

AUDITOR

HLM CPA Limited
Rooms 1501-8, 15th Floor,
Tai Yau Building, 181 Johnston Road,
Wanchai, Hong Kong

JOINT PROVISIONAL LIQUIDATORS

Mr. Yen Ching Wai David
Ms. So Kit Yee Anita
Mr. Keiran William Hutchison

STOCK CODE

8132

BOARD OF DIRECTORS

EXECUTIVE DIRECTORS

Mr. Rong Changjun *(Vice Chairman)*
Mr. Zhang Wenrong
Mr. Yuan Beisheng
Ms. Hui Sai Ha
Mr. Yeung Shing Wai
Mr. Chen Tian Gang
Mr. Li Shu Wang
Mr. Zhang Shao Wu

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Chu Kin Ming
Mr. Chiam Tat Yiu
Mr. Chan Wai Cheung Admiral

AUDIT COMMITTEE

Mr. Chu Kin Ming *(Chairman)*
Mr. Chiam Tat Yiu
Mr. Chan Wai Cheung Admiral

CORPORATE INFORMATION

NOMINATION COMMITTEE

Mr. Chu Kin Ming *(Chairman)*
Mr. Chiam Tat Yiu
Mr. Chan Wai Cheung Admiral

REMUNERATION COMMITTEE

Mr. Chiam Tat Yiu *(Chairman)*
Mr. Chu Kin Ming
Mr. Chan Wai Cheung Admiral

COMPANY SECRETARY

Mr. Chan Tsang Mo

AUTHORISED REPRESENTATIVES

Mr. Yeung Shing Wai
Mr. Chan Tsang Mo

PRINCIPAL BANKERS

Bank of China (Hong Kong) Limited

THE PRINCIPAL SHARE REGISTRAR IN THE CAYMAN ISLANDS

Conyers 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 54, Hopewell Centre
183 Queen's Road East
Wanchai
Hong Kong

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

The revenue of the Company and its subsidiaries (the "Group") during the year ended 31 March 2019 (the "Financial Year") was approximately HK$102.3 million, a decrease of about 74.1% from approximately HK$395.3 million in the corresponding period last year. This was mainly attributable to the decrease in revenue generated from the sales of refined oil and chemicals. Loss attributable to owners of the Company was approximately HK$235.3 million, an increase of 166.8% from approximately HK$88.2 million last year. The increase in loss was primarily due to (i) increase in impairment loss on amounts due from deconsolidated subsidiaries by approximately HK$43.7 million (2018:Nil); and (ii) the net loss arising on deconsolidation of subsidiaries of approximately HK$140.6 million (2018:Nil).

DECONSOLIDATION OF SUBSIDIARIES LOST CONTROL

On 1 January 2019, was regarded as the date when the Group lost control of 江西中油港燃能源科技有限責任公司 (transliterated as "Jiangxi China Oil Gangran Energy Technology Company Limited") ("Jiangxi China Oil"), 舟山中油港燃石油化工有限公司 (transliterated as "Zhoushan China Oil Gangran Petroleum and Chemical Company Limited"), 江西港燃貿易有限公司 (transliterated as "Jiangxi Gangran Trading Company Limited") and 吉林中油港燃能源開發有限公司 (transliterated as "Jilin China Oil Gangran Energy Development Company Limited") ("Jilin China Oil") (collectively, "Deconsolidated Subsidiaries"), which were the subsidiaries of the Company which engaged the refined oil retail business and trading of methyl tert-butyl ether ("MTBE"). Hence, for the Financial Year, the Group no longer consolidated the financial position and performance of the Deconsolidated Subsidiaries starting from 1 January 2019. The deconsolidation had resulted in a net loss on deconsolidation of subsidiaries of approximately HK$140.6 million and an impairment loss on the amounts due from the Deconsolidated Subsidiaries of approximately HK$43.7 million as the directors were of the view that the carrying values of the amounts due from the Deconsolidated Subsidiaries were not recoverable.

BUSINESS REVIEW

During the Financial Year, the Group continued to operate a diverse business portfolio comprising: (i) 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) trading of glasses and other commodities; (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.

The Group's power and data cords and general trading business recorded a revenue of approximately HK$65.3 million in the Financial Year, a rise of 21.6% from approximately HK$53.7 million last year, and segment profit of approximately HK$3.1 million, while the segment loss in the previous Financial Year was approximately HK$2.7 million. The increase of segment profit was mainly attributable to the decrease in business entertainment expenses.

In terms of the geographical market performance, the United States and the PRC contributed to 20.8% (2018: approximately 6.0%) and 69.0% (2018: approximately 91.9%) of the Group's total revenue, while the remaining 10.2% (2018: approximately 2.1%) came from its overseas markets, including Taiwan and Hong Kong.

POWER AND DATA CORDS AND GENERAL TRADING BUSINESS

The Group's power and data cords and general trading business generated a revenue and gross profit of approximately HK$65.3 million (2018: HK$53.7 million) and approximately HK$14.5 million (2018: HK$10.9 million) respectively during the Financial Year. These represented an increase of 21.6% and 33.0% respectively from the preceding year. The increase in gross profit was mainly due to a decrease of cost of goods sold.

POWER CORDS AND INLET SOCKETS FOR HOUSEHOLD ELECTRIC APPLIANCES

The Group's revenue from the sales of power cords and inlet sockets for household electric appliances in the Financial Year was approximately HK$8.5 million, compared to approximately HK$7.9 million last year, representing an increase of 7.5%.

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. The revenue in the Financial Year from such business remained constant when compared with that of last year and the Group believes that the business segment contributes a limited source of income for the Group.

POWER AND DATA CORDS FOR MOBILE PHONES AND MEDICAL CONTROL DEVICES

Despite fierce competition in the sector during the Financial Year, the Group's revenue from power and data cords for mobile phones recorded an increase of 42.1% to approximately HK$28 million from approximately HK$19.7 million of the previous Financial Year.

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.

The Group's revenue from its power and data cords for medical control devices decreased by 9.7% to approximately HK$21.3 million from approximately HK$23.6 million of the previous Financial Year. The power and data cords for medical control devices are multi-functional products which are mainly exported to the customers 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, GLASSES AND OTHER COMMODITIES

For the Financial Year, the Group's revenue from (i) the trading of mobile smart phones was nil (2018: approximately HK$1 million); (ii) the trading of glasses was approximately HK$2.5 million (2018: HK$1.5 million); and (iii) other commodities was approximately HK$5 million (2018: nil).

MANAGEMENT DISCUSSION AND ANALYSIS

DEVELOPMENT OF DIGITAL APPLICATIONS

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

Pursuant to the terms of the sale and purchase agreement dated 21 November 2013 ("SPA"), Mr. Chung Wai Sum (the "Vendor") irrevocably and unconditionally warranted and guaranteed to Dynamic Miracle Limited, a wholly-owned subsidiary of the Company (the "Dynamic Miracle") that the audited net profits after tax of 3 Dynamics as shown in its audited financial statements for the 12 months from the date of the completion of acquisition, i.e. for the period from 11 December 2013 to 10 December 2014 (the "Relevant Period") shall not be less than HK$42,000,000 (the "Profit Guarantee"). The Profit Guarantee was secured by 140,000,000 consideration shares ("Escrow Shares") of the Company issued to the Vendor. As certified by the previous auditor of the 3 Dynamics, 3 Dynamics has recorded a net loss after tax in its audited financial statements for the period from 11 December 2013 to 10 December 2014 and there was no profit for the Relevant Period pursuant to the SPA. Under the terms and conditions as stipulated in SPA, the Escrow Shares would be sold in order to pay for the Profit Guarantee. During the year ended 31 March 2016, a portion of the Escrow Shares were sold to pay for the Profit Guarantee. An amount of HK$20,000,000 was received by the Group to partially settle the Profit Guarantee obligation of the Vendor.

As at 31 March 2019 and 2018, the outstanding balance of HK$22,000,000 ("Contingent Consideration Receivables") represents the nominal amount of cash to be received for the Profit Guarantee and however, it had been long outstanding, despite of the Escrow Shares held, the directors 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. As at 31 March 2019, 73,870,000 Escrow Shares, before the share consolidation becoming effective on 29 November 2018, were remained as a security for the Profit Guarantee.

During the year ended 31 March 2018, the Company negotiated with the Vendor to recover the Contingent Consideration Receivables and issued several letters to the Vendor demanding payment of the Contingent Consideration Receivables. Due to the change in market conditions resulting in the drop in prices of the Escrow Shares, proceeds from the sale of the Escrow Shares are no longer sufficient to satisfy the full amount of the Contingent Consideration Receivables. Given the shortfall, the Company was in discussions with the Vendor on ways to recover the full amount of the Contingent Consideration Receivables. As announced by the Company on 18 July 2017, the Vendor proposed to settle the Contingent Consideration Receivables by selling the Escrow Shares and by transferring equity interest in a project (the "Project"). The Company had conducted financial and legal due diligence on the Project, and given the uncertainties attached to the Project, the Board resolved not to accept the Project in settlement of the Contingent Consideration Receivables. Given the significant drop in the prices and trading volume of the Shares (which equally apply to the Escrow Shares), the Board believed that the chance of recovering the full amount of the Contingent Consideration Receivables by selling the Escrow Shares in the near future is low. Accordingly, the Board set a preliminary timeline of one year during which the Board would, with due regard to trading volume/prices of the Shares and other market conditions and legal advice, consider selling the Escrow Shares. During the same period, the Board will, with due regard to legal advice, from time to time assess and implement the appropriate steps for safeguarding the Company's assets in respect of the Contingent Consideration Receivables.

The Company is in continuous negotiations with the Vendor to recover the Contingent Consideration Receivable and has already sought and adopted some preliminary legal advice on the possible legal actions that may be taken against the Vendor. The Board is currently seeking further legal advice and will give an update as and when appropriate.

For details, please refer to notes 25 of the consolidated financial statements.

LIQUEFIED NATURAL GAS, COMPRESSED NATURAL GAS AND OTHER RELATED CLEAN ENERGY BUSINESS

Operating through Jiangxi China Oil, the Group continued to develop the businesses of LNG, CNG and related clean energy during the Financial Year. 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 China's top tertiary institutions and research units to uncover possibilities of conversion technology upgrades. Jilin China Oil, another subsidiary of the Group, has entered into negotiations with the Jilin Oilfield Management Bureau to jointly develop the related oilfields.

Due to the deconsolidation involving the uncooperative PRC subsidiaries of providing finance information, for the Financial Year, the Group no longer consolidated the financial position and performance for liquefied natural gas, compressed natural gas and other related clean energy business of the Deconsolidated Subsidiaries starting from 1 January 2019.

REFINED OIL BUSINESS

For the expansion of the Group's principal business, the Group has diversified its business development by engaging in the refined oil retail business commencing in the mid of 2015.

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 a Refined Oil Retail License (成品油零售經營批准證書) from the Business Bureau of Jiangxi Province of the PRC which enables the Group to engage in the retail business of refined oil. The Board is of the view that the development of refined oil business can help to strengthen the Group's position in the energy industry and enhance the future earnings of the Group. As such, the aforesaid lease and future refined oil sales business is in the interests of the Company and its shareholders (the "Shareholders") as a whole.

MANAGEMENT DISCUSSION AND ANALYSIS

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries by the Directors, Jiangxi Jiujiang Sales Branch Company of PetroChina Company Limited (中國石油天然氣股份有限公司江西九江銷售分公司) and its ultimate beneficial owners are third parties independent of and not connected with the Company and connected persons (as defined in the GEM Listing Rules).

During the Financial Year, the sales of refined oil contributed approximately HK$14.3 million (2018: HK$82.3 million) revenue to the Group, represented a decrease of 82.6% from the preceding year.

Due to the deconsolidation involving the uncooperative PRC subsidiaries of providing finance information, for the Financial Year, the Group no longer consolidated the financial position and performance for refined oil retail business of the Deconsolidated Subsidiaries starting from 1 January 2019.

TRADING OF MTBE (甲基叔丁基醚) AND OTHER CHEMICALS

During the Financial Year, 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 oxygenate content and environmental concerns are of paramount importance, it is used in significant quantities.

During the Financial Year, the trading of MTBE and other chemicals generated a revenue of approximately HK$22.7 million (2018: HK$259.3 million) to the Group, represented a decrease of 91.2% from the preceding year.

Due to the deconsolidation involving the uncooperative PRC subsidiaries of providing finance information, for the Financial Year, the Group no longer consolidated the financial position and performance for trading of MTBE and other chemicals of the Deconsolidated Subsidiaries starting from 1 January 2019.

FUNDRAISING ACTIVITIES

On 22 June 2018 and 28 June 2018, the Company entered into a conditional placing agreement (the "Placing Agreement 2018") and a supplemental agreement respectively with Taijin Securities and Futures Limited (the "Placing Agent 2018"), pursuant to which the Placing Agent 2018 agreed, as agent of the Company, to procure on a fully underwritten basis (formerly on a best effort basis according to the Placing Agreement 2018) not less than six placees 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 2018") at the placing price of HK$0.041 per placing share (the "Placing 2018"). The 1,000,000,000 Placing Shares 2018 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 2018 was HK$41 million. The net proceeds, after deduction of all relevant expenses are estimated to be approximately HK$39.65 million. The Company intended to apply the net proceeds from the Placing 2018 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. Placing 2018 was completed on 10 July 2018. For further details of the Placing, please refer to the announcements of the Company dated 22 June 2018, 28 June 2018, 3 July 2018 and 10 July 2018.

On 21 February 2019, 8 March 2019 and 11 March 2019, the Company entered into a conditional placing agreement (the "Placing Agreement 2019") and two supplemental agreements with Gransing Securities Co., Limited (the "Placing Agent 2019"), pursuant to which the Placing Agent 2019 agreed, as agent of the Company, to procure on a fully underwritten basis (formerly on a best effort basis according to the Placing Agreement 2019) not less than six placees who and whose ultimate beneficial owners shall be independent third parties to subscribe for up to 55,035,411 placing shares (the "Placing Shares 2019") at the placing price of HK$0.316 per placing share (the "Placing 2019"). The 55,035,411 Placing Shares 2019 represent (i) approximately 15.41% of the existing issued share capital of the Company as at 11 March 2019; and (ii) approximately 13.35% of the issued share capital of the Company as enlarged by the allotment and issue of all the Placing Shares 2019. On 26 March 2019, Placing 2019 was completed and a total of 22,897,000 Placing Shares 2019 have been successfully placed. The gross proceeds from the Placing 2019 was approximately HK$7.24 million. The net proceeds, after deduction of all relevant expenses are estimated to be approximately HK$6.64 million. The Company intends to apply the net proceeds from the Placing 2019 as to approximately HK$1 million for the repayment on interest of promissory notes due in the financial year ending 31 March 2019, HK$2.5 million for the repayment of interests on bonds and the remaining balance of approximately HK$3.14 million as general working capital of the Group. For further details of the Placing 2019, please refer to the announcements of the Company dated 21 February 2019, 8 March 2019, 11 March 2019, 21 March 2019 and 26 March 2019.

MANAGEMENT DISCUSSION AND ANALYSIS

Set out in the table below is the breakdown of the intended and actual use of net proceeds of the Placing 2018 and the Placing 2019:

Particulars	Intended use of net proceeds received HKD' million	Actual use of proceeds HKD' million	Unutilised amount as at 31 March 2019 HKD' million
Repayment of promissory notes and interest	29.9	29.9	—
Repayment of interests on bonds	4.75	4.75	—
General working capital of the Group	11.64	11.64	—

SUSPENSION OF TRADING IN SHARES OF THE COMPANY

At the request of the Company, trading in the shares on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") has been suspended with effect from 9:00 a.m. on 2 July 2019.

RESUMPTION PROPOSAL OF THE COMPANY

On 30 June 2020, the Company submitted the Resumption Proposal to the Stock Exchange. The Company will provide an update on the resumption plan as and when required.

OUTLOOK

During the Financial Year, 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. Despite the challenging macro-economic conditions, the Group still recorded a 21.6% increase in revenue of power and data cords and general trading business during the Financial Year. However, the Group believes that the market competition continues to be fierce in the future.

Although there was still in a low-growth economic in 2019 and beyond, the Group steadfastly committed to expand its market share and profitability.

In the future, despite the wide range of growth opportunities, the challenge facing the Group is to evaluate, identify and leverage opportunities that can ensure that the attractiveness of its corporate brand is maintained and high-quality execution is sustained. To this end, considerable risk management and control are required, and every major business decision must be made with caution.

Over the years ahead, the power and data cords business will remain as a significant part of the Group, owing to its promising outlook combined with the positive policy milieu and market from overseas. 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 in securing optimal returns and value for the Shareholders and its other stakeholders.

ADDRESSING ALL CONCERNS RAISED BY THE COMPANY'S AUDITORS

In the audited report of the Company for the year ended 31 March 2019, the Company's auditors issued disclaimer of opinion in the following matters, please refer to the auditor's report for full explanation:

1. DECONSOLIDATION OF SUBSIDIARIES

On 2 April 2020, 14 May 2020, 21 May 2020 and 30 June 2020, the Company announced that, Company became aware in recent months that the Group was unable to obtain the books and records and relevant supporting documents such as bank statements and vouchers from certain subsidiaries located in PRC, including 江西中油港燃能源科技有限責任公司 (transliterated as "Jiangxi China Oil Gangran Energy Technology Company Limited"), 舟山中油港燃石油化工有限公司 (transliterated as "Zhoushan China Oil Gangran Petroleum and Chemical Company Limited"), 江西港燃貿易有限公司 (transliterated as "Jiangxi Gangran Trading Company Limited") and 吉林中油港燃能源開發有限公司 (transliterated as "Jilin China Oil Gangran Energy Development Company Limited") (collectively the "Deconsolidated Subsidiaries"). In this regard, the Company's auditors are unable to obtain sufficient appropriate audit evidence to satisfy themselves about the occurrence, completeness, accuracy, cut-off, classification and presentation and related disclosure of the results and related party transactions of the Deconsolidated Subsidiaries for period from 1 April 2018 to 31 December 2018. In addition, due to circumstances described above, the Company's auditor is unable to obtain sufficient appropriate audit evidence and explanations as to whether the contingent liabilities and commitments committed by the Group were properly recorded and accounted for. There were no alternative audit procedures that the Company's auditors could perform to satisfy themselves as to whether the contingent liabilities and commitments were free from material misstatements.

Based on the conclusion made by of the PRC legal adviser, the Company was unable to go through normal and lawful procedures to (i) appoint directors to; (ii) make effective resolutions on related matters on; and (iii) effectively exercise the Company's rights to, the Deconsolidated Subsidiaries. In order to address the concerns raised by the auditors of the Company, the directors of the Company will continue to consult legal opinion on possible further steps. Further announcement(s) will be made by the Company as and when appropriate to keep the shareholders informed of the material developments in the above matters.

MANAGEMENT DISCUSSION AND ANALYSIS

2. MULTIPLE UNCERTAINTIES RELATING TO GOING CONCERN

In view of the (i) outstanding promissory notes payable, borrowings, convertible notes and other payables not settled;(ii) the petition; (iii) HK court order, Cayman court order and the appointment of the joint provisional liquidators; (iv) the processing of the Company's restructuring; and (v) the Group's net loss attributable to the owners of the Company of approximately HK$235,286,000 during the year ended 31 March 2019 and net liabilities of approximately HK$73,902,000 as at 31 March 2019, the Company's auditors considered these indicate the existence of material uncertainties that may cast significant doubt on the Group's ability to continue as a going concern.

Subject to the successful restructure of the Company, the going concern matters will be solved.

3. LIMITATION OF SCOPE CONCERNING TRADE DEPOSITS

In July 2018, the Company paid trade deposit amounting to HK$22.5 million to the suppliers for purchase of oil products not yet delivered, the contracts are still valid until 3 July 2021.

The potential investor in the Company's restructuring plan will takeover that subject to completion of the restructuring, such amount will be paid by the potential investors to the Group. In light of this, it is expected that this can be solved during the year ending 31 March 2021 after the completion of the restructuring.

4. LIMITATION OF SCOPE CONCERNING PREPAYMENTS TO A SERVICE PROVIDER

In October 2018, the Company entered into a patent service agreement with a service provider with contract amount of HK$15 million for process the research and development of patents in the PRC, of which HK$12.8 million has been paid.

The agreement is still in progress where the Company is actively working with the service provider on the transfer of patents and will start to look for business opportunities if any or evaluate the value of the patents if no concrete business opportunities exists.

5. OPENING BALANCES AND CORRESPONDING FIGURES

Due to the disclaimed audit opinion on the consolidated financial statements of the Group for the year ended 31 March 2018, the opening balances and corresponding figures for the current year will be disclaimed.

Since there are a certain disclaimers in the auditor's report for the year ended 31 March 2019, the opening balances and corresponding figures will be disclaimed for the year ended 31 March 2020.

EMPLOYEES' REMUNERATION POLICY

As at 31 March 2019, the Group employed 117 (2018: 269) full-time employees in Mainland China and Hong Kong combined. The employees' remuneration policy of the Group is regularly reviewed and determined by reference to market terms, the Group's financial performance as well as the individual's academic and professional qualifications and work performance. Staff benefits include Mandatory Provident Fund contributions for Hong Kong employees and contributions to central pension schemes operated by local municipal governments for mainland-based employees. The Group provides various training programmes to equip its staff with requisite skills and knowledge. In addition, a share option scheme is offered to recognise significant staff contributions. During the Financial Year, 211,250,000 share options (2018: 264,000,000) were issued to eligible participants under the Company's share option scheme. Total staff costs, inclusive of Directors' remuneration, for the Financial Year amounted to approximately HK$29.1 million (2018: HK$43.5 million).

DIVIDENDS

The Board resolved not to recommend any dividend for the year ended 31 March 2019 (2018: Nil).

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

As at 31 March 2019, the aggregate carrying value of the Group's indebtedness was approximately HK$126.3 million (2018: approximately HK$146.8 million), which comprised promissory notes, bank borrowing, interest-bearing bond, other loan and convertible notes. The indebtedness was denominated in Hong Kong dollars. As at 31 March 2019, the Group maintained bank and cash balances of approximately HK$13.8 million (2018: approximately HK$46.7 million).

As at 31 March 2019, the Group had trade receivables of approximately HK$14.5 million (2018: approximately HK$33.5 million), representing approximately 14.2% (2018: approximately 8.5%) of the Group's revenue of approximately HK$102.3 million (2018: approximately HK$395.3 million) for the Financial Year.

As at 31 March 2019, the Group's gearing ratio was approximately 240.7% (2018: 56.6%). This was based on the division of the Group's total indebtedness by the aggregate amount of total indebtedness and total equity attributable to owners of the Company.

SECURITIES IN ISSUE

During the Financial Year,

(1) On 10 July 2018, 1,000,000,000 new ordinary shares at the placing price of HK$0.041 were issued to independent third parties of the Company;

(2) Pursuant to an ordinary resolution passed on 28 November 2018, the Company consolidated every existing 20 issued and unissued shares of HK$0.0002 each into 1 consolidated share of HK$0.004 each (the "Share Consolidation"). Upon the Share Consolidation becoming effective, the authorised share capital of the Company became HK$8,000,000 divided into 2,000,000,000 ordinary shares of HK$0.004 each. Based on a total of 7,142,456,372 ordinary shares of HK$0.0002 each in issue immediately prior to the Share Consolidation, the issued and fully-paid share capital of the Company became approximately HK$1,428,000 divided into 357,122,818 ordinary shares of HK$0.004 each; and

(3) On 26 March 2019, 22,897,000 new ordinary shares at the placing price of HK$0.316 were issued to independent third parties of the Company.

Save as disclosed above, there was no change in the issued share capital of the Company during the Financial Year.

EXPOSURE TO FOREIGN EXCHANGE RISK

As the Group operates principally in Hong Kong and the PRC, its exposure to foreign currency risk is minimal as most of its business transactions, assets and liabilities are principally denominated in the functional currency of the group entities. In this respect, the only risk it is faced arose from exposures mainly to the renminbi ("RMB") and the United States dollar ("US$"). These risks were mitigated as the Group held HK$, US$ and RMB bank accounts to finance transactions denominated in these currencies respectively. The Group has no foreign currency hedging policy for foreign currency transactions, assets and liabilities. During the Financial Year, the Group did not use any financial instruments for hedging purposes. The Group will continue to monitor its exposure to foreign exchange risks and will consider hedging such exposure, should such a risk arises.

PLEDGE OF ASSETS

As at 31 March 2019, the Group pledged its buildings with an aggregate carrying amount of approximately HK$9,939,000 (2018: approximately HK$10,948,000) to secure its bank borrowing.

SIGNIFICANT INVESTMENTS AND DISPOSALS

The Group had no significant investments and disposals, nor has it made any material acquisition or disposal of the Group's subsidiaries or affiliated companies during the Financial Year.

COMMITMENTS

The Group's commitments as at 31 March 2019 are set out in note 35 to the consolidated financial statements.

CONTINGENT LIABILITIES

The Group had no significant contingent liabilities as at 31 March 2019 (2018: Nil).

SEGMENT INFORMATION

Detail of the segment information is set out in note 10 to the consolidated financial statements.

REPORT OF THE DIRECTORS

The Directors submitted their report together with the audited consolidated financial statements of the Group for the Financial Year.

BUSINESS REVIEW

For details of the business, please refer to the Management Discussion and Analysis section of this report.

PRINCIPAL ACTIVITIES AND GEOGRAPHICAL ANALYSIS OF OPERATIONS

The principal activity of the Company is investment holding. The subsidiaries of the Company and their activities are set out in note 40 to the consolidated financial statements.

An analysis of the Group's performance for the year by operating segment is set out in note 10 to the consolidated financial statements.

RESULTS AND DIVIDENDS

The results and financial position of the Group for the Financial Year are set out in the Group's consolidated financial statements on pages 79 to 175 of this annual report.

The Directors do not recommend the payment of dividend for the Financial Year.

SHARE CAPITAL

Details of the Company's share capital is set out in note 32 to the consolidated financial statements.

RESERVES

Movements in the reserves of the Group and of the Company during the Financial Year are set out in the consolidated statement of changes in equity on page 83 and note 39 to the consolidated financial statements respectively.

PROPERTY, PLANT AND EQUIPMENT

Details of movements in property, plant and equipment during the year are set out in note 17 to the consolidated financial statements.

DISTRIBUTABLE RESERVES

As at 31 March 2019, the Company did not have reserves available for distribution (2018: approximately HK$69,455,000).

SUBSIDIARIES

Particulars of the Company's subsidiaries as at 31 March 2019 are set out in note 40 to the consolidated financial statements.

EQUITY LINKED AGREEMENTS

SHARE OPTIONS GRANTED TO AND EXERCISED BY DIRECTORS, SELECTED EMPLOYEES AND CONSULTANTS

Details of the share options are set out in note 33 of the consolidated financial statements and "Share Option Scheme" section contained in this Directors' Report.

During the Financial Year, 211,250,000 share options have been granted in total to certain employees and a consultant. Each of them was entitled to 42,250,000 share options.

During the Financial Year, no share options have been exercised.

PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the Articles of Association of the Company, or the Companies Law of the Cayman Islands, which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders of the Company (the "Shareholders").

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S SECURITIES

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

FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the last five financial years is set out on page 176 of the Report.

REPORT OF THE DIRECTORS

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.

As at 31 March 2019 prior to the issue of the annual report, a total 31,572,400 option shares were still outstanding under the scheme, which represents approximately 8.31% of the issued ordinary shares of the company.

REPORT OF THE DIRECTORS

Particulars of the options to subscribe for Shares granted pursuant to the Share Option Scheme as at Financial 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 year	Exercised during the year	Cancelled/ Lapsed during the year	Consolidation of Share	Outstanding as at 31 March 2019	Market value per share immediately before the date of grant of options	Weighted average closing price per share immediately before the date of exercise of options	Approximate % of the Company's total issued share capital as at 31 March 2019
Executive Directors:												
Zhang Xueming	21 April 2017	HK$2.52	21 April 2017 – 20 April 2020	52,800,000	–	–	–	(50,160,000)	2,640,000	HK$2.4	–	0.69%
Ex-Executive Directors:												
Ho Chun Kit Gregory	17 March 2015	HK$3.68	17 March 2015 – 16 March 2025	21,587,000	–	–	–	(20,507,650)	1,079,350	HK$3.52	–	0.28%
Rong Changjun	21 April 2017	HK$2.52	21 April 2017 – 20 April 2020	52,800,000	–	–	–	(50,160,000)	2,640,000	HK$2.4	–	0.69%
Other Categories:												
Consultants in aggregate	10 October 2013	HK$7.82	10 October 2013 – 9 October 2023	27,500,000	–	–	–	(26,125,000)	1,375,000	HK$7.6	–	0.36%
	13 January 2014	HK$6.28	13 January 2014 – 12 January 2024	55,000,000	–	–	–	(52,250,000)	2,750,000	HK$6.16	–	0.72%
	14 July 2014	HK$5.12	14 July 2014 – 13 July 2024	77,000,000	–	–	–	(73,150,000)	3,850,000	HK$5.2	–	1.01%
	21 August 2014	HK$4.52	21 August 2014 – 20 August 2024	27,500,000	–	–	–	(26,125,000)	1,375,000	HK$4.8	–	0.36%
	16 February 2015	HK$3.28	16 February 2015 – 15 February 2025	43,587,000	–	–	–	(41,407,650)	2,179,350	HK$3.4	–	0.57%
	17 March 2015	HK$3.68	17 March 2015 – 16 March 2025	62,424,000	–	–	–	(59,302,800)	3,121,200	HK$3.52	–	0.82%
	11 April 2018	HK$1.04	11 April 2018 – 10 April 2021	–	42,250,000	–	–	(40,137,500)	2,112,500	HK$0.92	–	0.56%
Employees in aggregate	11 April 2018	HK$1.04	11 April 2018 – 10 April 2021	–	169,000,000	–	–	160,550,000	8,450,000	HK$0.92	–	2.22%

All the shares options vested immediately on the date of grant and there is no vesting period.

REPORT OF THE DIRECTORS

As at the date of the Report, the total number of the shares of the Company (the "Shares") available for issue under the Scheme and any other share option scheme of the Group must not in aggregate exceed 10% of the Shares in issue of the Company on the day on which trading of the Shares commenced on the Stock Exchange, i.e. 35,712,282 representing 10% of the issued share capital of the Company as at the date of the approval on the refreshment of 10% limit of annual general meeting on 31 August 2020.

The maximum number of the Shares issuable upon exercise of the options which may be granted under the Scheme and any other share option scheme of the Group (including both exercised or outstanding options) to each Participant (other than a substantial shareholder, chief executive or Director as explained below) in any 12-month period shall not exceed 1% of the issued share capital of the Company for the time being. Any further grant of share options in excess of this limit is subject to the Shareholders' approval in a general meeting.

Share options granted to a Director, chief executive or substantial shareholder of the Company, or to any of their respective associates, are subject to approval in advance by the independent non-executive Directors (excluding any independent non-executive Director who is the grantee of the options). In addition, any share options granted to a substantial shareholder of the Company or an independent non-executive Director, or to any of their respective associates, in excess of 0.1% of the Shares in issue with an aggregate value (based on the closing price of the Shares at the date of the grant) in excess of HK$5 million, in the 12-month period up to and including the date of grant, are subject to the Shareholders' approval in the general meeting.

The offer of a grant of share options may be accepted by a Participant within 28 days from the date of offer upon payment of a nominal consideration of HK$1 by the grantee. The exercise period for the share options granted is determined by the Board, which may commence from the date of acceptance of the offer for the grant of share options but shall end in any event not later than 10 years from the date of the conditional adoption of the Scheme by the sole Shareholder subject to the provisions for early termination under the Scheme.

The subscription price for the Shares under the Scheme shall be a price determined by the Board at its sole discretion and shall be no less than the highest of (i) the closing price of the Shares as stated in the Stock Exchange's daily quotations sheet on the date of the offer for the grant, which must be a business day, (ii) the average closing prices of the Shares as stated in the Stock Exchange's daily quotations sheet for the five business days immediately preceding the date of the offer for the grant; and (iii) the nominal value of the Share.

Subject to the earlier termination of the Scheme in accordance with the Scheme rules, the Scheme will remain effective until 26 April 2021.

Apart from the aforesaid, at no time during the Financial Year was the Company or any of its subsidiaries a party to any arrangement to enable the Directors and substantial shareholders or any of their close associates to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

DIRECTORS OF THE COMPANY

The Directors of the Company during the Financial Year and up to the date of the Report were:

Executive Directors	
Mr. Zou Donghai *(Chairman)*	(resigned on 25 Feb 2020)
Mr. Rong Changjun *(Vice Chairman)*	
Mr. Zhang Xueming	(retired on 31 August 2018)
Mr. Zhang Wenrong	(appointed on 23 October 2018)
Dr. Ho Chun Kit Gregory	(resigned on 22 February 2019)
Dr. Zheng Jian Peng	(resigned on 25 February 2020)
Mr. Yuan Beisheng	(appointed on 22 November 2018)
Ms. Hui Sai Ha	(appointed on 22 November 2018)
Mr. Yeung Shing Wai	(appointed on 16 February 2020)
Mr. Chen Tian Gang	(appointed on 5 March 2020)
Mr. Li Shu Wang	(appointed on 9 March 2020)
Mr. Zhang Shao Wu	(appointed on 9 March 2020)
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. Chan Ying Kay	(resigned on 28 August 2018)
Mr. Lau Sung Tat, Vincent	(resigned on 31 July 2019)
Mr. Sun Dexin	(retired on 31 August 2018)
Ms. Eugenia Yang	(resigned on 7 June 2018)
Mr. Tam Kim Fung	(appointed on 4 September 2018 and resigned on 22 March 2019)
Mr. Qin Shihui	(appointed on 22 November 2018 and resigned on 25 February 2020)
Mr. He Wen	(appointed on 22 February 2019 and resigned on 5 March 2020)
Mr. Clay Huen	(appointed on 22 May 2019 and resigned on 13 December 2019)
Mr. Chu Kin Ming	(appointed on 16 February 2020)
Mr. Chiam Tat Yiu	(appointed on 16 February 2020)
Mr. Chan Wai Cheung Admiral	(appointed on 5 March 2020)

REPORT OF THE DIRECTORS

DIRECTORS' SERVICE CONTRACTS

None of the Directors who are proposed for re-election at the annual general meeting held in 2020 has a service contract with the Company which is not determinable within one year without payment of compensation, other than statutory compensation.

DIRECTORS' MATERIAL INTERESTS IN TRANSACTIONS, ARRANGEMENT AND CONTRACTS THAT ARE SIGNIFICANT IN RELATION TO THE COMPANY'S BUSINESS

No contracts of significance in relation to the Group's business to which the Company, any of its subsidiaries, fellow subsidiaries or its parent company was a party and in which a Director had a material interest, whether directly or indirectly, subsisted at the end of the Financial Year or at any time during the Financial Year.

EMOLUMENTS OF THE DIRECTORS AND THE FIVE HIGHEST PAID INDIVIDUALS

Please refer to note 14 to the consolidated financial statements for details of the emoluments of the Directors and the five highest paid individuals of the Company.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Brief biographical details of Directors and senior management are as follows:

EXECUTIVE DIRECTORS

Mr. Rong Changjun ("Mr. Rong"), aged 60, was appointed as the Vice Chairman and an Executive Director of the Company on 1 December 2014. Mr. Rong has attended Lanzhou University and holds a Master Degree in Economic Law. Mr. Rong is a senior professional in the construction industry. He is a Chartered Builder of the Chartered Institute of Building, a National Registered Constructor and a professor-level senior engineer. Mr. Rong has over 38 years of management and operation experience in the construction industry. He was the general manager of China Construction Eighth Engineering Division East China Sea Development and Construction Corporation (中國建築第八工程局東海開發建設總公司) and the deputy Director of China Construction Eighth Engineering Division (中國建築第八工程局). He is currently the chairman of China Construction International Corporation (中國對外建設總公司).

Mr. Zhang Wenrong ("Mr. Zhang"), aged 63, was appointed as Executive Director of the Company on 23 October 2018, joined PetroChina Company Limited ("PetroChina"), a company listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") (stock code: 857) and the Shanghai Stock Exchange (stock code: 601857), in August 1981. From August 1981 to January 2018, Mr. Zhang has been assigned to various subsidiaries of PetroChina. Mr. Zhang was employed by 新疆塔里木石油勘探開發指揮部有限公司 (Xinjiang Tailimu Oil Exploration and Development Command Co., Ltd.*) as a senior management from February 1990 to August 1999. He was the director of integrated management division of 中國石油天然氣股份有限公司西北銷售分公司 (China Petroleum and Natural Gas Co., Ltd. Northwest Sales Branch*) from August 1999 to August 2001, the general manger and party committee secretary of 中國石油天然氣股份有限公司湖北銷售分公司 (China Petroleum and Natural Gas Co., Ltd. Hubei Sales Branch*) from August 2001 to December 2008, the general manager and party committee secretary of 中國石油天然氣股份有限公司貴州銷售分公司 (China Petroleum and Natural Gas Co., Ltd. Guizhou Sales Branch*) from December 2008 to December 2012 and the general manager and party committee secretary of 中國石油天然氣股份有限公司江西銷售分公司 (China Petroleum and Natural Gas Co., Ltd. Jiangxi Sales Branch*) from December 2012 to January 2018, where he was mainly responsible for sales and business development. Mr. Zhang has over 30 years of experience in the oil and gas industry.

Mr. Yuan Beisheng ("Mr. Yuan"), aged 41, was appointed as Executive Director of the Company on 22 November 2018, holds a graduation certificate for completing an investment course from the School of Continuing Education, Tsinghua University. He is currently the chairman and chief executive officer of Beyond Group DMCC ("DMCC"), a company incorporated in Dubai of the United Arab Emirates and principally engaged in the import and export of oil equipment as well as trading of filters and purification devices, pipes and fittings, water treatment equipment and all kinds of commodities. DMCC entered into a non-legally binding memorandum of understanding with the Company on 10 October 2018 in relation to the proposed formation of the joint venture. Mr. Yuan has also been the chief executive officer of United Company for Engineering, Commerce and Contracts since March 2012 and the chairman and chief executive officer of Maven General Contracting LLC since February 2015. Mr. Yuan has extensive experience in the oil and gas industry.

Ms. Hui Sai Ha ("Ms. Hui"), aged 53, was appointed as Executive Director of the Company on 22 November 2018, is currently the chairman of Buona Holdings Limited and has held that position since September 2014. She has been the president of business development of Chanceton Capital Partners Limited, being a subsidiary of Unitas Holdings Limited, from January 2018 and up to the present. Unitas Holdings Limited is a company listed on GEM of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") (stock code: 8020). Ms. Hui is currently the vice president of Teo Chew Society of Vancouver Canada. She has extensive experience in the industrial and financial industry. She has also participated in various investment projects and fund raising projects relating to the photovoltaic, new energy and high technology sectors.

REPORT OF THE DIRECTORS

Mr. Yeung Shing Wai ("Mr. Yeung"), aged 34, was appointed as Executive Director of the Company on 16 February 2020, had over ten years of working experience in power and data cord industry. He was an executive director of the Company from November 2010 to December 2014. Afterwards, he was engaged in private investments in various industries. He is currently an executive director of On Real International Holdings Limited, a company listed on GEM of the Stock Exchange (stock code: 8245). His father is so currently the director and legal representative of certain subsidiaries of the Group.

Mr. Chen Tian Gang ("Mr. Chen"), aged 46, was appointed as Executive Director of the Company on 5 March 2020, was an executive director of the Company from November 2010 to July 2013 and the production manager of a subsidiary of the Group for over 15 years. Afterwards, he was engaged in private businesses in the People's Republic of China. Recently, Mr. Chen has rejoined the Group as the production manager of a subsidiary of the Group. Mr. Chen graduated from Fujian Agricultural and Forestry University, majoring in tea studies. He has over 20 years of working experience in the power and data cord industry. Mr. Chen is the cousin of Mr. Yeung Shing Wai, an executive Director.

Mr. Li Shu Wang ("Mr. Li"), aged 54, was appointed as Executive Director of the Company on 9 March 2020, holds a Bachelor degree in chemical machinery from Hebei University of Technology and postgraduate degree in business management from American National University. He served as the deputy general manager of 天津石化建安公司 (Tianjin Petrochemical Jianan Company*) from 1988 to 2002, the director and chief engineer of 華燊燃氣控股有限公司 (Huashen Gas Holdings Company Limited*) from 2002 to 2004 and the president of 北京中燃偉業燃氣有限公司 (Beijing Zhongran Weiye Gas Company Limited*) from 2004 to 2006. He then worked at 新奧燃氣工程有限公司 (Xinao Gas Engineering Company Limited*) from 2007 to 2017 as general manager and concurrently served as the vice president and chief engineer of ENN Energy Holdings Limited, a company listed on the Stock Exchange (stock code: 2688), from 2009 to 2016. He then worked at 新地能源工程技術有限公司 from 2017 to 2019 as vice president and chief engineer. Mr. Li is currently a part time professor at Sun Yat-sen University. Mr. Li has extensive working experience in the petrochemical, construction, gas and energy industry.

Mr. Zhang Shao Wu ("Mr. Zhang"), aged 52, was appointed as Executive Director of the Company on 9 March 2020, holds a Bachelor Degree in machinery manufacturing process and equipment from Zhengzhou University and an Executive Master of Business Administration from the Guanghua School of Management of Peking University. He worked at 開封博達集團股份有限公司 (Kaifeng Boda Group Company Limited*) from September 1989 to February 2002 with his last position as deputy general manager. He then served as the deputy general manager at 東莞新奧燃氣有限公司 (Dongguan Xinao Gas Company Limited*) from February 2005 to October 2010 and the director and general manager of 湛江新奧燃氣有限公司 (Zhanjiang Xinao Gas Company Limited*) from November 2010 to September 2013. He was the deputy general manager, South China of ENN Energy Holdings Limited, a company listed on the Stock Exchange (stock code: 2688), from October 2013 to December 2018 and concurrently served as the general manager of 廣東新奧能源銷售有限公司 (Guangdong Xinao Energy Sales Company Limited*) from October 2016 to December 2018. He was the deputy general manager of 廣東新奧能源發展有限公司 (Guangdong Xinao Energy Development Company Limited*) from December 2018 to February 2020. Mr. Zhang has extensive working experience in the energy industry with a specialty in renewable energy utilization.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Chu Kin Ming ("Mr. Chu"), aged 39, was appointed as Independent Non-Executive Director of the Company on 16 February 2020, holds a Bachelor of Arts degree in Accountancy from the Hong Kong Polytechnic University. He is currently the independent non-executive director of SK Target Group Limited, a company listed on GEM of the Stock Exchange (stock code: 8427), Kelfred Holdings Limited, a company listed on the Stock Exchange (stock code: 1134) and Optima Automobile Group Holdings Limited, a company listed on GEM of the Stock Exchange (stock code: 8418). Mr. Chu has approximately 20 years of experiences in the field of auditing, accounting, management and company secretarial matters. He is currently the company secretary of Sino-Life Group Limited ("Sino-Life"), a company listed on GEM of the Stock Exchange (stock code: 8296). Prior to joining Sino-Life, Mr. Chu has worked as senior management in various Hong Kong listed companies and as auditor in international audit firms. Mr. Chu is a fellow member of The Association of Chartered Certified Accountants. He is also a member of The Hong Kong Institute of Certified Public Accountants, The Institute of Chartered Secretaries and Administrators and The Hong Kong Institute of Chartered Secretaries. Mr. Chu has extensive experiences in the field of accounting and financial management.

Mr. Chiam Tat Yiu ("Mr. Chiam"), aged 36, was appointed as Independent Non-Executive Director of the Company on 16 February 2020, holds a Bachelor of Business Administration in Accountancy from the Hong Kong University of Science and Technology. Mr. Chiam has extensive experience in finance and accounting. He worked in the audit department in Ernst & Young and worked at various management positions in CCB International (Holdings) Limited, CITIC International Assets Management Limited, Tai Shing International (Holdings) Limited, a company listed on GEM of the Stock Exchange (stock code: 8103) and China Huarong Overseas Investment Holdings Company Limited. Mr. Chiam is a fellow member of The Hong Kong Institute of Certified Public Accountants and a member of The Association of Chartered Certified Accountants. He is also a holder of the Chartered Financial Analyst designation awarded by the CFA Institute. Mr. Chiam has extensive experiences in the field of accounting, risk management and corporate finance.

Mr. Chan Wai Cheung Admiral ("Mr. Chan"), aged 47, was appointed as Independent Non-Executive Director of the Company on 5 March 2020, holds a Bachelor of Arts (Honours) in Accountancy from City University of Hong Kong. Mr. Chan is a member of the Hong Kong Institute of Certified Public Accountants. He has extensive experience in the accounting and auditing fields. Mr. Chan is currently an executive director and the company secretary of Energy International Investments Holdings Limited (stock code: 353) and an independent non-executive director of each of SFund International Holdings Limited (stock code: 1367), Zhong Ao Home Group Limited (stock code: 1538) and China Water Affairs Group Limited (stock code: 855), all of which are listed on the Stock Exchange. Mr. Chan was a non-executive director of China Nonferrous Metals Company Limited (stock code: 8306) from June 2015 to May 2019 and an independent non-executive director of Carnival Group International Holdings Limited (stock code: 996) from December 2014 to April 2019, all of which are listed on the Stock Exchange.

COMPANY SECRETARY

Mr. Chan Tsang Mo ("Mr. Chan"), aged 35, was appointed as the Company Secretary of the Company on 22 April 2020. He is a director of Synergy Morton Corporate Services Limited, a professional firm providing corporate secretarial and advisory services. He is a fellow member of The Hong Kong Institute of Certified Public Accountants and holds a degree in Bachelor of Business Administration in Accounting from the City University of Hong Kong. Mr. Chan has over 12 years of experience in the field of accounting and financial management.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND/OR SHORT POSITIONS IN THE SHARES AND UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR ANY SPECIFIED UNDERTAKINGS OF THE COMPANY OR ANY OTHER ASSOCIATED CORPORATION

As at 31 March 2019, 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

	Number of Shares	Share Options		
Name of Director	Personal interests	Personal interests	Total	Percentage of aggregate interests to the total number of Share in issue
Mr. Zou Donghai	35,000,000	–	35,000,000	9.21%
Mr. Rong Changjun	–	2,640,000	2,640,000	0.69%
Dr. Zheng Jian Peng	2.640,000	–	2,640,000	0.69%

Note:

Further details of the above share options are set out in the section of "Share Option Scheme" above showing details of the options granted to subscribe for ordinary shares under the Company's Share Option Scheme.

Save as disclosed above, as at 31 March 2019, none of the Directors or chief executives of the Company nor their associates 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.

Saved as disclosed above, at no time during the year was the Company, its subsidiaries, its fellow subsidiaries, its parent company or its other associated corporations a party to any arrangement to enable the Directors and chief executives of the Company (including their spouse and children under 18 years of age) to hold any interests or short positions in the shares or underlying shares in, or debentures of the Company or as specified undertakings or other associated corporation.

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

So far as the Directors are aware, as at 31 March 2019, 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.

MANAGEMENT CONTRACT

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the Financial Year.

CHARITABLE DONATIONS

During the Financial Year, the Group made no charitable donations (2018: Nil).

REPORT OF THE DIRECTORS

MAJOR SUPPLIERS AND CUSTOMERS

The information in respect of the Group's total purchases and sales attributable to the Group's major suppliers and customers respectively during the Financial Year is as follows:

	Approximate percentage of the Group's total
Purchases	
– the largest supplier	10.57%
– five largest suppliers in aggregate	28.44%
Sales	
– the largest customer	26.18%
– five largest customers in aggregate	53.6%

None of the Directors, their close associates (as defined in GEM Listing Rules) or any shareholder (which to the knowledge of the Directors owns more than 5% of the Company's issued share capital) had an interest in any of the Group's five largest suppliers or customers.

RELATED PARTY TRANSACTIONS

A summary of the related party transactions entered into by the Group during the year ended 31 March 2019 is set out in note 34 to the consolidated financial statements.

To the best knowledge of the Directors, none of these related party transaction is a connected transaction that needed to be disclosed the GEM Listing Rules.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors as at the date of the Report, the Directors believe that the number of securities of the Company which are on the hands of the public is above the relevant prescribed minimum percentage under the GEM Listing Rules.

COMPETING BUSINESS

Neither of the Directors and the controlling shareholders of the Company or their respective close associates (as defined in the GEM Listing Rules) is or was interested in any business apart from the Group's business, that competes or competed or is or was likely to compete, either directly or indirectly, with the Group's business at any time during the Financial Year.

EMOLUMENTS POLICY

The emolument policy for the employee of the Group is set up by the management on the basis of their merit, qualifications and competence.

Under the emolument policy, some Directors are provided with long term incentive scheme, including but not limited to share options. The basis of determining the emolument payable to Directors is subject to the decision of the Remuneration Committee of the Company.

The emoluments of the Directors for the Financial Year are decided by the Board, having regard to the Group's operating results, their duties and responsibilities of the Group, individual performance and comparable market statistics, and have been reviewed by the Remuneration Committee of the Company during the Financial Year.

EVENTS AFTER THE REPORTING PERIOD

Details of significant events occurring after the reporting period are set out in note 42 to the consolidated financial statements.

PERMITTED INDEMNITY PROVISIONS

At no time during the Financial Year and up to the date of this Directors' Report, there was or is, any permitted indemnity provisions being in force for the benefit of any of the directors of the Company (whether made by the Company or otherwise) or an associated company (if made by the Company).

MATERIAL LEGAL PROCEEDINGS

(i) On 26 April 2019, the Company received a petition ("HK Petition") from Glory Sum Securities Limited, formerly known as China Goldjoy Securities Limited ("HK Petitioner") filed in the High Count of the Hong Kong that the Company may be wound up by the High Court on the ground that the Company is insolvent and unable to pay its debts. The HK Petition was filed against the Company for failure to settle an indebted sum of HK$23,654,900.30, plus further daily interest of HK$20,726.03, in total being the alleged outstanding amount owed by the Company to the HK Petitioner.

(ii) On 22 October 2019, the Company filed a winding up petition at Grand Court of the Cayman Islands under section 93 of the Cayman Companies Law and the Cayman Court. On 5 November 2019, the Cayman Court ordered that 3 persons be appointed as the Joint Provisional Liquidators ("JPLs") of the Company with the power to act jointly and severally. The JPLs were authorised to develop and propose a restructuring of the Company's indebtedness in a manner designed to allow the Company to continue as a going concern, with a view to making a compromise or arrangement with the Company's creditors, including (without limitation) a compromise or arrangement by way of a scheme of arrangement pursuant to section 86 of the Cayman Companies law.

REPORT OF THE DIRECTORS

AUDITOR

The consolidated financial statements for the year ended 31 March 2019 were audited by HLM CPA Limited ("HLM"). A resolution to re-appoint HLM as auditor of the Company will be proposed at the forthcoming annual general meeting.

On behalf of the Board

Yeung Shing Wai
Director

Hong Kong, 2 July 2020

CORPORATE GOVERNANCE REPORT

The Board is pleased to present this Corporate Governance Report for the year ended 31 March 2019. This report highlights the key corporate governance practices of the Company.

CORPORATE GOVERNANCE PRACTICES

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

CG Code provision E.1.2 requires the Chairman of a meeting should ensure that an explanation is provided of the detailed procedures for conducting a poll and answer any questions from shareholders on voting by poll. The Chairman of the board should attend the annual general meeting. The Chairman also invite the chairmen of the audit, remuneration, nomination committees to attend. The Chairman was obliged to be away for his business matters and for negotiating with potential business partners. In his absence, he has been appointed and authorised an executive Director, Mr. Rong Changjun, to act on behalf on himself at the annual general meeting. The executive Director should be available to answer questions at the annual general meeting. The external auditor attended the annual general meeting to answer questions.

During the Financial Year, the Company has complied with all the code provisions in the CG Code with the exception of the CG Code provisions A.2.1 and A.6.7. 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 (the "CEO") should be separate and should not be performed by the same individual. The Chairman of the Group is Mr. Zou Donghai. The current CEO is Mr. Zhang Wenrong ("Mr. Zhang") who has been appointed as an executive Director and the CEO of the Company with effect from 23 October 2018. Prior to the appointment of Mr. Zhang as CEO, the executive Directors are responsible for evaluating new potential business opportunities and investment opportunities, and formulating and implementing business strategies to enhance the revenue growth of the Company. After the appointment of Mr. Zhang, there is no deviation of CG Code provisions A.2.1 thereafter.

CG Code provision A.6.7 requires that independent non-executive directors should attend general meetings and develop a balanced understanding of the views of shareholders. No Independent Non-Executive Directors attended the annual general meeting held on 31 August 2018.

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

Under Code Provision C.2.5 of the CG Code, the Group should have an internal audit function. The Group conducted an annual review on the need for setting up an internal audit department. Given the Group's simple operating structure, instead of setting up an internal audit department, the annual review on the risk management and internal control systems of the Group has been conducted by a professional third party and reported to the members of the Audit Committee. The review covered material controls, including financial, operational and compliance controls and risk management functions of the Group. The Board is of the view that appropriate measures have been put in place to manage the risks and no major issue was raised for improvement during the review.

CORPORATE GOVERNANCE REPORT

BOARD OF DIRECTORS

BOARD RESPONSIBILITIES AND DELEGATION

The Company is governed by the Board, which is responsible for overseeing the overall strategy and development of the Company, as well as continuously monitoring and improving the internal control policies of the Group and evaluating the financial performance of the Group. The Board sets the overall strategies and directions for the Group with a view to developing its business and enhancing the Shareholders' value. The Independent Non-Executive Directors serve the relevant function of bringing independent judgement on the development, performance and risk management of the Group through their contributions in board meetings. They are also serving on the Audit Committee, Remuneration Committee and Nomination Committee.

The Board has adopted a set of guidelines on matters that require its approval to achieve a clear division of the responsibilities of the Board and the management. Matters requiring the Board's approval include, among others, review of overall policies and objectives for corporate contributions and approval of corporate plan of the Company and any significant changes thereto, investment plans which would involve significant commitments of financial, technological or human resources, or would involve significant risks for the Company, significant sales, transfers, or other dispositions of property or assets, significant changes in policies of broad application, major organizational changes, approval of annual reports, and review of interim and quarterly financial and operating results, other matters relating to the Company's business which in the judgment of the management are of such significance as to merit the Board's consideration, and adoption of such policies and the taking of such other actions as the Board deems to be in the best interests of the Company.

Minutes of Board meetings and Board committees meetings are kept by duly appointed secretaries of the respective meetings. All Directors have unrestricted access to Board papers and related materials and are provided with adequate information on a timely manner, which enable the Board to make an informed decision on matters placed before it.

The Company has arranged appropriate insurance cover in respect of possible legal actions against its Directors and senior officers.

RESPONSIBILITIES AND DELEGATION

The Board is accountable to the Shareholders for the development of the Group with the goal of maximizing Shareholders' value in the long run. The Board also takes the responsibility for the overall strategies and policies of the Group, approves and monitors the strategic plans, investment and funding decisions, and reviews the Group's financial and operational performance and internal controls. The Group's day-to-day operations and administration are overseen by the executive Directors and the management.

The Board is responsible for setting the strategic direction and policies of the Group and supervising the management of the Company. Some functions including the monitoring and approval of material transactions, matters involving a conflict of interest for a substantial shareholder or Director of the Company, the approval of interim and annual results, declaration of interim dividends and proposal of final dividends and other disclosures to the public or regulators are reserved by the Board for consideration and approval. Matters not specifically reserved to the Board and necessary for the daily management and operation of the Company are delegated to the executive Directors and the management of the Company.

BOARD OF DIRECTORS

DIRECTORS' TRAINING

The Directors are encouraged to participate in continuous professional development to develop and refresh their knowledge and skills. The Company would provide a comprehensive induction package covering the summary of the operations and business, constitutional documents, the latest published financial reports of the Company, "A Guide on Directors' Duties" issued by the Companies Registry of Hong Kong and the Guidelines for Directors and the Guide for Independent Non-Executive Directors published by the Hong Kong Institute of Directors to each newly appointed Director to ensure that he/she is sufficiently aware of his/her responsibilities and obligations under the Listing Rules and other regulatory requirements.

The Company Secretary reports from time to time the latest changes and development of the Listing Rules, corporate governance practices and other regulatory regime to the Directors with written materials, as well as organizing seminars on the professional knowledge and latest development of regulatory requirements related to directors' duties and responsibilities. During the year and as at 31 March 2019, all Directors pursued continuous professional development and relevant details are set out below:

Name of Directors	Types of training
Executive Directors:	
Mr. Zou Donghai	A, B
Mr. Rong Changjun	A, B
Mr. Zhang Xueming (retired on 31 August 2018)	A, B
Dr. Ho Chun Kit Gregory (resigned on 22 February 2019)	A, B
Dr. Zheng Jian Peng	A, B
Mr. Zhang Wenrong (appointed on 23 October 2018)	A, B
Mr. Yuan Beisheng (appointed on 22 November 2018)	A, B
Ms. Hui Sai Ha (appointed on 22 November 2018)	A, B
Non-Executive Directors:	
Mr. Chan Shiu Man (resigned on 28 August 2018)	A, B
Mr. Hua Xujie (retired on 31 August 2018)	A, B
Independent Non-Executive Directors:	
Mr. Chan Ying Kay (resigned on 28 August 2018)	A, B
Mr. Lau Sung Tat, Vincent	A, B
Mr. Sun Dexin (retired on 31 August 2018)	A, B
Ms. Eugenia Yang (resigned on 7 June 2018)	A, B
Mr. Tam Kim Fung (appointed on 4 September 2018 and resigned on 22 March 2019)	
Mr. Qin Shihui (appointed on 22 November 2018)	A, B
Mr. He Wen (appointed on 22 February 2019)	A, B

Remarks:

A – Attending seminars/conferences/forums

B – Reading journals/updates/articles/materials

CORPORATE GOVERNANCE REPORT

BOARD COMPOSITION

As at 31 March 2019, the Board comprised six executive Directors, and three independent non-executive Directors. During the Financial Year, the Board held nine meetings, Audit Committee held four meetings, Nomination Committee held two meetings and Remuneration Committee held one meeting. The attendance of individual Directors at Board Meetings (BM), Audit Committee Meeting (ACM), Nomination Committee Meeting (NCM), Remuneration Committee Meeting (RCM) and Annual General Meeting (AGM) are set out as follows:

		Attended/Eligible to Attend				
Name		**BM**	**ACM**	**NCM**	**RCM**	**AGM**
Executive Directors						
Mr. Zou Donghai	*(Chairman)*	9/9	—	—	—	0/1
Mr. Rong Changjun	*(Vice Chairman)*	7/9	—	—	—	1/1
Mr. Zhang Xueming	(retired on 31 August 2018)	3/3	—	—	—	0/1
Mr. Zhang Wenrong	(appointed on 23 October 2018)	1/3	—	—	1/1	—
Dr. Ho Chun Kit Gregory	(resigned on 22 February 2019)	7/8	—	—	—	1/1
Dr. Zheng Jian Peng		9/9	—	—	—	—
Mr. Yuan Beisheng	(appointed on 22 November 2018)	0/2	—	—	—	—
Ms. Hui Sai Ha	(appointed on 22 November 2018)	2/2	—	—	—	—
Non-Executive Directors						
Mr. Chan Shiu Man	(resigned on 28 August 2018)	3/3	—	—	—	—
Mr. Hua Xujie	(retired on 31 August 2018)	3/3	—	—	—	0/1
Independent Non-Executive Directors						
Mr. Chan Ying Kay	(resigned on 28 August 2018)	3/3	2/2	—	1/1	—
Mr. Lau Sung Tat, Vincent		8/9	4/4	2/2	2/2	0/1
Mr. Sun Dexin	(retired on 31 August 2018)	3/3	2/2	—	—	0/1
Ms. Eugenia Yang	(resigned on 7 June 2018)	1/1	—	—	1/1	—
Mr. Tam Kim Fung	(appointed on 4 September 2018 and resigned on 22 March 2019)	3/4	2/2	—	—	—
Mr. Qin Shihui	(appointed on 22 November 2018)	0/2	1/1	—	—	—
Mr. He Wen	(appointed on 22 February 2019)	1/1	—	0/1	—	—

During the Financial Year, in compliance with Rules 5.05(1) and (2) of the GEM Listing Rules, the Company has appointed a sufficient number of independent non-executive Directors with at least one of them having appropriate professional qualifications or accounting or related financial management expertise. The Board noted that following the resignation of Ms. Eugenia Yang and Mr. Chan Ying Kay on 7 June 2018 and 28 August 2018 respectively and the retirement of Mr. Sun Dexin on 31 August 2018, the number of the independent non-executive Directors has fallen below the minimum number required under Rule 5.05A of the GEM Listing Rules. The Company has seek suitable candidates to fill the expected replacement to be appointed pursuant to Rule 5.06 of the GEM Listing Rules and Mr. Tam Kim Fung, Mr. Qin Shihui and Mr. He Wen have been appointed as independent non-executive Directors on 4 September 2018, 22 November 2018 and 22 February 2019 respectively. Following the appointments, the Company is in compliance in Rules 5.05 (1) and (2) of the GEM Listing Rules.

The Company has received an annual confirmation from each independent non-executive Director confirming his independence pursuant to rule 5.09 of the GEM Listing Rules. The Company considers all of the independent non-executive Directors to be independent. All of the Directors ensure that the Board prepares its financial and other mandatory reports in strict compliance with the relevant standards, rules and regulations, and that appropriate systems are in place to protect the interests of the Company and its Shareholders.

The term of appointment of each independent non-executive Director is three years, subject to retirement by rotation and re-election at the annual general meeting of the Company in accordance with the articles of association of the Company.

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. No independent non-executive Directors attended the annual general meeting held on 31 August 2018.

The biographical details of the Directors are set out in the section "Biographical Details of Directors and Senior Management" in the Report of the Directors. To the best knowledge of the Company, there are no financial, business, family or other material/relevant relationships between the Board members.

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

BOARD COMPOSITION AND DIVERSITY POLICY

The Company has adopted the board diversity policy. The policy sets out the approach to achieve diversity in the Board that should have a balance of skills, experience and diversity of perspectives appropriate to the requirements of the Group's business and compliance with policies. The composition and diversity policies of the Board is reviewed annually and regularly. The Board should ensure that its changes in composition will not result in any undue interference. The Board members should possess appropriate professionalism, experience and trustworthiness in performing duties and functions. The Board would diversify its members according to the Company's situations and need. While participating in nomination and recommendation of director candidates during the year, each member of the Board may consider a range of diversity perspectives, including but not limited to gender, age, cultural and educational background, or professional experience in achieving diversity for the benefit of the Company's various business development and management. The Board is to review the policy concerning diversity of Board members, and to disclose the policy or a summary of the policy in the corporate governance report, including any quantitative targets and standards and its progress with policy implementation.

During the Financial Year, the Board has reviewed the diversity of the Board and considered the Board composition and diversity policy appropriate.

CHAIRMAN AND CHIEF EXECUTIVES

The CG Code provision A.2.1 stipulates that the roles of the Chairman and CEO should be separate and should not be performed by the same individual. As at 31 March 2019, the Chairman of the Group was Mr. Zou Donghai. The CEO was Mr. Zhang Wenrong ("Mr. Zhang") who had been appointed as an executive Director and the CEO of the Company with effect from 23 October 2018. Prior to the appointment of Mr. Zhang as CEO, the executive Directors 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. After the appointment of Mr. Zhang, there was no deviation of CG Code provisions A.2.1 thereafter.

EXECUTIVE DIRECTORS

As at 31 March 2019, the executive Directors were Mr. Zou Donghai, Mr. Rong Changjun, Mr. Zhang Wenrong, Dr. Zheng Jian Peng, Mr. Yuan Beisheng and Ms. Hui Sai Ha. The executive Directors are responsible on evaluating new potential business opportunities and investment opportunities and formulating and implementing business strategies to enhance the revenue growth of the Company. The management is responsible for implementing the business strategies formulated by the executive directors. There is no material relationship between board members and in particular between the chairman and the chief executive.

INDEPENDENT NON-EXECUTIVE DIRECTORS

As at 31 March 2019, the independent non-executive Directors were Mr. Lau Sung Tat, Vincent, Mr. Qin Shihui and Mr. He Wen.

The participation of independent non-executive Directors in the Board brings a diverse range of expertise, skills and independent judgment on issues relating to the Group's strategies, performance, conflicts of interests and management process to ensure that the interests of all Shareholders have been duly considered. Each of the independent non-executive Directors has confirmed in writing his/her independence to the Company pursuant to Rule 5.09 of the GEM Listing Rules and the Board considers that all the independent non-executive Directors are independent.

SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the rules set out in Rules 5.48 to 5.67 of the GEM Listing Rules as the code of conduct for dealing in securities of the Company by the Directors (the "Required Standards of Dealings"). The Company has confirmed, having made specific enquiry of the Directors, that all the Directors have complied with the Required Standards of Dealings during the Financial Year.

COMMITTEES

As part of the corporate governance practices, the Board has established the Remuneration Committee, Nomination Committee and Audit Committee. The compositions of all the committees are set out below. The terms of reference of all committees are established in accordance with the principles set out in the CG Code.

CORPORATE GOVERNANCE REPORT

REMUNERATION COMMITTEE

The Company established a Remuneration committee on 27 April 2011 with written terms of reference. As at 31 March 2019, the Remuneration Committee comprised three independent non-executive Directors, namely Mr. Lau Sung Tat, Vincent (the chairman of the committee), Mr. Qin Shihui and Mr. He Wen.

The primary duties of the Remuneration Committee are formulating remuneration policies, determining specific remuneration packages of the executive Directors and senior management, making recommendations to the Board on the remuneration of all Directors, and to review and approve the management's remuneration with reference to the Board's Corporate goals and objectives.

During the Financial Year, the Remuneration Committee (i) reviewed the remuneration of the executive Directors and senior management of the Company; (ii) approved performance-based remuneration with reference to the corporate goals and objectives resolved by the Board and/or the senior management from time to time; and (iii) ensured that no Director or senior management or any of his/her associates was involved in deciding his/her own remuneration. Details of the emoluments for Directors, chief executive and five highest paid individuals, and senior management remuneration by band during the Financial Year are set out in note 14 to the consolidated financial statements.

Name	Attended/ eligible to attend
Mr. Lau Sung Tat, Vincent *(Chairman)*	2/2
Mr. Chan Ying Kay (resigned on 28 August 2018)	1/1
Ms. Eugenia Yang (resigned on 7 June 2018)	—
Dr. Zheng Jian Peng	1/1
Mr. Tam Kim Fung (appointed on 4 September 2018 and resigned on 22 March 2019)	—
Mr. Qin Shihui (appointed on 22 November 2018)	—
Mr. He Wen (appointed on 22 February 2019)	—

NOMINATION COMMITTEE

The Company established a Nomination Committee on 27 April 2011 with written terms of reference. As at 31 March 2019, the Nomination Committee comprised three independent non-executive Directors, namely Mr. Lau Sung Tat, Vincent, Mr. Qin Shihui (the chairman of the committee) and Mr. He Wen.

The primary duties of the Nomination Committee are reviewing the structure, size and composition of the Board, formulating relevant procedures for nomination of Directors, identifying qualified individuals to become members of the Board and making recommendations to the Board on the appointment or re-appointment of Directors.

During the Financial Year, the Nomination Committee (i) reviewed the structure, size and composition (including the skills, knowledge and experience) of the Board; (ii) assessed the independence of the independent non-executive Directors; (iii) made recommendations to the Board on the proposed re-election of the retiring Directors at the forthcoming annual general meeting; and (iv) reviewed the diversity of the Board's composition.

Name	Attended/ eligible to attend
Ms. Eugenia Yang (resigned on 7 June 2018)	—
Mr. Chan Ying Kay (resigned on 28 August 2018)	—
Mr. Lau Sung Tat, Vincent	2/2
Mr. Hua Xujie (retired on 31 August 2018)	—
Mr. Tam Kim Fung (appointed on 4 September 2018 and resigned on 22 March 2019)	—
Mr. Qin Shihui (Chairman and appointed on 22 November 2018)	—
Mr. He Wen (appointed on 22 February 2019)	0/1

AUDIT COMMITTEE

The Company established an Audit Committee on 27 April 2011 with written terms of reference in compliance with Rules 5.28 to 5.29 of the GEM Listing Rules. As at 31 March 2019, the Audit Committee comprised three independent non-executive Directors, namely Mr. Lau Sung Tat, Vincent (the chairman of the committee), Mr. Qin Shihui and Mr. He Wen.

To comply with the amendment to the risk management and internal control section of the Corporate Governance Code and Corporate Governance Report of the GEM Board Listing Rules (Appendix 15) (the "Amended CG Code") of the Stock Exchange, which comes into effect for the accounting periods beginning on or after 1 January 2016, the Terms of Audit Committee has been amended on 5 January 2016. Further details of the Terms of Reference of the Audit Committee are set out In the Company's announcement dated 5 January 2016.

The Audit Committee has reviewed the annual, interim and quarterly results of the Group for the Financial Year. The Audit Committee considered that the relevant consolidated financial statements have been prepared in compliance with the applicable accounting principles and requirements of the Stock Exchange and disclosures have been properly made.

The primary duties of the Audit Committee are to review the internal control policies annually, the financial reporting systems and procedures of the Group, to review consolidated financial statements and reports of the Group, and to review the terms of engagement and scope of audit work of the external auditors.

The Audit Committee, from time to time, will also have interviews with the Chairman and CEO and Executive Directors for the effectiveness of internal controls and any potential enhancement to the internal control policies because of changes in rules and regulations as well as new developments in existing and new businesses.

During the Financial Year, the Audit Committee (i) reviewed the audit plan, terms of engagement, independence and qualification of the external auditor and the remuneration paid to the external auditor; (ii) reviewed the financial information of the Group including the annual, interim and quarterly financial statements and related documents before submission to the Board for approval; (iii) reviewed the management letters and reports issued by the external auditor; (iv) reviewed accounting principles and practices adopted by the Group and the potential impacts of the change in accounting standards to the Group's financial statements; (v) reviewed the effectiveness of the risk management and internal control systems of the Group; and (vi) reviewed the internal audit reports prepared by the internal auditor in respect of the effectiveness of the financial, operational and compliance controls and risk management of the Group twice a year.

Name	Attended/ eligible to attend
Mr. Lau Sung Tat, Vincent *(Chairman)*	4/4
Mr. Chan Ying Kay (resigned on 28 August 2018)	2/2
Ms. Eugenia Yang (resigned on 7 June 2018)	—
Mr. Sun Dexin (appointed as a member on 7 June 2018)	2/2
Mr. Tam Kim Fung (appointed on 4 September 2018 and resigned on 22 March 2019)	2/2
Mr. Qin Shihui (appointed on 22 November 2018)	1/1
Mr. He Wen (appointed on 22 February 2019)	—

DIRECTORS' RESPONSIBILITY IN RESPECT OF THE CONSOLIDATED FINANCIAL STATEMENTS

The Directors acknowledge their responsibility for the preparation of accounts for each financial period which gives a true and fair view of the state of affairs of the Group and of the results and cash flows for that period. In preparing these accounts for the Financial Year, the Directors have selected suitable accounting policies and applied them consistently; made judgments and estimates that are prudent and reasonable. As at 31 March 2019, the Directors were not aware of any material uncertainties relating to events or conditions which may cast significant doubt upon the Company's ability to continue as a going concern, and accordingly prepared the accounts on the going concern basis. The Directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Group.

EXTERNAL AUDITORS AND THEIR REMUNERATION

For the Financial Year, the Company engaged HLM CPA Limited ("HLM CPA") as the Group's external auditor to conduct audit of the financial results of the Group for the year ended 31 March 2019 with the remuneration payable of approximately HK$1,200,000.

The statement of HLM CPA in respect of their reporting responsibilities on the consolidated financial statements for the Financial Year is set out in the Independent Auditor's Report included in the Report.

During the year under review, the remuneration paid or payable to the Company's auditor HLM CPA Limited are all related to audit services.

INTERNAL CONTROL

The Board is responsible for maintaining a sound and effective internal control system in order to safeguard the interests of the Shareholders and the assets of the Group against unauthorised use or disposition, ensuring maintenance of proper books and records for the provision of reliable financial information, and ensuring compliance with the relevant rules and regulations.

The Audit Committee reviewed the overall effectiveness of the internal control system and reported its findings and made recommendations to the Board. The Directors have conducted a review of the effectiveness of the Group's internal control system for the Financial Year. The Board would continue to assess the effectiveness of internal controls by considering the reviews performed by the Audit Committee and executive management.

RISK MANAGEMENT AND INTERNAL CONTROLS

RISK MANAGEMENT AND INTERNAL CONTROL SYSTEMS

The Company's risk management and internal control systems are designed to manage and mitigate risks, rather than eliminate risks, of failure to achieve the business objectives of the Company, and can only provide reasonable and not absolute assurance against material misstatement or loss. The Company has employed a bottom-up approach for identification, assessment and mitigation of risk at all business unit levels and across functional areas.

MAIN FEATURES OF RISK MANAGEMENT AND INTERNAL CONTROL SYSTEMS

The key elements of the Company's risk management and internal control systems include keeping track of and documentation of identified risks, the assessment and evaluation of risks, the development and continuous updating of responsive procedures, and the ongoing testing of internal control procedures to ensure their effectiveness.

An ongoing risk management approach is adopted by the Company for identifying and assessing the key inherent risks that affect the achievements of its objectives.

PROCESS USED TO IDENTIFY, EVALUATE AND MANAGE SIGNIFICANT RISKS

During the process of risk assessment, the Board captures and identifies the key inherent risks that affect the achievements of its objectives by performing the followings:

- understanding organizational objectives and business processes;
- determining the risk appetite and establishing the risk assessment criteria;
- identifying the risks associated with achieving or not achieving the objectives and assessing the likelihood and potential impact of particular risks; and
- monitoring and evaluating the risks and the arrangements in place to address them.

The Board reviews the effectiveness of the risk management and internal control systems by considering factors including but not limited to the followings:

- the changes since the last annual review in the nature and extent of significant risks, and the Group's ability to respond to changes in its business and the external environment;
- the scope and quality of managements' monitoring of risk and of the internal control system, and where applicable, the work of its internal audit function and other third party consultants;
- the extent and frequency of the communication of the results of the monitoring to the Board or the audit committee;
- the incidence of significant control failings or weakness that has been identified at any time during the period and the extent to which they have resulted in unforeseen outcomes or contingencies that have a material impact on the Group's financial performance or condition; and
- the effectiveness of the Group's processes relating to financial reporting and Listing Rules Compliance given the Group's business and scale of operations and in order to adapt the most cost-effective method of conducting periodic review of the Group's internal controls, the Board has engaged an independent consultant Elite Partners Risk Advisory Services Limited ("Elite Partners") to execute the internal control function. Elite Partners has conducted an internal control review of the effectiveness of the Group's risk management, corporate governance, financial recording and reporting procedures, investment procedures, treasury function, sales and receipts, purchase and payment, and human resources management (except for the Deconsolidated Subsidiaries) for the period from 1 April 2018 to 31 March 2019 in accordance with the requirements under Code Provision C.2 of the Corporate Governance Code, according to the scope of review agreed and approved by the Audit Committee.

Elite Partners responded to the Audit Committee and the Audit Committee was satisfied that the Company had addressed all deficiencies identified by Elite Partners. The Audit Committee reviews annually the adequacy and effectiveness of the Company's financial reporting system, internal control system and risk management system and associated procedures and has access to information necessary to fulfil its duties and responsibilities with respect to risk assessment and risk management. Accordingly, the Audit Committee and the Board considered the risk management and internal control systems to be effective and have been implemented with adequate resources during the year.

PROCEDURES AND INTERNAL CONTROLS FOR THE HANDLING AND DISSEMINATION OF INSIDE INFORMATION

The Company does not have an internal audit function and is currently of the view that there is no immediate need to set up an internal audit function within the Group in light of the size, nature and complexity of the Group's business. It was decided that the Board would be directly responsible for internal control of the Group and for reviewing its effectiveness during the Year.

The Board has already established a policy on the procedures and internal controls for the handling and dissemination of inside information. The policy stipulated the duty and responsibility of inside information announcement, restriction on sharing non-public information, handling of rumours, unintentional selective disclosure, exemption and waiver to the disclosure of inside information, and also compliance and reporting procedures. Every member of the senior management of the Company must take all reasonable measures to ensure that proper safeguards exist to prevent a breach of a disclosure requirement in relation to the Company from time to time. They must promptly bring any possible leakage or divulgence of inside information to the attention of the Financial Controller, who will notify the Board accordingly for taking the appropriate action promptly. For any material violation of this policy, the Board will decide, or designate appropriate persons to decide, the course of actions for rectifying the problem and avoiding recurrence.

COMPANY SECRETARY

Dr. Zheng Jian Peng ("Dr. Zheng") was appointed as the company secretary of the Company (the "Company Secretary") and resigned on 22 April 2020. Mr. Chan Tsang Mo ("Mr. Chan") has been appointed as the Company Secretary following the resignation of Dr. Zheng. The biographical details of Mr. Chan are disclosed in the section "Biographical Details of Directors and Senior Management" in the Report of the Directors. Both Dr. Zheng and Mr. Chan have adequate knowledge on the Company to discharge his duty as the Company Secretary. The Company Secretary is responsible for advising the Board on corporate governance matters. In compliance with Rule 5.15 of the GEM Listing Rules, for the year ended 31 March 2019, Dr. Zheng confirmed that he has taken no less than 15 hours of relevant professional training during the Financial Year.

CORPORATE GOVERNANCE REPORT

CONTINUOUS PROFESSIONAL DEVELOPMENT

The Group acknowledges the importance of adequate and ample continuing professional development for the Directors for a sound and effective internal control system and corporate governance. In this regard, the Group has always encouraged our Directors to attend relevant training courses to receive the latest news and knowledge regarding corporate governance.

During the Financial Year, the Company has encouraged all Directors to attend at least one training course on the updates of the GEM Listing Rules concerning good corporate governance practices. The Company will, if necessary, provide timely and regular trainings to the Directors to ensure that they are kept abreast with the latest requirements under the GEM Listing Rules. The Group has also adopted a policy to reimburse the Directors for any relevant training costs and expenses incurred concerning corporate governance and internal control.

CORPORATE GOVERNANCE FUNCTIONS

The Board as a whole is responsible for performing the corporate governance duties including:

(a) to develop and review the Company's policies and practices on corporate governance;

(b) to review and monitor the training and continuous professional development of Directors and senior management;

(c) to review and monitor the Company's policies and practices in compliance with legal and regulatory requirements;

(d) to develop, review and monitor the code of conduct and compliance manual (if any) applicable to employees and Directors;

(e) to communicate with various level of staff to ascertain the implementation of policies and procedures on corporate governance; and

(f) to review the Company's compliance with the code and disclosure on the Corporate Governance Report.

THE PROCEDURES BY WHICH ENQUIRES MAY BE PUT TO THE BOARD AND SUFFICIENT CONTACT DETAILS TO ENABLE THESE ENQUIRIES TO BE PROPERLY TREATED

Apart from sending email to info@chinaoilgangrans.com, shareholders may send their enquiries and concerns to the Board by addressing them to the principal place of business of the Company in Hong Kong at Flat O, 10/F., Yue Cheung Centre, 1-3 Wong Chuk Yeung Street, Fo Tan, New Territories, Hong Kong, by post or by fax to (852) 2154 1139, for the attention of the Company Secretary.

PROCEDURES FOR SHAREHOLDERS TO PUT FORWARD PROPOSALS AT SHAREHOLDERS' MEETINGS

There are no provisions allowing Shareholders to move new resolutions at the general meetings under the Company Law (Revised) of Cayman Islands. However, Shareholders are welcomed to suggest proposals relating to the operations, strategy and/or management of the group to be discussed at shareholders' meeting. Proposal shall be sent to the Board by written requisition.

COMMUNICATIONS WITH SHAREHOLDERS AND INVESTORS

The Company considers that effective communication with Shareholders is essential for enhancing investor relations and investor understanding of the Group's business performance and strategies. The Company also recognises the importance of transparency and timely disclosure of corporate information, which will enable Shareholders and investors to make the best investment decisions.

The disclosure of the Group's information in a reasonable and timely manner by the Board is to facilitate the Shareholders as well as the investors to have a better understanding in relation to the business performance, operations and strategies of the Group.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

ABOUT THIS REPORT

The Group is pleased to present this Environmental, Social and Governance ("ESG") Report (the "Report") to provide an overview of the Group's management of significant issues affecting the operation, and the policies, measures and performance of the Group in terms of environmental and social aspects.

This Report covers the principal business of the Group for the period from 1 April 2018 to 31 March 2019 (the "Reporting Period"), i.e., the business in relation to the manufacturing and sales of power cords and data cords in Hong Kong and the PRC, including the Hong Kong head office and Sun Fair Electric Wire & Cable (Shenzhen) Company Limited ("Sun Fair Shenzhen") in Shenzhen, Guangdong Province. Sun Fair Shenzhen is engaged in the sales and manufacturing 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 and general trading business. In view of the Group's inability to obtain books and records of certain subsidiaries primarily engaged in the trading of refined oil and chemicals and these subsidiaries have been deconsolidated from the Group's financial statements during the Reporting Period, the Report do not cover the corresponding business.

The determination of reporting scope is detailed in the below section headed "Stakeholder Engagement and Materiality Assessment". For corporate governance section, please refer to the Corporate Governance Report section in this annual report.

BASIS OF PREPARATION

This Report has been prepared with reference to the Environmental, Social and Governance Reporting Guide in Appendix 20 to the Listing Rules and has complied with the "comply or explain" provisions in the Listing Rules.

BOUNDARY SETTING

Setting a clear reporting boundary benefits the readers by providing a well-defined scope of quantitative information about the ESG performance of the Group. Consider the nature of the Group's business, this ESG Report covers the performance and management policies of major operations of the Group under a operational control approach which includes the Group's offices and plants in Hong Kong SAR and the PRC. In view of the Group's inability to obtain books and records of certain subsidiaries primarily engaged in the trading of refined oil and chemicals and these subsidiaries have been deconsolidated from the Group's financial statements during the Reporting Period, the Report do not cover the corresponding business.

ESG MISSION AND VISION

Climate change and other environmental and social issues have continued to become the centre of attention. Both the Hong Kong and PRC governments have launched various policies to promote corporate social responsibility and green business principle. As the Group pursues business development as well as stable and long-term return for shareholders, it undertakes corporate social responsibilities and incorporates the concept of sustainability in various operations. The Group seeks to operate in an environmentally and socially friendly manner and contributes to society with concrete actions.

The board of directors is responsible for supervising the ESG strategy, policy and measures of the Group and is vested with the power to make final decisions. Our ESG initiatives are carried out by the management team, which ensures the effectiveness of ESG risk management and related internal control system, thereby driving our sustainable development.

FEEDBACK OF THIS REPORT AND CONTACT INFORMATION

This Report shall be published both in English and Chinese, should there be any discrepancy between the English and the Chinese versions, the English version shall prevail. We highly value the opinions from the relevant stakeholders, and welcome readers to contact us through the following contact methods. Your opinions will assist us to further improve this Report and enhance the overall ESG performance of the Group.

Address: Flat O, 10/F., Yue Cheung Centre, 1-3 Wong Chuk Yeung Street, Fo Tan, New Territories, Hong Kong

Telephone: +852 2590 1288

Facsimile: +852 2691 0599

Email: info@chinaoilgangrans.com

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

APPLICATION OF REPORTING PRINCIPLES

As the reporting principles underpin the preparation of the Report, the content of the Report has been determined, organised and presented under the principles of Materiality, Quantitative, Balance and Consistency.

Materiality – The Group made an objective and systematic materiality assessment that prioritised the issues affecting the operation, and the policies, measures and performance of the Group in terms of environmental and social aspects.

Quantitative – The application of the Quantitative reporting principles was primarily reflected under the Emissions and Use of Resources sections in this Report. The principle is applied by the Group to provide comparable key performance indicators to evaluate the purpose, impact and performance of the Group.

Balance – The Report incorporated both its outstanding performance in ESG management and areas which might require improvement to avoid selections, omissions, or presentation formats that may inappropriately influence a decision or judgement by the Report readers.

Consistency – The Report incorporated consistent reporting techniques and calculation methodologies so that the Report readers can rely on the preciseness of data. Any changes to the reporting techniques and calculation methodologies will be disclosed.

STAKEHOLDER ENGAGEMENT AND MATERIALITY ASSESSMENT

Stakeholder engagement is essential to the Group – from communication with investors to everyday relationships with employees, customers and business partners – and is integral to the group's sustainability success. Stakeholders are prioritised from time to time in view of the Group's roles and duties, strategic plan and business initiatives. The Group build appropriate channels to engage with its stakeholders to develop mutually beneficial relationships, trying to identify stakeholders' expectations and concerns and to seek their views to promote sustainability in the marketplace, workplace, community and environment. These engagements help us learn about emerging sustainability topics, better inform our efforts, and help the Group to create value for our company and society.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

The Group has identified key stakeholders that are important to our business and established various channels for communications. The following table provides an overview of the Group's key stakeholders, and their preferred ways of communication.

Stakeholders	Expectations and Concerns	Communication Channels
Shareholders	- Return on investments - Corporate governance - Information disclosure and transparency - Comply with laws and regulations - Protection of interests and fair treatment of shareholders	- Financial reports - Annual general meetings - Other shareholder meetings - Announcements - Official website of the Group
Customers	- Quality of products - Protection of customers' privacy and rights - Stable relationship - Information transparency	- Official website of the Group - Financial reports - Announcements - Customer service hotline
Employees	- Employees' remuneration and Benefits - Occupational health and Safety - Safeguard the rights and interests of employees - Career development Opportunities	- Meetings and conferences - Training and seminars - Team building activities - Intranet and emails - Staff opinion survey - Performance appraisals - Notices and circulars
Suppliers	- Fair and open procurement - Long term relationship - Business ethics and integrity - Information resources sharing	- Contracts and agreements - Supplier guidelines - Audit or checks - Site visits - Face to face meetings - Telephone discussions
Community Public	- Environmental and social responsibilities - Community involvement	- Official website of the Group - Annual reports - Announcements

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Materiality of ESG issues may be said to be "in the eye of the beholder" when it comes to sustainability, responsibility, ethical, and citizenship initiatives, disclosure and reporting. Not all ESG issues are relevant to all organizations, and understanding the material sustainability issues for the Group is critical to having a successful and strategic program. Materiality is an important cornerstone of an effective corporate sustainability process -- and a key characteristic of the ESG framework. Determining the materiality of sustainability issues is a vital step in identifying risks and available opportunities to be addressed by the Group.

The Group have adopted the principle of materiality in the ESG reporting by understanding the key ESG issues that are important to the business of the Group. All the key ESG issues and key performance indicators (KPIs) are reported in this Report according to the ESG Reporting Guide in Appendix 20 to the Listing Rules.

The Group have evaluated the materiality and importance in ESG aspects through the following steps:

Step 1: Identifying relevant ESG areas – Relevant ESG areas were identified through the review of the Group's business and relevant industry benchmark.

Step 2: Materiality and Prioritization – Materiality of each ESG aspect was determined based on the importance of each ESG aspects to the Group and to the relevant stakeholders.

Step 3: Validation – Based on internal discussion and discussion with key stakeholders, the Group ensured all material ESG aspects were reported and in compliance with the ESG Reporting Guide in Appendix 20 to the Listing Rules.

As a result of the steps taken for the Reporting Period, the following ESG aspects of the Group were discussed in this Report.

ENVIRONMENTAL

The principle business of the Group did not have any significant adverse effect on the environment. In spite of this, the Group is committed to the sustainability strategy and puts in place a stringent management system to reduce energy consumption and emission in all production and operation activities with best efforts. The Group provides regulatory guidelines to staff on environmental protection, resources conservation and waste reduction, while encouraging recycling and environmentally-friendly office practices to raise employees' green awareness. The management monitors all resources consumption to promote production efficiency and energy saving.

ASPECT A1: EMISSIONS

The Group strives to comply with all environmental protection laws and regulations, including the "Environmental Protection Law of the People's Republic of China"; "Law of the People's Republic of China on the Prevention and Control of Atmospheric Pollution"; "Law of the People's Republic of China on Prevention and Control of Water Pollution"; and "Law of the People's Republic of China on the Prevention and Control of Solid Waste Pollution". During the Reporting Period, the Group has not identified any breach of environmental protection related laws and regulations.

The Group's operation did not produce significant emissions of solid wastes, sewage, hazardous wastes and noise. Air emissions, Greenhouse gas ("GHG") emissions and non-hazardous wastes produced during the Reporting Period are set out below.

AIR EMISSIONS

Air pollution have an adverse impact on environment and human health so that it is essential to control the level of emission. During the Reporting Period, the Group's main sources of air emissions are the combustion of fuels for transportation. The decrease in air pollutants emission during the Reporting Period was mainly attributable to the effort taken to use the vehicles in a more efficient way. The Group will keep monitoring the use of vehicles internally and formulate relevant guidelines.

During the Reporting Period, air emissions are as follows:

Air Emission[1]	Unit	2019	2018
Nitrogen Oxides (NO_x)	Kg	91.33	137.00
Sulphur Oxides (SO_x)	Kg	0.16	0.24
Particular Matter (PM)	Kg	8.96	13.44

Note: The calculation of air emissions is based on Hong Kong Exchanges and Clearing Limited ("HKEX")'s ESG guideline "How to Prepare an ESG Report – Appendix 2: Reporting guidance on Environmental KPIs"

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

GHG EMISSIONS

It is widely accepted that climate change is unequivocally linked to the increasing concentrations of GHG in the atmosphere. During the Reporting Period, the Group's main sources of GHG emissions are the combustion of fuels for transportation and the electricity consumed for operations. The Group endeavours to reduce the carbon footprint by implementing various energy saving and emission reduction initiatives in daily operations, including the use of vehicles that outperform the national emission standards. It also carries out proper planning of the production and delivery schedule to coordinate all processes for maximum energy and time efficiency. It is our aim to promote low-carbon travel and reduce air emissions through the effective use of resources. During the Reporting Period, the Group's Scope 1 GHG emission mainly came from consumption of gasoline for vehicles (mobile combustion source) and the Group's Scope 2 GHG emission mainly came from electricity consumption in operations. The slight increase in GHG emission during the Reporting Period was mainly attributable to the increase in business operation. The Group will keep monitoring the use of energy and formulate relevant guidelines in order to reduce GHG emission, such energy saving measures may included but not limited to proper planning of the production schedule and process improvement.

During the Reporting Period, the emission of GHG is as follows:

GHG Emission[1]	Unit	2019	2018
Scope 1	Tonnes of carbon dioxide equivalent	27.30	40.95
Scope 2	Tonnes of carbon dioxide equivalent	997.85	892.39
Total	**Tonnes of carbon dioxide equivalent**	1,025.15	933.34
GHG emission intensity	Tonnes of carbon dioxide equivalent/m^2	0.061	0.055

Note: The calculation of GHG emissions is based on HKEX's ESG guideline "How to Prepare an ESG Report – Appendix 2: Reporting guidance on Environmental KPIs"

NON-HAZARDOUS WASTES

Even though these wastes are not defined as hazardous, improper management of them poses significant risks to the environment and human health. Non-hazardous wastes produced by the Group were mainly paper (including paper, packaging paper and packaging cartons) and plastic (plastic packaging materials). The Group eliminates wastes mainly through the "reduce, reuse and recycle" approach. To reduce paper consumption, it introduces various e-platforms for paper-less operation, which reduces waste paper from administrative works. It also encourages staff to print internal documents on both sides of paper whenever possible. Recycling boxes are placed near photocopiers to collect single-sided paper for reuse as draft paper or printing of internal documents, so as to boost the rate of reuse. Moreover, the Group places waste separation bins at offices and production workshops to collect wastes, which are then processed by qualified waste recyclers in accordance with environmental regulations. During the Reporting Period, the Group produced less paper waste due to the unremitting efforts taken to reduce and reuse its paper products, both in the daily workspace and also the improvement in the design of packaging material and better packaging technic. The slight increase in plastic waste produced by the Group during the Reporting Period was mainly attributable to the increase in sales. The Group will keep monitoring the production of non-hazardous waste. The Group will continuously look for ways to further reduce paper waste and kick-off the in-depth study of ways to reduce plastic waste. Other than the paper and plastic wastes produced in the operation, the Group was also promoting Green-Office idea in the workspace aimed to reduce other minor waste. Such waste reduction measures in the office include stationery reuse and green pantry, which encourage employees to bring their own cups and lunch boxes in order to reduce the use of paper/plastic cups and lunch boxes.

During the Reporting Period, non-hazardous wastes produced are as follows:

Non-hazardous Waste	Unit	2019	2018
Paper	Tonnes	15.76	22.20
Intensity (Paper)	Tonnes/m^2	0.00093	0.0013
Plastic	Tonnes	8.33	7.80
Intensity (Plastic)	Tonnes/m^2	0.00049	0.00046

ASPECT A2: USE OF RESOURCES

The Group aims to promote resource saving and implement suitable energy and water efficiency initiatives in order to improve the resources saving performance. The Group also motivates its employees to participate in resources conservation activities and encourages them to save energy and water.

The Group strives to comply with all relevant laws and regulations in relation to the Group's use of resources, including the "Energy Conservation Law of the People's Republic of China" and "Provisions on the Management of Water Conservation in Cities". During the Reporting Period, the Group has not identified any breach of related laws and regulations.

During the Reporting Period, the Group primarily consume electricity, gasoline and diesel and water. No other significant raw materials and energy were used by the Group during the Reporting Period.

ENERGY CONSUMPTION

The Group's main sources of energy consumption include electricity used in production and office spaces and gasoline and diesel for transportation. As compared to other electrical appliances, lighting fixtures and air conditioners account for a higher portion of the Group's energy consumption. On account of that, the Group has introduced a number of energy saving initiatives targeting such usage at the plants and offices in Hong Kong and the PRC. For example, employees turn off lights when not in use, set the air conditioners at comfort level with not too low or too high temperature, and install lights with motion sensors. Employees are also required to maintain the lighting and air conditioning system in good and proper condition and turn off idle equipment to maximise efficiency and minimise energy consumption. Besides, the Group gives preference to efficient production and transport machinery in procurement. The decrease gasoline and diesel consumption during the Reporting Period was mainly attributable to the effort taken to use the vehicles in a more efficient way. The Group will keep monitoring the use of vehicles internally and formulate relevant guidelines. The slight increase in electricity consumption during the Reporting Period was mainly attributable to the increase in business operation. The Group will keep monitoring the use of energy and formulate relevant guidelines in order to reduce electricity consumption and will continue to implement the following practices:

1. Replace electrical appliances with energy-saving models;
2. Promote the use of LED lights which are more energy saving;
3. Place notices of energy saving messages in suitable areas to educate employees; and
4. Maintain and upgrade production machinery aim for energy efficiency.

During the Reporting Period, energy consumption are as follows:

Energy	Unit	2019	2018
Electricity	kWh	**1,240,185**	1,109,114
Intensity (Electricity)	kWh/m^2	**73.25**	65.51
Gasoline and diesel	Litre	**10,251**	15,412
Intensity (Gasoline and diesel)	$Litre/m^2$	**0.61**	0.91

WATER CONSUMPTION

The production and operation processes of the Group does not involve substantial water usage. Our water consumption mainly comprises drinking water and daily water use of employees, and the Group did not face any problem in sourcing water that was fit for its purpose. The Group has established the water separation system and recycling program for the production lines at plants to reduce water consumption. In terms of daily water consumption, the Group fulfils its corporate social responsibility by encouraging employees to cut water usage. It also puts water conservation signs in conspicuous places in the workplace to raise staff's awareness. Despite the increase in sales, water consumption of the Group during the Reporting Period decreased by around 7% credited to the Group's continuous water saving strategies. The Group will keep monitoring the use of water and formulate relevant guidelines in order to further reduce water consumption by implementing the following practices:

1. Apply advances technology to strengthen water recycling;

2. Educate employees on the importance of water conservation;

3. Perform proper maintenance of water taps, pipelines and tanks; and

4. Consider the installation of water economiser.

During the Reporting Period, water consumption is as follows:

Water Consumption	Unit	2019	2018
Total water consumption	m^3	**7,044**	7,567
Water consumption intensity	m^3/m^2	**0.42**	0.45

PACKAGING MATERIAL

The Group's usage of packaging material was reported in the non-hazardous wastes section "Aspects A1: Emissions".

ASPECT A3: THE ENVIRONMENT AND NATURAL RESOURCES

The Group is not aware of any significant impacts of activities on the environment and natural resources during the Reporting Period.

The Group pays close attention to any possible impact of its business operation on the environment and natural resources. Thus, it not only follows national environmental regulations and international standards, but also adopts green management practices and encourages staff participation in environmental protection. To achieve green operation, a multi-pronged approach is adopted to raise staff awareness, formulate green policies, implement environmental initiatives and optimise monitoring on an ongoing basis. The Group also regularly assesses the possible environmental impact of its business activities to identify potential environmental risks.

A limited amount of hazardous substances is used by the Group in manufacturing power cords and data cords, which include PVC, heavy metals and halogen compounds. With the view of reducing the risk, the Group adopts strict production procedures and minimises the use of such materials in the products. All of the Group's products for export are designed to meet international quality standards and they have passed the Restriction of Hazardous Substances (RoHs), REACH, Waste Electrical and Electronic Equipment (WEEE) and other environmental tests which ensure that they are in line with various standards.

SOCIAL

Social sustainability is perhaps the broadest area of the three elements in ESG and the hardest to assess due to a lack of agreed metrics to measures and so it is often-overlooked aspect of sustainability, as sustainable development discussions often focus on the environmental or economic aspects of sustainability. The Group believes that all three dimensions of sustainability must be addressed to attain the most sustainable outcome possible.

EMPLOYMENT AND LABOUR PRACTICES

ASPECT B1: EMPLOYMENT

The Group believes people are important assets and see it as the key to driving the success and maintaining the sustainable development of the Group. The Group aim to attract and retain talents and is committed to create a workspace where all employees are respected, safe and good health and have equal opportunities. As at the end of the Reporting Period, the Group has a total number of 117 full-time employees, including management, staff, technicians, salesperson and workers.

The Group strives to comply with all employment laws and regulations, including the "Employment Ordinance (Cap. 57 of the Laws of Hong Kong)"; "Mandatory Provident Fund Schemes Ordinance (Cap. 485 of the Laws of Hong Kong)"; "Employees' Compensation Ordinance (Cap. 282 of the Laws of Hong Kong)"; "Minimum Wage Ordinance (Cap. 608 of the Laws of Hong Kong)"; "Labour Law of the People's Republic of China"; "Law of the People's Republic of China on Promotion of Employment"; "Social Insurance Law of the People's Republic of China"; and "Labour Contract Law of the People's Republic of China". In order to provide appropriate protection to staff, all of our human resources policies are in compliance with national and local labour laws and regulations in relation to employment, dismissal, remuneration and benefits, working hours and leaves. During the Reporting Period, the Group has not identified any significant breach of employment related laws and regulations.

Remuneration and benefits

The Group recognises the importance of staff's contribution and cooperation in achieving business success, therefore the Group strives to develop a comprehensive staff motivation mechanism to attract and retain high-calibre talents who share our vision. For example, the Group offers basic benefits as required by laws such as the "Five Insurances and One Fund", medical insurance, annual leave, sick leave and double pay for overtime work. In addition, the Group provides other fringe benefits as well, which include performance-based bonus, free lunch, travel allowance, transport allowance, study subsidy, overseas training, marriage leave and maternity leave. Staff remuneration is determined based on the job nature, qualification, experience and performance of individual employees. The Group also conducts market studies on the remuneration level in the industry. The management of the Group adjusts employees' wages with reference to the performance appraisal and market studies every January.

Promotion and development

The Group carries out evaluations to better understand employees' performance at the end of each year. Staff members who have attained remarkable achievements and made outstanding contribution will be recognised by means of material rewards, honours and promotion opportunities. Meanwhile, for employees with average performance, the Group drives them towards improvement mainly through encouragement complemented with two-way review as appropriate. The Group offers suitable vocational training, arrangements and career path to promising employees as well, so as to equip them for more responsibilities and facilitate the growth of both the Group and the employees.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

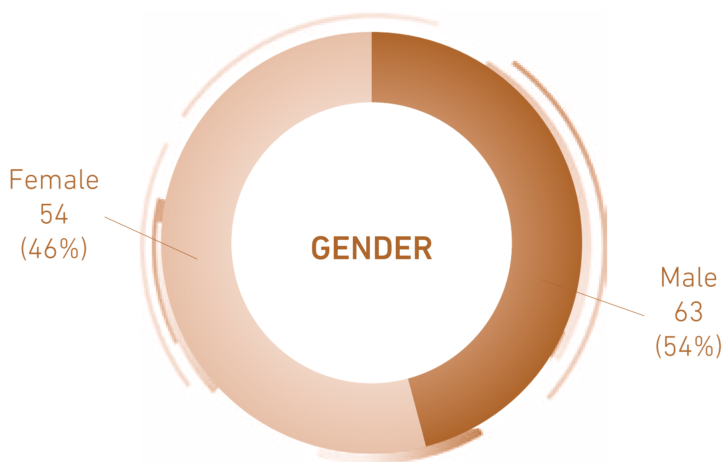
Employee care

The Group places great emphasis on staff engagement and cohesion. It adopts an open-door policy to encourage internal communication and invites employees to raise questions, concerns, recommendations and complaints regardless of their departments or position levels. Employees may give feedbacks directly to the Chairman of the board of directors through his assistant as necessary. As to complaints relating to suspected ethical and legal violations, they may report to the Chairman of the Audit Committee in writing or via mail. The Group protects the interests of the whistle-blowers by upholding the confidentiality of all communication channels.

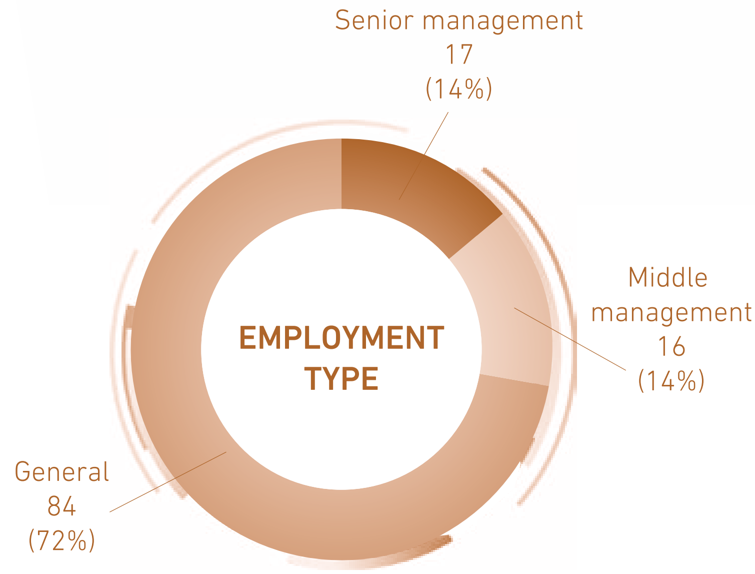
Equal opportunity

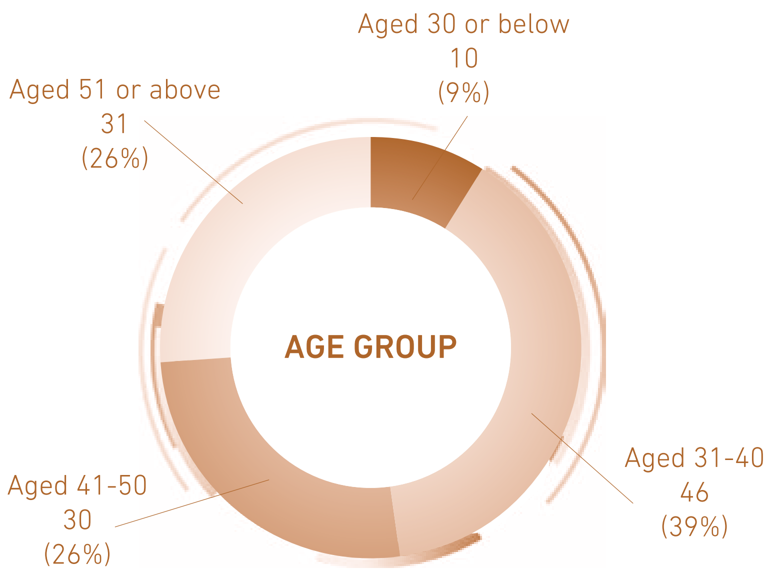
The Group offers fair and excellent employment and promotion opportunities. Staff members are not discriminated against or deprived of such opportunities on the basis of gender, nationality, marital status, religious belief, disability, pregnancy or any other grounds prohibited under applicable laws. The Group prevents all forms of discrimination at the workplace by maintaining strict compliance with applicable local anti-discrimination laws. Employees are encouraged to report discrimination cases to the human resources department for investigation and resolution. For substantiated cases, the Group will impose the appropriate penalty and hand them over to the judicial authorities as necessary.

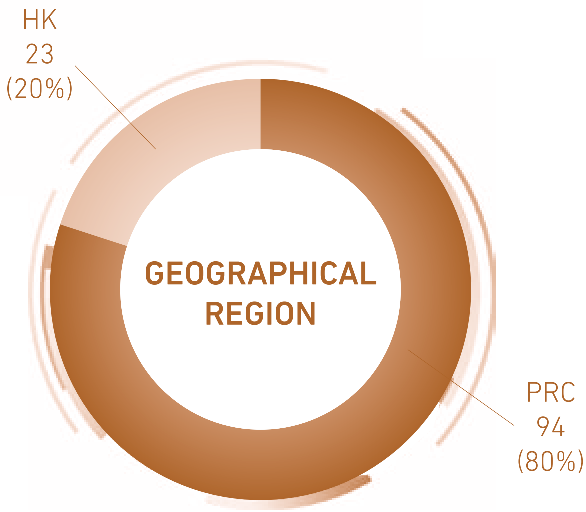
As at the end of the Reporting Period, total workforce by gender, employment type, age group and geographical region are as follows, employee turnover rate was very low and not significant to be reported:



ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT







ASPECT B2: HEALTH AND SAFETY

The Group believes helping employees to stay healthy and safe is the key to productivity. Therefore, the Group seeks to create an excellent working environment and takes into consideration occupational health and safety in workplace design and arrangement. In terms of hardware, fire safety equipment and evacuation signs are placed in conspicuous places at offices, factory workshops and refined oil retailing vessels. With the emergency protocol and the ancillary safety equipment in place, the Group is able to provide a working environment that meets the national safety standards. Furthermore, in order to ensure staff's safety, all employees are required to strictly follow the safety instructions on the proper storage of machines, equipment and raw materials for production.

In the meantime, the Group devotes its best efforts to raise staff awareness of occupational health and safety. It communicates health and safety knowledge and guidelines to employees by formulating health and safety policy and procedure, staff manual, orientation and on-the-job training, and various safety notices, posters and slogans, which remind them to stay safe when performing job duties. The Group encourages office staff to work out more and puts up occupational safety and health posters as precautions against occupational diseases. Employees with driving duties contribute to workplace safety through orientation training for drivers and enhanced inspection of vehicle safety. These occupational health and safety initiatives help to minimise risks and safeguard the interests of employees, customers and other stakeholders.

The Group strives to comply with all health and safety laws and regulations, including the "Occupational Safety and Health Ordinance (Cap. 509 of the Laws of Hong Kong)"; "Production Safety Law of the People's Republic of China"; "Law of the People's Republic of China on Prevention and Control of Occupational Diseases"; "Regulations on the Reporting, Investigation and Disposition of Work Safety Accidents of the PRC"; "Special Rules on the Labour Protection of Female Employees of the PRC"; and "Regulation on Work-Related Injury Insurance of the PRC". During the Reporting Period, the Group has not identified any breach of health and safety related laws and regulations.

During the Reporting Period, there was no work-related fatality (2018: No) and no lost days due to work injury (2018: 115 days, representing 0.41 day for each employee).

ASPECT B3: DEVELOPMENT AND TRAINING

The Group has a well-established system to provide suitable training opportunities to different departments and positions, so that staff members, regardless their roles, have access to the knowledge and skills required to keep the efficiency and productivity, which is beneficial to our long-term development.

The Group encourages all departments to participate in essential external training. For instance, the human resources department attends seminars held by large institutions, as well as programs organised by the Labour Department and other institutions, to learn about the market trend on human resources and salary, and widen the professional network for future recruitment and social events. The finance department encourages new employees to obtain professional accounting licenses and offers relevant support to facilitate the development of themselves and the Group. It also gets regular updates on financial related technology that helps reduce complicated procedures. Moreover, the Group sends staff to negotiation courses and other special courses as necessary to sharpen their skills for communicating with external parties on its behalf.

In order to foster team spirit, our employees take part in team building exercises organised by professional institutions, where staff in different positions can get to know each other and develop cohesion and mutual trust through cooperation. As a result, they can work towards the common goal more efficiently.

During the Reporting Period, the percentage of employees trained and average training hours completed per employees by gender and employee category are as follows:

Training	Percentage of employees trained (%)	Average training hours (hours/employee)
By gender		
– Male	82.54%	9
– Female	88.89%	19
By employee category		
– Senior management	70.59%	3
– Middle management	81.25%	10
– General	89.29%	17

ASPECT B4: LABOUR STANDARDS

The Group believes that children should grow up in a decent environment free from physical, psychological and mental harm caused by economic exploitation and labour. Thus, the Group is against any forms of child labour and adopts all measures and internal control procedures to prevent such practice. To combat against illegal employment on child labour and forced labour, the Group's human resources department requires job applicants to provide valid identity documents before confirmation of employment to ensure that the applicants are lawfully employable. Furthermore, the Human Resource Department of the Group is responsible for monitoring the compliance of the Group with the relevant laws and regulations that prohibit child labour and forced labour employment. Upon discovery of any child labour and use of forced labour, the person will be dismissed immediately and the management and responsible person will be disciplined accordingly.

The Group strives to comply with all labour laws and regulations, including the "Employment Ordinance (Cap. 57 of the Laws of Hong Kong)" and "Labour Law of the People's Republic of China". During the Reporting Period, the Group has not identified any significant breach of labour related laws and regulations.

OPEARING PRACTICES

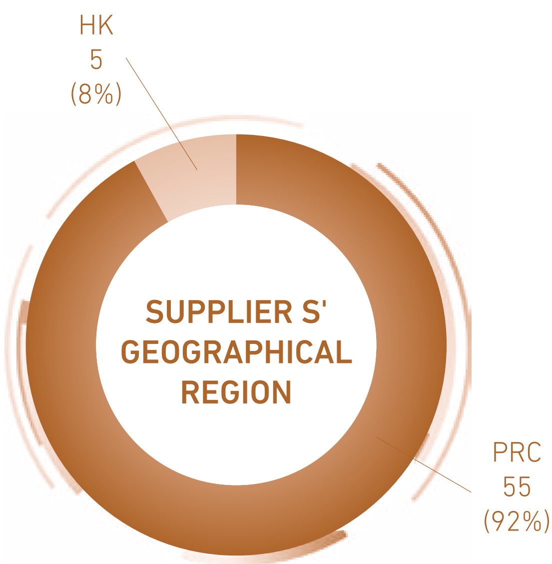
ASPECT B5: SUPPLY CHAIN MANAGEMENT

The Group believes managing ESG issues throughout the supply chain bring the following benefits both to the Group and to the investors:

1. Quicker response to emerging regulations and legal obligations;
2. Avoiding loss of contracts of ESG focused customers;
3. Enhancing business continuity;
4. Increased stakeholders' confidence;
5. Opportunity for the Group to develop and maintain long-term and trusting partnership with the suppliers.
6. Make the Group more attractive to invest; and
7. Better financial performance from increased labour and process productivity;

The Group has established a standardised procurement system that operates in an efficient, fair and open manner, thereby safeguarding the interests of itself and other stakeholders. To ensure good supply chain management, the Group conducts background check and on-site evaluation of potential suppliers against criteria such as quality of goods, track record, production capacity, reputation, staffing and business qualification. Meanwhile, the Group requires suppliers to provide business licence, identity card of the legal person, articles of association, organisational structure and photos in all workshops including packaging workshop, technical workshop and warehouse for verification before making decisions. The Group maintains a close relationship with suppliers to ensure that their business complies with local laws and regulations, such as the prohibition of child and forced labour. The Group believes that good sourcing practice is determined not just by the high product quality and timely delivery, but also the continuous reduction of the environmental footprint in the supply chain. The Group's green procurement involves assessing the suppliers' performance and contribution to environmental protection.

During the Reporting Period, number of suppliers by geographical region is as follows (exclude listed holding company suppliers where most of them were professional parties do not contributed to the production and business operation of the Group):



ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

ASPECT B6: PRODUCT RESPONSIBILITY

The Group strives to comply with all product responsibility related laws and regulations, including the "The Law of the People's Republic of China on Product Quality"; "The Metrology Law of the People's Republic of China"; "Law of the People's Republic of China on the Protection of Consumer Rights and Interests"; "Advertisement Law of the People's Republic of China"; and "Trade Descriptions Ordinance of Hong Kong". During the Reporting Period, the Group has not identified any breach of product responsibility related laws and regulations.

Quality management

To enhance product quality, the Group aims at meeting international standards and our power cord products have passed different environmental tests including the RoHS, REACH and WEEE, as well as the standards and specifications established by USB Implementation Forum, Inc. All of the Group's products are in line with international and domestic regulatory requirements and industry practices. The Group has formulated product recall policies which allow customers to contact the Group through customer services hotline. Complaints and product recall request will be properly followed up respective departments. During the Reporting Period, the Group did not receive any significant product recalls for safety and health reasons, the Group also did not receive any significant complaints regarding product flaws.

Product marketing

In full compliance with the laws and regulations, the Group's sales documents give a true description of the specifications and features of our products without containing exaggerated and misrepresented information.

Information privacy

In its daily operation, the Group processes various types of commercial information and personal data. For the purpose of protecting the information of the Group and its stakeholders, the Group has installed authorised software on all computers at the workplace. Employees are forbidden to install software without permission or handle personal matters on company computers, thereby minimising the risks of hacker attacks, Trojan horse and other computer viruses. The Group also has stringent data protection procedure for customers' information. The Group includes a confidentiality clause in all employment contracts which prohibits unauthorised disclosure or leakage of company information. Without the consent of the Group, employees are not allowed to disclose any sensitive information to any third parties or use such information for other unauthorised use. Staff members who are in breach of the policy and regulations will be subject to disciplinary actions or termination of employment.

Intellectual property rights

The Group's business operation does not involve significant intellectual property rights issues, which the Group's products do not hold any patent and trademark. The employees hold the responsibility for protecting the Group's confidential information.

ASPECT B7: ANTI-CORRUPTION

The Group has formulated the comprehensive company regulations and employee code of conduct (the "Code of Conduct") as the standards of staff conduct. With the view of maintaining efficiency and integrity, The Group requires all staff members to follow the rules of the Code of Conduct and remain responsible and professional at all times. The employees are not allowed to offer, solicit or accept any gifts of material value to or from colleagues, customers, suppliers or other business partners of the Group that raise concern over conflict of interest. All new employees are required to read and sign our policy on conflict of interest, which stipulates that staff members should avoid personal conflicts of interest when dealing with any third parties on behalf of the Group.

A whistleblowing mechanism has been set up to provide a reporting channel for staff. As a result, employees can report suspected corruption, theft, fraud and embezzlement cases to the immediate head of the department, human resources department or other management members. The management may, in accordance with the local laws, report to government authorities such as the Police or Independent Commission Against Corruption for follow up actions as necessary.

To curb money laundering, the Group prepares briefing materials based on the related laws and regulations. Employees are kept informed of the latest regulations of the anti-money laundering laws through circulation of such briefing materials and training.

The Group strives to comply with all anti-corruption related laws and regulations, including the "Anti-Corruption Law of the People's Republic of China"; "Law of the People's Republic of China on Anti-money Laundering"; "Anti-Money Laundering and Counter-Terrorist Financing Ordinance (Cap. 615 of the Laws of Hong Kong)"; and "Prevention of Bribery Ordinance (Cap. 201 of the Laws of Hong Kong)". During the Reporting Period, the Group has not identified any breach of anti-corruption related laws and regulations. During the reporting Period, there were no legal cases regarding corrupt practices brought against the Group or its employees.

COMMUNITY

ASPECT B8: COMMUNITY INVESTMENT

Social prosperity is closely related to the business of the Group. As a socially responsible enterprise, the Group places great emphasis on the development of the communities in which it operates and endeavours to build a harmonious and friendly relationship with the locals. To this end, the Group encourages employees to take part in a wide range of charity events. For example, the Group organises safety and earthquake education in earthquake zones, hold blood donation events and charity marathon for people in need. The Group supports employees to give back to society in different ways and actively undertakes its corporate social responsibility.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

REPORTING INDEX

ESG Indicators	Description	Page
A. Environmental		
A1: Emissions		
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KPI A1.1	The types of emissions and respective emission data.	51
KPI A1.2	Greenhouse gas emissions in total (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	52
KPI A1.3	Total hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	51
KPI A1.4	Total non-hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	53
KPI A1.5	Description of measures to mitigate emissions and results achieved.	51-52
KPI A1.6	Description of how hazardous and non-hazardous wastes are handled, reduction initiatives and results achieved.	53

ESG Indicators	Description	Page
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KPI A2.1	Direct and/or indirect energy consumption by type (e.g. electricity, gas or oil) in total (kWh in '000s) and intensity (e.g. per unit of production volume, per facility).	55
KPI A2.2	Water consumption in total and intensity (e.g. per unit of production volume, per facility).	56
KPI A2.3	Description of energy use efficiency initiatives and results achieved.	54
KPI A2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency initiatives and results achieved.	55
KPI A2.5	Total packaging material used for finished products (in tonnes) and, if applicable, with reference to per unit produced.	53
A3: The Environment and Natural Resources		
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ESG Indicators	Description	Page
B. Social		
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General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare.	57-58
KPI B1.1	Total workforce by gender, employment type, age group and geographical region.	58-60
KPI B1.2	Employee turnover rate by gender, age group and geographical region.	58
B2: Health and Safety		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to providing a safe working environment and protecting employees from occupational hazards.	60-61
KPI B2.1	Number and rate of work-related fatalities.	61
KPI B2.2	Lost days due to work injury.	61
KPI B2.3	Description of occupational health and safety measures adopted, how they are implemented and monitored.	60

ESG Indicators	Description	Page
B3: Development and Training		
General Disclosure	Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities.	61
KPI B3.1	The percentage of employees trained by gender and employee category (e.g. senior management, middle management).	61
KPI B3.2	The average training hours completed per employee by gender and employee category.	61
B4: Labour Standards		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to preventing child and forced labour.	62
KPI B4.1	Description of measures to review employment practices to avoid child and forced labour.	62
KPI B4.2	Description of steps taken to eliminate such practices when discovered.	62
Operating Practices		
B5: Supply Chain Management		
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KPI B5.1	Number of suppliers by geographical region.	63
KPI B5.2	Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, how they are implemented and monitored.	62-63

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

ESG Indicators	Description	Page
B6: Product Responsibility		
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KPI B6.4	Description of quality assurance process and recall procedures.	64
KPI B6.5	Description of consumer data protection and privacy policies, how they are implemented and monitored.	64
B7: Anti-corruption		
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KPI B7.1	Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the reporting period and the outcomes of the cases.	65
KPI B7.2	Description of preventive measures and whistle-blowing procedures, how they are implemented and monitored.	65

ESG Indicators	Description	Page
Community		
B8: Community Investment		
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KPI B8.1	Focus areas of contribution (e.g. education, environmental concerns, labour needs, health, culture, sport).	65
KPI B8.2	Resources contributed (e.g. money or time) to the focus area.	65

INDEPENDENT AUDITOR'S REPORT

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Certified Public Accountants

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TO THE MEMBERS OF CHINA OIL GANGRAN ENERGY GROUP HOLDINGS LIMITED
(Incorporated in the Cayman Islands with limited liability)

DISCLAIMER OF OPINION

We were engaged to audit the consolidated financial statements of China Oil Gangran Energy Group Holdings Limited (the "Company") and its subsidiaries (the "Group") set out on pages 79 to 175, which comprise the consolidated statement of financial position as at 31 March 2019, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

We do not express an opinion on the consolidated financial statements of the Group for the year ended 31 March 2019. Because of the significance of the matters described in the Basis for Disclaimer of Opinion section of our report, we have not been able to obtain sufficient and appropriate audit evidence to provide a basis for an audit opinion on these consolidated financial statements. In all other respects, in our opinion, the consolidated financial statements have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR DISCLAIMER OF OPINION

1. DECONSOLIDATION OF SUBSIDIARIES

As described in note 2 to the consolidated financial statements, on 2 April 2020, 14 May 2020, 21 May 2020 and 30 June 2020, the Company announced that, the Company became aware in recent months that the Group was unable to obtain the books and records and relevant supporting documents such as bank statements and vouchers (the "Books and Records") from certain subsidiaries located in the People's Republic of China ("PRC"), including 江西中油港燃能源科技有限責任公司 (transliterated as "Jiangxi China Oil Gangran Energy Technology Company Limited") ("Jiangxi China Oil"), 舟山中油港燃石油化工有限公司 (transliterated as "Zhoushan China Oil Gangran Petroleum and Chemical Company Limited") ("Zhoushan China Oil"), 江西港燃貿易有限公司 (transliterated as "Jiangxi Gangran Trading Company Limited") ("Gangran Trading") and 吉林中油港燃能源開發有限公司 (transliterated as "Jilin China Oil Gangran Energy Development Company Limited") ("Jilin China Oil") (collectively the "Deconsolidated Subsidiaries"). Zhoushan China Oil is a wholly-owned subsidiary of Jiangxi China Oil and all books, records and operations of Zhoushan China Oil were at all material time maintained and controlled by Jiangxi China Oil, Gangran Trading and Jilin China Oil are indirect wholly-owned subsidiaries of the Company. All the Deconsolidated Subsidiaries were controlled and operated by the same senior management personnel in Jiangxi China Oil.

1. DECONSOLIDATION OF SUBSIDIARIES *(Continued)*

The Company had formally requested the Deconsolidated Subsidiaries to provide necessary assistance in relation to the preparation and the audit of the Group's management accounts. Despite repeated requests from the Company, the Deconsolidated Subsidiaries did not respond to the Company's requests and provide the Books and Records to the Company.

In light of the above, the Company has engaged legal advisers (the "PRC Legal Advisers") in the PRC to investigate and prepare a due diligence report (the "Due Diligence Report") on Jiangxi China Oil. Based on the findings in the Due Diligence Report, it was noted, among others, that there were no signs of business activity of Jiangxi China Oil at its registered business address. Notwithstanding that the following actions being taken, including field trips, telephone enquiries and searches on the internet, the PRC Legal Advisers opined that they were unclear whether Jiangxi China Oil had relocated its office and/or whether the business of Jiangxi China Oil was still in operation. Based on the findings in the Due Diligence Report and after careful consideration, the Board was of the view that the Company no longer has: (a) power over the Deconsolidated Subsidiaries; (b) exposure, or rights, to variable returns from its involvement with the Deconsolidated Subsidiaries; or (c) the ability to use its power over the Deconsolidated Subsidiaries to affect the amount of the Company's returns.

Due to the situation described above, the directors of the Company (the "Directors") considered that the Group was unable to exercise its rights as the shareholder either to control the assets and operations of the Deconsolidated Subsidiaries or to exercise the decision-making rights over the Deconsolidated Subsidiaries. As such, the Directors further considered that it is inappropriate to consolidate the financial results of the Deconsolidated Subsidiaries into the Group. The Directors have resolved to deconslidate the Deconsolidated Subsidiaries with effect from 1 January 2019, the date when the Directors considered that it had effectively lost control of the Deconsolidated Subsidiaries. In addition, the Directors were of the view that the recoverability of the amounts due from the Deconsolidated Subsidiaries were remote and do not expect to be able to recover the outstanding balances in the foreseeable future. The resulting loss arising from the deconsolidation of the Deconsolidated Subsidiaries of approximately HK$140,647,000 and impairment loss on amounts due from the Deconsolidated Subsidiaries of approximately HK$43,745,000 have been recognised in the consolidated statement of profit or loss and other comprehensive income for the year ended 31 March 2019.

Under Hong Kong Financial Reporting Standard 10 "Consolidated Financial Statements", the carrying amounts of the assets and liabilities of the Deconsolidated Subsidiaries should be derecognised from the consolidated financial statements of the Group at the date when control over the Deconsolidated Subsidiaries was lost. Since we were unable to gain access to the Books and Records and management personnel of the Deconsolidated Subsidiaries, we were unable to obtain sufficient appropriate audit evidence to assess the appropriateness of the accounting treatment and amounts adopted by the Group of not treating the Deconsolidated Subsidiaries as subsidiaries of the Group on 1 January 2019. We were also unable to obtain sufficient appropriate audit evidence and explanation to satisfy ourselves as to the date when the Group lost control over the Deconsolidated Subsidiaries. There were no alternative audit procedures that we could perform to satisfy ourselves as to whether the resulting loss arising from the deconsolidation of the Deconsolidated Subsidiaries of approximately HK$140,647,000 recorded in the consolidated statement of profit or loss are free from material misstatement. Any adjustment that would be required may have a consequential significant effect on the net liabilities of the Group and loss and cash flows of the Group for the year ended 31 March 2019, and the related disclosures thereof in the consolidated financial statements.

INDEPENDENT AUDITOR'S REPORT

1. DECONSOLIDATION OF SUBSIDIARIES *(Continued)*

During the audit, due to the absence of complete accounting books and records of the Deconsolidated Subsidiaries being provided to us, we were unable to obtain sufficient appropriate audit evidence to satisfy ourselves about the occurrence, completeness, accuracy, cut-off, classification and presentation and related disclosure of the results and any related party transactions of the Deconsolidated Subsidiaries for the period from 1 April 2018 to 31 December 2018 which had been included in the consolidated statement of profit or loss and other comprehensive income and which have been summarised and disclosed in note 38 to the consolidated financial statements.

Any adjustments found to be necessary in respect of the abovementioned matters might have significant consequential significant effects on the net liabilities of the Group as at 31 March 2019 and the loss and cash flows of the Group for the year ended 31 March 2019 and the related disclosure thereof in the consolidated financial statements.

In addition, due to circumstances described above, we have not been able to obtain sufficient appropriate audit evidence and explanations as to whether the contingent liabilities and commitments committed by the Group were properly recorded and accounted for and in compliance with the requirements of applicable HKFRSs, including Hong Kong Accounting Standard 37 "Provisions, Contingent Liabilities and Contingent Assets". There were no alternative audit procedures that we could perform to satisfy ourselves as to whether the contingent liabilities and commitments were free from material misstatements. Any adjustment that would be required may have a consequential significant effect on the net liabilities of the Group as at 31 March 2019 and loss and cash flows of the Group for the year ended 31 March 2019, and the related disclosures thereof in the consolidated financial statements.

2. MULTIPLE UNCERTAINTIES RELATING TO GOING CONCERN

As described in notes 28, 29 and 30 to the consolidated financial statements respectively, as at 31 March 2019, the Company had outstanding promissory notes payable, borrowings and convertible notes with aggregate principal amounts of approximately HK$69,211,000, HK$45,835,000 and HK$11,211,000, respectively. As at 31 March 2019 and up to the date of this report, all outstanding principal amounts had not been settled.

On 26 April 2019, the Company received a petition ("HK Petition") from Glory Sum Securities Limited, formerly known as China Goldjoy Securities Limited ("HK Petitioner") filed in the High Count of Hong Kong ("HK High Court") that the Company may be wound up by the High Court on the ground that the Company is insolvent and unable to pay its debts. The HK Petition was filed against the Company for failure to settle an indebted sum of HK$23,654,900.30, plus further daily interest of HK$20,726.03, being the alleged outstanding amount owed by the Company to the HK Petitioner.

On 22 October 2019, the Company filed a winding up petition with Grand Court of the Cayman Islands (the "Cayman Court") under section 93 of the Cayman Companies Law ("Cayman Petition"). On 5 November 2019, the Cayman Court ordered that 3 persons be appointed as the Joint Provisional Liquidators ("JPLs") of the Company with the power to act jointly and severally. The JPLs were authorised to develop and propose a restructuring of the Company's indebtedness in a manner designed to allow the Company to continue as a going concern, with a view to making a compromise or arrangement with the Company's creditors, including (without limitation) a compromise or arrangement by way of a scheme of arrangement pursuant to section 86 of the Cayman Companies law.

2. MULTIPLE UNCERTAINTIES RELATING TO GOING CONCERN *(Continued)*

On 6 December 2019, the Company announces that it had received the sealed Court Order dated 4 December 2019 of the Cayman Court in which it was ordered that the Cayman Court would issue the Letter of Request to the HK High Court for its assistance in the provisional liquidation of the Company. In particular, the Cayman Court had requested the HK High Court to make, among others, the following orders, including (i) the appointment of the JPLs for restructuring purposes be recognised by the HK High Court; (ii) the JPLs have and may exercise such powers as are available to them under the Court Order dated 5 November 2019 made by the Cayman Court to the fullest extent permitted by the laws of Hong Kong (details disclosed in the Company's announcement dated 6 December 2019); and (iii) the HK Petition shall be adjourned in order to allow time for the Company to restructure its indebtedness.

On 30 January 2020, the Company received the Notice of Hearing (the "Notice of Hearing") dated 29 January 2020 in relation to the Cayman Petition, which will be held on 31 July 2020.

On 22 May 2020, the Company announces that the Board had received the sealed Court Order from the HK High Court in which it was ordered that, among others, including (i) the JPLs be recognised by the HK High Court; (ii) to develop and propose a restructuring of the Company's indebtedness in a manner designed to allow the Company to continue as a going concern, with a view to making a compromise or arrangement with the Company's creditors, including (without limitation) a compromise or arrangement by way of a scheme of arrangement and (iii) to monitor, oversee and supervise the Board in its management of the Company with a view to developing and proposing any compromise or arrangement with the Company's creditors, and any corporate and/or capital reorganisation of the Company and its subsidiaries (including but not limited to any share subscription and placement of shares in the Company and its subsidiaries). (details disclosed in the Company's announcement dated 22 May 2020). The HK Petition will be adjourned to 24 August 2020.

Up to the date of this report, the Directors and JPLs are in the process of developing and proposing a restructuring of the Company's indebtedness (including seeking investors and financiers for the purpose of investing in and/or provide finance to the Company) in a manner designed to allow the Company to continue as a going concern.

In addition, we draw attention to note 2 to the consolidated financial statements, which indicates that the Group recorded a net loss attributable to owners of the Company of approximately HK$235,286,000 for the year ended 31 March 2019 and as of that date, the Group had net current liabilities and net liabilities of approximately HK$802,000 and approximately HK$73,902,000 respectively.

These conditions indicate the existence of material uncertainties that may cast significant doubt on the Group's ability to continue as a going concern.

Should the Group be unable to continue to operate as a going concern, adjustments would have to be made to write down the value of assets to their recoverable amounts, to provide for further liabilities which might arise and to reclassify non-current assets and non-current liabilities as current assets and current liabilities respectively. The effect of these adjustments has not been reflected in the consolidated financial statements.

INDEPENDENT AUDITOR'S REPORT

3. LIMITATION OF SCOPE CONCERNING TRADE DEPOSITS

As described in note 22 to the consolidated financial statements, on 3 July 2018, a wholly-owned subsidiary of the Company ("Subsidiary A") entered into oil supply contracts with two suppliers located in Hong Kong ("Trade Suppliers") for the purchase of oil products ("Oil Supply Contracts") in total of HK$22,500,000.

On 12 July 2018, the Group paid trade deposits amounting to HK$17,000,000 and HK$5,500,000 ("Oil Trade Deposits") respectively to the Trade Suppliers in accordance with the Oil Supply Contracts. As represented by the management of the Company, the above deposits were used for purchase of oil products to be sold in the ordinary course of business of the Group. On 30 June 2020, Subsidiary A further entered into Deeds of assignment ("Deeds") with the Trade Suppliers and Baineng Holdings Limited ("Baineng"), a potential investor which had entered into a non-legally binding memorandum of understanding with the Company for possible subscription of new shares and bonds of the Company (details disclosed in the Company's announcement dated 23 December 2019 and 6 March 2020 respectively). Under the Deeds, Baineng would take over the Oil Trade Deposits with Trade Suppliers and return the amount of HK$22,500,000 to the Group, subject to the Company being successful in resumption of trading in the future. Up to the date of this report, these trade deposits have not yet been settled.

During the course of the audit, we did not obtain any documentary evidence to substantiate the Group's internal assessment of the background and capability of the Trade Suppliers and evaluation of the terms of the Oil Supply Contract. We have not obtained direct confirmation reply from the Trade Suppliers to confirm the Oil Trade Deposits made to it during the year ended 31 March 2019 and the related trade deposits balances as at 31 March 2019. We were also not provided with (i) sufficient evidence and explanations regarding these transactions which could satisfy ourselves for the purpose of our audit; (ii) the background and financial capability of Baineng to take over and return the Oil Trade Deposits and (iii) sufficient appropriate audit evidence to satisfy ourselves as to the recoverability of the Oil Trade Deposits.

We were also unable to interview with the Trade Suppliers to ascertain the amounts and nature of the Oil Trade Deposits made to the Trade Suppliers.

Accordingly, we are unable to determine whether the Oil Trade Deposits included in the Group's trade and other receivables were free from material misstatement as at 31 March 2019 and if any provision for impairment loss is necessary for the year ended 31 March 2019. Any adjustment that might have been found to be necessary in respect of the above would have a consequential significant effect on the net liabilities of the Group as at 31 March 2019 and the loss and cash flows of the Group for the year ended 31 March 2019, and related disclosures thereof in the consolidated financial statements.

4. LIMITATION OF SCOPE CONCERNING PREPAYMENTS TO A SERVICE PROVIDER

As described in note 22 to the consolidated financial statements, on 24 October 2018, the Company entered into a patent service agreement ("Patent Agreement") with a service provider ("Company A") in a contract sum of HK$15,000,000 pursuant to which Company A would process the research and development of patents in PRC for the Group's business development. From October to November 2018, the Company made certain prepayments amounting to, in aggregate, HK$12,770,000 to Company A in accordance with the Patent Agreement. Up to the date of this report, as represented by the management of the Company, the Company was in the negotiation with the Company A for transfer of the patent or otherwise request for refund.

During the audit, we have not obtained direct confirmation reply from Company A to confirm the above prepayments made to it during the year ended 31 March 2019 as well as the outstanding prepayment balance as at the 31 March 2019. We were also unable to interview with Company A to ascertain the amounts and nature of the prepayments made to Company A.

Because of the above limitations of scope, we were unable to obtain sufficient appropriate audit evidence or satisfactory management explanation to ascertain the background of Company A as well as nature of abovementioned prepayments made by the Company during the year ended 31 March 2019 and the related prepayment balance as at 31 March 2019 and the recoverability of the prepayment balance. There are no alternative audit procedures that we could perform to satisfy ourselves as to the carrying amount of these prepayments or to determine whether any provision for impairment loss is necessary. Any adjustments that might have been found to be necessary in respect of the above prepayments would have a consequential effect on the net liabilities of the Group as at 31 March 2019 and its loss and cash flows for the year then ended and the related disclosures in the consolidated financial statements.

5. OPENING BALANCES AND CORRESPONDING FIGURES

Our audit opinion on the consolidated financial statements of the Group for the year ended 31 March 2018, which forms the basis for the corresponding figures presented in the current year's consolidated financial statements, was disclaimed because of the significance of the possible effect of the limitations on the scope of our audit, details of which are set out in our auditor's report dated 29 June 2018.

During the course of the audit, due to the limitations described in Point (1) above, we were not provided with the complete accounting books and records of the Deconsolidated Subsidiaries for the purpose of our audit.

Therefore, we were unable to obtain sufficient appropriate audit evidence to enable us to assess the possible effects of the disclaimed matters relating to Deconsolidated Subsidiaries, including (i) prepayments to suppliers in connection with purchases of inventories; (ii) deposits for renovation of vessels and transportation services and (iii) deposit paid for procurement of inventory for the year ended 31 March 2018. Any adjustments to the opening balances as at 1 April 2018 found to be necessary may affect the balance of accumulated losses as at 1 April 2018 and the results and related disclosures in the notes to the consolidated financial statements of the Group for the year ended 31 March 2019. The comparative figures shown in the consolidated financial statements may not be comparable with the figures for the current year.

RESPONSIBILITIES OF THE DIRECTORS AND THOSE CHARGED WITH GOVERNANCE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our responsibility is to conduct an audit of the Group's consolidated financial statements in accordance with Hong Kong Standards on Auditing issued by the HKICPA and to issue an auditor's report. However, because of the matter described in the Basis for Disclaimer of Opinion section of our report, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these consolidated financial statements.

We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants ("the Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code.

HLM CPA Limited
Certified Public Accountants

Wong Kam Hing
Practising Certificate Number: P05697
Hong Kong, 2 July 2020

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 March 2019

	Notes	2019 HK$'000	2018 HK$'000
Revenue	*8*	102,338	395,281
Cost of sales		(86,577)	(367,704)
Gross profit		15,761	27,577
Other income and gain or (loss), net	*9*	(35,713)	3,976
Selling expenses		(6,097)	(14,821)
Administrative expenses		(54,379)	(97,288)
Loss from operations		(80,428)	(80,556)
Gain on disposal of subsidiaries	*37*	—	628
Net loss arising on deconsolidation of subsidiaries	*38*	(140,647)	—
Finance costs	*11*	(16,290)	(13,652)
Loss before tax		(237,365)	(93,580)
Income tax (expense) credit	*12*	(790)	3,015
Loss for the year	*13*	(238,155)	(90,565)
Other comprehensive (expense) income			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of foreign operations		2,521	14,227
Release of exchange reserve on deconsolidation of subsidiaries		(4,688)	—
Reclassification adjustment upon impairment of available-for-sale financial assets		—	598
Other comprehensive (expense) income for the year, net of tax		(2,167)	14,825
Total comprehensive expense for the year		(240,322)	(75,740)

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 March 2019

	Notes	2019 HK$'000	2018 HK$'000
Loss for the year attributable to:			
Owners of the Company		**(235,286)**	(88,168)
Non-controlling interests		**(2,869)**	(2,397)
		(238,155)	(90,565)
Total comprehensive (expense) income for the year attributable to:			
Owners of the Company		**(240,403)**	(75,376)
Non-controlling interests		**81**	(364)
		(240,322)	(75,740)
		HK cents	HK cents (Restated)
Loss per share	*15*		
- Basic		**(68.46)**	(29.32)
- Diluted		**(68.46)**	(29.32)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 March 2019

	Notes	**2019** **HK$'000**	2018 HK$'000
Non-current assets			
Property, plant and equipment	*17*	**16,782**	21,524
Financial assets at FVTPL	*18*	**—**	—
Available-for-sale financial assets	*18*	**—**	—
Goodwill	*19*	**—**	—
Intangible assets	*20*	**—**	—
		16,782	21,524
Current assets			
Inventories	*21*	**5,290**	23,880
Trade and other receivables	*22*	**77,520**	243,548
Loan receivables	*23*	**—**	—
Amount due from a director	*24*	**—**	2,370
Amounts due from related companies	*34*	**—**	9,893
Contingent consideration receivables	*25*	**—**	—
Bank balances and cash	*26*	**13,752**	46,695
		96,562	326,386
Current liabilities			
Trade and other payables	*27*	**53,278**	92,520
Promissory notes payable	*28*	**1,513**	26,842
Borrowings	*29*	**35,835**	35,400
Tax payables		**6,738**	5,973
		97,364	160,735
Net current (liabilities) assets		**(802)**	165,651
Total assets less current liabilities		**15,980**	187,175

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 March 2019

	Notes	2019 HK$'000	2018 HK$'000
Non-current liabilities			
Promissory notes payable	28	67,698	54,802
Borrowings	29	10,000	29,743
Convertible notes	30	11,211	—
Deferred tax liabilities	31	973	973
		89,882	85,518
NET (LIABILITIES) ASSETS		(73,902)	101,657
Capital and reserves			
Share capital	32	1,520	1,228
Reserves		(75,332)	111,465
Equity attributable to owners of the Company		(73,812)	112,693
Non-controlling interests		(90)	(11,036)
TOTAL (DEFICIT) EQUITY		(73,902)	101,657

The consolidated financial statements on pages 79 to 175 were approved and authorised for issue by the Board of Directors on 2 July 2020 and are signed on its behalf by:

Yeung Shing Wai
Executive Director

Chen Tian Gang
Executive Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March 2019

	Attributable to owner of the Company										
	Share capital HK$'000	Share premium HK$'000	Statutory reserve HK$'000	Convertible notes equity reserve HK$'000	Available-for-sale investment revaluation reserve HK$'000	Foreign currency translation reserve HK$'000	Share-based payment reserve HK$'000	Accumulated losses HK$'000	Sub-total HK$'000	Non-controlling interests HK$'000	Total 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
Loss for the year	–	–	–	–	–	–	–	(88,168)	(88,168)	(2,397)	(90,565)
Exchange differences on translating foreign operations	–	–	–	–	–	12,194	–	–	12,194	2,033	14,227
Reclassification adjustment upon impairment of available-for-sale financial assets	–	–	–	–	598	–	–	–	598	–	598
Total comprehensive income (expense) for the year	–	–	–	–	598	12,194	–	(88,168)	(75,376)	(364)	(75,740)
Placement of shares	140	70,560	–	–	–	–	–	–	70,700	–	70,700
Recognition of share options	–	–	–	–	–	–	16,044	–	16,044	–	16,044
Exercise of share options	31	29,446	–	–	–	–	(9,519)	–	19,958	–	19,958
Share options lapsed	–	–	–	–	–	–	(2,201)	2,201	–	–	–
Transfers	–	–	165	–	–	–	–	(165)	–	–	–
At 31 March 2018 and 1 April 2018	1,228	657,343	3,909	–	–	3,749	45,754	(599,290)	112,693	(11,036)	101,657
Loss for the year	–	–	–	–	–	–	–	(235,286)	(235,286)	(2,869)	(238,155)
Release of exchange reserve on deconsolidation of subsidiaries (note 38)	–	–	–	–	–	(4,688)	–	–	(4,688)	–	(4,688)
Exchange differences on translation of foreign operations	–	–	–	–	–	(429)	–	–	(429)	2,950	2,521
Total comprehensive (expense) income for the year	–	–	–	–	–	(5,117)	–	(235,286)	(240,403)	81	(240,322)
Deconsolidation of subsidiaries (note 38)	–	–	(74)	–	–	–	–	–	(74)	10,865	10,791
Placement of shares	292	47,944	–	–	–	–	–	–	48,236	–	48,236
Share issue expenses	–	(1,519)	–	–	–	–	–	–	(1,519)	–	(1,519)
Recognition of share options	–	–	–	–	–	–	5,040	–	5,040	–	5,040
Recognition of equity component of convertible notes	–	–	–	2,215	–	–	–	–	2,215	–	2,215
Transfers	–	–	83	–	–	–	–	(83)	–	–	–
At 31 March 2019	**1,520**	**703,768**	**3,918**	**2,215**	**–**	**(1,368)**	**50,794**	**(834,659)**	**(73,812)**	**(90)**	**(73,902)**

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 March 2019

	Notes	2019 HK$'000	2018 HK$'000
Operating activities			
Loss before tax		(237,365)	(93,580)
Adjustments for:			
Depreciation of property, plant and equipment		3,462	4,072
Amortisation of intangible assets		—	14,519
Gain on disposal of property, plant and equipment		—	(6)
Gain on disposal of subsidiaries		—	(628)
Net loss arising on deconsolidation of subsidiaries	38	140,647	—
Reversal of provision of doubtful debts on trade receivables		(7,327)	(6,639)
Reversal of provision for deposit for acquisition of a subsidiary		—	(22,900)
Allowance for obsolete stock		6,974	7,713
Impairment loss on goodwill		—	21,372
Impairment of available-for-sale financial assets		—	3,875
Allowance for credit losses/provision for doubtful debts on trade receivable		5,948	9,154
Impairment loss on amounts due from deconsolidated subsidiaries	9	43,745	—
Loss on early redemption of bond		1,006	—
Share-based payments		5,040	16,044
Finance costs		16,290	13,652
Interest income		(207)	(347)
Operating cash flows before movements in working capital		(21,787)	(33,699)
Increase in inventories		(14,482)	(1,145)
Decrease (increase) in trade and other receivables		48,780	(102,075)
Decrease in amount due from a director		2,370	10,200
Increase in amounts due from related companies		(33,387)	(9,893)
Increase in amounts due from deconsolidated subsidiaries		(696)	—
Increase (decrease) in trade and other payables		11,511	(14,961)
Decrease in amount due to a related company		—	(3,387)
Decrease in amount due to a director		—	(3,200)
Cash used in operations		(7,691)	(158,160)
Income tax paid		(25)	(613)
Net cash used in operating activities		(7,716)	(158,773)

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 March 2019

	Notes	2019 HK$'000	2018 HK$'000
Investing activities			
Purchase of property, plant and equipment		(955)	(3,516)
Proceeds from disposal of property, plant and equipment		—	10
Deposit refunded for acquisition of a subsidiary		—	22,900
Net cash outflow on deconsolidation of subsidiaries	38	(31,579)	—
Interest received		207	347
Net cash (used in) from investing activities		(32,327)	19,741
Financing activities			
Interest paid		(11,900)	(11,584)
Proceeds from secured bank loan		11,720	35,400
Repayment of secured bank loan		(35,160)	—
Proceeds from issue of unsecured interest-bearing bond		10,000	28,200
Repayments of other loan		(5,837)	—
Proceeds from issue of convertible notes		13,000	—
Net proceeds from issue of shares		46,717	70,700
Net cash inflow from exercise of share options		—	19,958
Proceeds from issue of promissory notes		10,420	5,000
Repayment of promissory notes payable		(26,000)	(20,200)
Repayment of obligations under a finance lease		—	(1,204)
Net cash from financing activities		12,960	126,270
Net decrease in cash and cash equivalents		(27,083)	(12,762)
Effect of foreign exchange rate changes		(5,860)	14,328
Cash and cash equivalents at beginning of the year		46,695	45,129
Cash and cash equivalents at end of the year		13,752	46,695
Analysis of cash and cash equivalents			
Bank balances and cash		13,752	46,695

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2019

1. GENERAL INFORMATION

The Company was incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law of the Cayman Islands. The address of its registered office is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands. The address of its principal place of business is Flat O, 10/F., Yue Cheung Centre, 1-3 Wong Chuk Yeung Street, Fo Tan, New Territories, Hong Kong. The Company's shares are listed on the GEM of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

The consolidated financial statements are presented in Hong Kong dollars ("HK$"), which is same as the functional currency of the Company.

The Company is an investment holding company. Details of the principal activities of its subsidiaries are set out in note 40 to the consolidated financial statements. The trading of refined oil and chemicals operation was deconsolidated from the Group with effect from 1 January 2019.

SUSPENSION OF TRADING IN SHARES OF THE COMPANY

The trading in shares of the Company had been suspended with effect from 2 July 2019 and pending the fulfilment of the conditions set out in the resumption guideline and additional resumption guideline.

2. BASIS OF PREPARATION FOR THE CONSOLIDATED FINANCIAL STATEMENTS

GOING CONCERN

The directors of the Company have given careful consideration to the going concern status of the Group in light of the fact that (i) the Group incurred a loss attributable to owners of the Company of approximately HK$235,286,000 for the year ended 31 March 2019 and (ii) the Group had cash and cash equivalents of approximately HK$13,752,000 against the Group's total debts (comprising borrowings and promissory notes payable) amounted to approximately HK$37,348,000, which will be due within twelve months after the year end 31 March 2019. These conditions indicate the existence of material uncertainty which may cast significant doubt on the Group's ability to continue as a going concern and therefore, the Group may not be able to realise its assets and discharge its liabilities in the normal course of business.

2. BASIS OF PREPARATION FOR THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

GOING CONCERN *(Continued)*

In order to improve of the liquidity of the Group and ensure the Group's ability to operate as a going concern, the directors of the Company have implemented measures as follows:

(i) On 22 October 2019, the Company filed a winding up petition at the Grand Court of the Cayman Islands (the "Cayman Court") under section 93 of the Cayman Companies Law. On 5 November 2019, the Cayman Court ordered that Mr. Keiran William Hutchison of Ernst & Young Limited, together with Mr. Yen Ching Wai David and Ms. So Kit Yee Anita of Ernst & Young Transactions Limited be appointed as the Joint Provisional Liquidators ("JPLs") of the Company with the power to act jointly and severally. The JPLs were authorised to develop and propose a restructuring of the Company's indebtedness in a manner designed to allow the Company to continue as a going concern, with a view to making a compromise or arrangement with the Company's creditors, including (without limitation) a compromise or arrangement by way of a scheme of arrangement pursuant to section 86 of the Cayman Companies law.

(ii) On 5 July 2019, a wholly-owned subsidiary of the Company, Able One Investments Limited ("Able One") and an independent third party of the Company ("Subscriber") have entered into a subscription agreement pursuant to which Able One has agreed to allot and issue, and the Subscriber has agreed to subscribe for, the subscription shares at an aggregate subscription consideration of HK$2,000,000.

(iii) On 24 July 2019, the Company and a lender entered into a loan agreement, pursuant to which the lender has agreed to make available to the Company a loan, through itself or company controlled by it, with the principal amount of HK$5,000,000 from 24 July 2019 on the terms and conditions contained therein, and the Company has agreed to provide, as security for the loan, the Share Pledge over 51% equity interests in Able One held by the Company in favour of the lender.

(iv) On 23 December 2019, the Company and a potential investor entered into a non-legally binding memorandum of understanding pursuant to which the potential investor shall invest a sum of HK$40,000,000 in the Company by way of subscription of shares and bonds.

(v) Active negotiations with the noteholders of convertible notes to obtain an extension for repayment of the convertible notes due on 2 November 2020 and not to demand for repayment even if any event of default or potential event of default might occur.

(vi) Active negotiations with potential investors to obtain financial support to the Group for its operation on a going concern basis and undertake all the liabilities that may arise.

(vii) The directors of the Company will continue to implement measures aiming at improving the working capital and cash flows of the Group including closely monitoring general administrative expenses and operating costs.

2. BASIS OF PREPARATION FOR THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

GOING CONCERN *(Continued)*

The directors of the Company are of the opinion that, taking into account the successful implementation of measures of the Group as described above, the uncertainty will not have significant impact to the Group and the Group will have sufficient working capital to meet its cash flow requirements in the next twelve months. Accordingly, these consolidated financial statements have been prepared on a going concern basis.

Should the going concern basis be determined to be not appropriate, adjustments would have to be made to write down the carrying amounts of the Group's assets to their net realisable values, to provide for any further liabilities which might arise and to reclassify non-current assets and non-current liabilities as current assets and current liabilities, respectively. The effects of these adjustments have not been reflected in these consolidated financial statements.

BASIS OF DECONSOLIDATION

On 2 April 2020, 14 May 2020, 21 May 2020 and 30 June 2020, the Company announced that, the Company became aware in recent months that the Group was unable to obtain the books and records and relevant supporting documents such as bank statements and vouchers (the "Books and Records") from certain subsidiaries located in the People's Republic of China ("PRC"), including 江西中油港燃能源科技有限責任公司 (transliterated as "Jiangxi China Oil Gangran Energy Technology Company Limited") ("Jiangxi China Oil"), 舟山中油港燃石油化工有限公司 (transliterated as "Zhoushan China Oil Gangran Petroleum and Chemical Company Limited") ("Zhoushan China Oil"), 江西港燃貿易有限公司 (transliterated as "Jiangxi Gangran Trading Company Limited") ("Gangran Trading") and 吉林中油港燃能源開發有限公司 (transliterated as "Jilin China Oil Gangran Energy Development Company Limited") ("Jilin China Oil") (collectively the "Deconsolidated Subsidiaries"). Zhoushan China Oil is a wholly-owned subsidiary of Jiangxi China Oil and all books, records and operations of Zhoushan China Oil were at all material time maintained and controlled by Jiangxi China Oil, Gangran Trading and Jilin China Oil are indirect wholly-owned subsidiaries of the Company. All the Deconsolidated Subsidiaries were controlled and operated by the same senior management personnel in Jiangxi China Oil.

The Company had formally requested the Deconsolidated Subsidiaries to provide necessary assistance in relation to the preparation and the audit of the Group's management accounts. Despite repeated requests from the Company, the Deconsolidated Subsidiaries did not respond to the Company's requests and provide the Books and Records to the Company.

In light of the above, the Company has engaged legal advisers (the "PRC Legal Advisers") in the PRC to investigate and prepare a due diligence report (the "Due Diligence Report") on Jiangxi China Oil. Based on the findings in the Due Diligence Report, it was noted, among others, that there were no signs of business activity of Jiangxi China Oil at its registered business address. Notwithstanding that the following actions being taken, including field trips, telephone enquiries and searches on the internet, the PRC Legal Advisers opined that they were unclear whether Jiangxi China Oil had relocated its office and/or whether the business of Jiangxi China Oil was still in operation. Based on the findings in the Due Diligence Report and after careful consideration, the Board of Directors (the "Board") was of the view that the Company no longer has: (a) power over the Deconsolidated Subsidiaries; (b) exposure, or rights, to variable returns from its involvement with the Deconsolidated Subsidiaries; or (c) the ability to use its power over the Deconsolidated Subsidiaries to affect the amount of the Company's returns.

2. BASIS OF PREPARATION FOR THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

BASIS OF DECONSOLIDATION *(Continued)*

Due to the situation described above, the directors of the Company (the "Directors") considered that the Group was unable to exercise its rights as the shareholder either to control the assets and operations of the Deconsolidated Subsidiaries or to exercise the decision-making rights over the Deconsolidated Subsidiaries. As such, the Directors further considered that it is inappropriate to consolidate the financial results of the Deconsolidated Subsidiaries into the Group. The Directors have resolved to deconsolidate the Deconsolidated Subsidiaries with effect from 1 January 2019, the date when the Directors considered that it had effectively lost control of the Deconsolidated Subsidiaries. In addition, the Directors were of the view that the recoverability of the amounts due from the Deconsolidated Subsidiaries were remote and do not expect to be able to recover the outstanding balances in the foreseeable future.

FINANCIAL IMPACT ON DECONSOLIDATION

The deconsolidation had resulted in a net loss arising on deconsolidation of subsidiaries of approximately HK$140,647,000 and an impairment loss on the amounts due from the Deconsolidated Subsidiaries of approximately HK$43,745,000 for the year ended 31 March 2019 as the Board was of the view that the carrying values of the amounts due from the Deconsolidated Subsidiaries were not recoverable in the foreseeable future.

3. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

NEW AND AMENDMENTS TO HKFRSs THAT ARE MANDATORILY EFFECTIVE FOR THE CURRENT YEAR

The Group has applied the following new and amendments to HKFRSs and an interpretation issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") for the first time in the current year:

HKFRS 9	Financial Instruments
HKFRS 15	Revenue from Contracts with Customers and the related Amendments
HK(IFRIC) – Int 22	Foreign Currency Transactions and Advance Consideration
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions
Amendments to HKFRS 4	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts
Amendments to HKAS 28	As part of the Annual Improvements to HKFRSs 2014-2016 Cycle
Amendments to HKAS 40	Transfers of Investment Property

Except as described below, the application of the new and amendments to HKFRSs in the current year has had no material impact on the Group's financial performance and positions for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2019

3. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(Continued)*

IMPACT AND CHANGES IN ACCOUNTING POLICIES OF APPLICATION ON HKFRS 9 FINANCIAL INSTRUMENTS

In the current year, the Group has applied HKFRS 9 Financial Instruments and the related consequential amendments to other HKFRSs. HKFRS 9 introduces new requirements for 1) the classification and measurement of financial assets and financial liabilities, 2) expected credit losses ("ECL") for financial assets and 3) general hedge accounting.

The Group has applied HKFRS 9 in accordance with the transition provisions set out in HKFRS 9, i.e. applied the classification and measurement requirements (including impairment under ECL model) retrospectively to instruments that have not been derecognised as at 1 April 2018 and has not applied the requirements to instruments that have already been derecognised as at 1 April 2018. The difference between carrying amounts as at 31 March 2018 and the carrying amounts as at 1 April 2018 are recognised in the opening accumulated losses and other components of equity, without restating comparative information.

Accordingly, certain comparative information may not be comparable as comparative information was prepared under HKAS 39 "Financial Instruments: Recognition and Measurement". Accounting policies resulting from application of HKFRS 9 are disclosed in note 4.

EFFECT ARISING FROM INITIAL APPLICATION OF HKFRS 9

The table below explains the original measurement categories under HKAS 39 and the new measurement categories under HKFRS 9 for each class of the Group's financial assets as at 1 April 2018.

	HKAS 39 carrying amount as at 31 March 2018	Reclassification	HKFRS 9 carrying amount as at 1 April 2018
	HK$'000	HK$'000	HK$'000
Financial assets classified under HKAS 39			
Available-for-sale ("AFS") financial assets	—	—	—
Loans and receivables	125,340	(125,340)	—
	125,340	(125,340)	—
Financial assets classified under HKFRS 9			
Financial assets at FVTPL	—	—	—
Financial assets at amortised cost	—	125,340	125,340
	—	125,340	125,340

3. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(Continued)*

EFFECT ARISING FROM INITIAL APPLICATION OF HKFRS 9 *(Continued)*

(a) Available-for-sale investment

At the date of initial application of HKFRS 9, the Group's equity investments with carrying value of HK$Nil (net of impairment) were reclassified from available-for-sale financial assets to financial assets at FVTPL. The fair value loss of approximately HK$3,277,000 relating to those equity investments previously carried at cost less impairment were adjusted to financial assets at FVTPL and accumulated losses as at 1 April 2018.

(b) Loans and receivables

Loans and receivables are reclassified and measured at amortised cost upon application of HKFRS 9. There was no impact on the amounts recognised in relation to these assets.

(c) Financial liabilities

The measurement categories for all financial liabilities remain the same. The carrying amounts for all financial liabilities as at 1 April 2018 have not been impacted by the initial application of HKFRS 9. The Group did not designate or de-designate any financial liability at FVTPL as at 1 April 2018.

(d) Impairment under ECL model

The Group applies the HKFRS 9 simplified approach to measure ECL which uses a lifetime ECL for all trade and other receivables and measures the lifetime ECL on each debtor individually based on the present value of the difference between the contractual cash flows that are due to the Group and the cashflows that the Group expects to receive, with the consideration of forward looking information.

The ECL for other financial assets at amortised cost is assessed on 12-month ECL ("12m ECL") basis if there had been no significant increase in credit risk since initial recognition.

IMPACTS AND CHANGES IN ACCOUNTING POLICIES OF APPLICATION ON HKFRS 15 REVENUE FROM CONTRACTS WITH CUSTOMERS

The Group has applied HKFRS 15 for the first time in the current year. HKFRS 15 superseded HKAS 18 Revenue, HKAS 11 Construction Contracts and the related interpretations.

The Group has applied HKFRS 15 retrospectively with the cumulative effect of initially applying this Standard recognised at the date of 1 April 2018. Any difference at the date of 1 April 2018 is recognised in the opening accumulated losses and comparative information has not been restated. Furthermore, in accordance with the transition provisions in HKFRS 15, the Group has elected to apply the Standard retrospectively only to contracts that are not completed at 1 April 2018. Accordingly, certain comparative information may not be comparable as comparative information was prepared under HKAS 18 Revenue and HKAS 11 Construction Contracts and the related interpretations.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2019

3. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(Continued)*

IMPACTS AND CHANGES IN ACCOUNTING POLICIES OF APPLICATION ON HKFRS 15 REVENUE FROM CONTRACTS WITH CUSTOMERS *(Continued)*

The Group recognised revenue from the following major sources which arise from contracts with customers:

- sales of refined oil and chemicals;
- sales of power and data cords and inlet sockets; and
- trading of commodities.

Information about the Group's accounting policies and performance obligations resulting from application of HKFRS 15 are disclosed in note 4 and 8 to the consolidated financial statements respectively.

The application of HKFRS 15 does not have significant impact on the amounts reported in the consolidated financial statements for the year ended 31 March 2018 and 2019.

NEW AND AMENDMENTS TO HKFRSS ISSUED BUT NOT YET EFFECTIVE

The Group has not early applied the following new and amendments to HKFRSs and an interpretation that have been issued but are not yet effective:

HKFRS 16	Leases[1]
HKFRS 17	Insurance Contracts[4]
Amendments to HKFRS 3	Definition of a Business[3]
Amendments to HKFRS 9	Prepayment Features with Negative Compensation[1]
Amendments to HKFRS 9 HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform[2]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[5]
Amendments to HKAS 1 and HKAS 8	Definition of Material[2]
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement[1]
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures[1]
Amendments to HKFRS 16	COVID 19-Related Rent Concession[6]
HK(IFRIC) – Int 23	Uncertainty over Income Tax Treatments[1]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015 – 2017 Cycle[1]

1 Effective for annual periods beginning on or after 1 January 2019
2 Effective for annual periods beginning on or after 1 January 2020
3 Effective for business combinations and asset acquisitions for which the acquisition date is on or after the beginning of the first annual period beginning on or after 1 January 2020
4 Effective for annual periods beginning on or after 1 January 2021
5 Effective date to be determined
6 Effective for annual periods beginning on or after 1 June 2020

Except for the new HKFRS mentioned below, the directors of the Company do not anticipate that the application of these new and amendments to HKFRSs will have any material impact on the Group's consolidated financial statements in the foreseeable future.

3. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(Continued)*

NEW AND AMENDMENTS TO HKFRSS ISSUED BUT NOT YET EFFECTIVE *(Continued)*

HKFRS 16 Leases

HKFRS 16 introduces a comprehensive model for the identification of lease arrangements and accounting treatments for both lessors and lessees. HKFRS 16 will supersede HKAS 17 "Leases" and the related interpretations when it becomes effective.

HKFRS 16 distinguishes leases and service contracts on the basis of whether an identified asset is controlled by a customer. Distinctions of operating leases and finance leases are removed for lessee accounting, and is replaced by a model where a right-of-use asset and a corresponding liability have to be recognised for all leases by lessees, except for short-term leases and leases of low value assets.

The right-of-use asset is initially measured at cost and subsequently measured at cost (subject to certain exceptions) less accumulated depreciation and impairment losses, adjusted for any remeasurement of the lease liability. The lease liability is initially measured at the present value of the lease payments that are not paid at that date. Subsequently, the lease liability is adjusted for interest and lease payments, as well as the impact of lease modifications, amongst others. For the classification of cash flows, the Group currently presents upfront prepaid lease payments as investing cash flows in relation to leasehold lands for owned use and those classified as investment properties while other operating lease payments are presented as operating cash flows. Under the HKFRS 16, lease payments in relation to lease liability will be allocated into a principal and an interest portion which will be presented as financing cash flows by the Group.

Under HKAS 17, the Group has already recognised prepaid lease payments for leasehold lands where the Group is a lessee. The application of HKFRS 16 may result in potential changes in classification of these assets depending on whether the Group presents right-of-use assets separately or within the same line item at which the corresponding underlying assets would be presented if they were owned.

In contrast to lessee accounting, HKFRS 16 substantially carries forward the lessor accounting requirements in HKAS 17, and continues to require a lessor to classify a lease either as an operating lease or a finance lease.

Furthermore, extensive disclosures are required by HKFRS 16.

As at 31 March 2019, the Group has non-cancellable operating lease commitments of approximately HK$3,918,000 as disclosed in note 35(A) to the consolidated financial statements.

The application of new requirements may result in changes in measurement, presentation and disclosure as indicated above.

4. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance with all applicable HKFRSs issued by the HKICPA. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the GEM of the Stock Exchange and by the Hong Kong Companies Ordinance.

The consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments that are measured at fair value at the end of each reporting period, as explained in accounting policies set out below.

Historical cost is generally based on the fair value of the consideration given in exchange of goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of HKFRS 2 "Share-based Payment", leasing transactions that are within the scope of HKAS 17 "Leases", and measurements that have some similarities to fair value but are not fair value, such as net realisable value in HKAS 2 "Inventories" or value in use in HKAS 36 "Impairment of Assets".

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

For financial instruments which are transacted at fair value and a valuation technique that unobservable inputs is to be used to measure fair value in subsequent periods, the valuation technique is calibrated so that at initial recognition the results of the valuation technique equals the transaction price.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

The principal accounting policies set out below.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

BASIS OF CONSOLIDATION

The consolidated financial statements incorporate the financial statements of the Company and entities (including structured entities) controlled by the Company and its subsidiaries. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

When the Group has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Group considers all relevant facts and circumstances in assessing whether or not the Group's voting rights in an investee are sufficient to give it power, including:

- the size of the Group's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Group, other vote holders or other parties;
- rights arising from other contractual arrangements; and
- any additional facts and circumstances that indicate that the Group has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Group gains control until the date when the Group ceases to control the subsidiary.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2019

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

BASIS OF CONSOLIDATION *(Continued)*

Profit or loss and each item of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Non-controlling interests in subsidiaries are presented separately from the Group's equity therein, which represent present ownership interests entitling their holders to a proportionate share of net assets of the relevant subsidiaries upon liquidation.

CHANGES IN THE GROUP'S INTERESTS IN EXISTING SUBSIDIARIES

Changes in the Group's ownership interests in existing subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's relevant components of equity and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries, including re-attribution of relevant reserves between the Group and the non-controlling interests according to the Group's and the non-controlling interests' proportionate interests. Any difference between the amount by which the non-controlling interests are adjusted, and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

When the Group loses control of a subsidiary, the assets and liabilities of that subsidiary and non-controlling interests (if any) are derecognised. A gain or loss is recognised in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the carrying amount of the assets (including goodwill), and liabilities of the subsidiary attributable to the owners of the Company. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable HKFRSs). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under HKAS 39 or when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

SEGMENT REPORTING

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the executive directors who make strategic decisions.

REVENUE FROM CONTRACTS WITH CUSTOMERS (UPON APPLICATION OF HKFRS 15 IN ACCORDANCE WITH TRANSITIONS IN NOTE 3)

Under HKFRS 15, the Group recognises revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to the customer.

A performance obligation represents a good or service (or a bundle of goods or services) that is distinct or a series of distinct goods or services that are substantially the same.

Control is transferred over time and revenue is recognised over time by reference to the progress towards complete satisfaction of the relevant performance obligation if one of the following criteria is met:

- the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;
- the Group's performance creates and enhances an asset that the customer controls as the Group performs; or
- the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

Otherwise, revenue is recognised at a point in time when the customer obtains control of the distinct good or service.

A contract asset represents the Group's right to consideration in exchange for goods or services that the Group has transferred to a customer that is not yet unconditional. It is assessed for impairment in accordance with HKFRS 9. In contrast, a receivable represents the Group's unconditional right to consideration, i.e. only the passage of time is required before payment of that consideration is due.

A contract liability represents the Group's obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer.

A contract asset and a contract liability relating to the same contract are accounted for and presented on a net basis.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2019

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

REVENUE RECOGNITION (PRIOR TO 1 APRIL 2018)

Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated customer returns, rebates and other similar allowances.

Revenue from the sales of goods is recognised when the goods are delivered and titles have passed, at which time all the following conditions are satisfied:

- the Group has transferred to the buyer the significant risks and rewards of ownership of the goods;
- the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the Group; and
- the cost incurred or to be incurred in respect of the transaction can be measured reliably.

Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

FOREIGN CURRENCIES

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recognised at the rates of exchange prevailing on the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items and on the retranslation of monetary items, are recognised in profit or loss in the period in which they arise.

For the purposes of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group (i.e. Hong Kong dollars) using exchange rates prevailing at the end of each reporting period. Income and expenses items are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly during the period, in which case, the exchange rates prevailing at the dates of transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of foreign currency translation reserve (attributed to non-controlling interests as appropriate).

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment including buildings and leasehold land held for use in the production or supply of goods or services, or for administrative purposes are stated in the consolidated statement of financial position at cost less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

Depreciation is recognised so as to write off the cost of assets less their residual values over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis. The principal annual rates used for this purpose are as follows:

Leasehold land	Over the term of land lease
Buildings	Shorter of the term of land lease or 40 years
Leasehold improvements	4 to 5 years
Moulding and equipment	5 years
Motor vehicles	4 to 5 years
Furniture and office equipment	4 to 5 years

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the relevant asset and is recognised in profit or loss.

IMPAIRMENT OF NON-FINANCIAL ASSETS

At the end of each reporting period, the Group reviews the carrying amounts of its non-financial assets with finite useful lives to determine whether there is any indication that those assets have suffered an impairments loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any).

The recoverable amount of non-financial assets are estimated individually. When it is not possible to estimate the recoverable amount individually, the Group estimates the recoverable amount of the cash-generating unit to which the assets belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating unit, or otherwise they are allocated to the smallest group of cash-generating unit for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset (or a cash-generating units) for which the estimates of future cash flows have not been adjusted.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

IMPAIRMENT OF NON-FINANCIAL ASSETS *(Continued)*

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or the cash-generating unit) is reduced to its recoverable amount. In allocating the impairment loss, the impairment loss is allocated first to reduce the carrying amount of any goodwill (if applicable) and then to the other assets on a pro-rata basis based on the carrying amount of each asset in the unit. The carrying amount of an asset is not reduced below the highest of its fair value less costs of disposal (if measurable), its value in use (if determinable) and zero. The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or a cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

INVENTORIES

Inventories are stated at the lower of cost and net realisable value. Cost of inventories is determined using the weighted average method. The cost of finished goods and work in progress comprises raw materials, direct labour and an appropriate proportion of all production overhead expenditure, and where appropriate, subcontracting charges. Net realisable value is the estimated selling price for inventories, less all estimated costs of completion and costs necessary to make the sale.

LEASES

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Group as lessor

Rental income from operating leases is recognised in profit or loss on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised as an expense on a straight-line basis over the lease term.

The Group as lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term.

In the event that lease incentives are received to enter into operating lease, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

BORROWING COSTS

Borrowing costs are recognised in profit or loss in the period in which they are incurred.

RETIREMENT BENEFIT COSTS

Payments to defined contribution retirement plans are recognised as an expense when employees have rendered service entitling them to the contributions.

Pension schemes and other retirement benefits

The Group operates a defined contribution Mandatory Provident Fund retirement benefit scheme (the "MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance, for those employees who are eligible to participate in the MPF Scheme. Contribution are made based on percentage of the employees' basic salaries and are charged to profit or loss as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administrated fund. The Group's employer contributions vest fully with the employees when contributed into the MPF Scheme, in accordance with the rules of the MPF Scheme.

The employees of the Group's subsidiaries which operate in Mainland China are required to participate in a central pension scheme operated by the local municipal government. These subsidiaries are required to contribute a certain percentage of their payroll costs to the central pension scheme. The contributions are charged to profit or loss as they become payable in accordance with the rules of the central pension scheme.

SHARE-BASED PAYMENTS

Equity-settled share-based payments to directors and employees are measured at the fair value (excluding the effect of non market-based vesting conditions) of the equity instruments at the date of grant.

The fair value of the equity-settled share-based payments determined at the grant date without taking into consideration all non-market vesting conditions is expensed on a straight-line basis over the vesting period, based on the Group's estimate of equity instruments that will eventually vest, with a corresponding increase in equity (Share-based payment reserve). At the end of each reporting period, the Group revises its estimate of the number of equity instruments expected to vest based on assessment of all relevant non-market vesting conditions. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to the Share-based payment reserve.

Equity-settled share-based payments to consultants are measured at the fair value of the services rendered or if the fair value of the services rendered cannot be reliably measured, at the fair value of the equity instruments granted. The fair value is measured at the date the Group receives the services and is recognised as an expense.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

SHARE-BASED PAYMENTS *(Continued)*

For share options that vest immediately at the date of grant, the fair value of the share options granted is expensed immediately to profit or loss.

When share options are exercised, the amount previously recognised in share-based payment reserve will be transferred to share premium. When share options are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognised in share-based payment reserve will be transferred to accumulated losses.

TAXATION

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from "loss before tax" as reported in the consolidated statement of profit or loss and other comprehensive income because of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary difference to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and associates, and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

TAXATION *(Continued)*

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively.

PROVISIONS

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle that obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect of the time value of money is material).

CASH AND CASH EQUIVALENTS

For the purpose of the consolidated statement of cash flows, cash and cash equivalents represent cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term highly liquid investments which are readily convertible into known amounts of cash and subject to an insignificant risk of change in value. Bank overdrafts which are repayable on demand and form an integral part of the Group's cash management are also included as a component of cash and cash equivalents.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2019

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

FINANCIAL INSTRUMENTS

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value except for trade receivables arising from contracts with customers which are initially measured in accordance with HKFRS 15 since 1 April 2018. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets or financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss ("FVTPL") are recognised immediately in profit or loss.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating interest income and interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts and payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset or financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Financial assets

Classification and subsequent measurement of financial assets (upon application of HKFRS 9 in accordance with transitions in note 3 to the consolidated financial statements)

Financial assets that meet the following conditions are subsequently measured at amortised cost:

- the financial asset is held within a business model whose objective is to collect contractual cash flows; and
- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All other financial assets are subsequently measured at FVTPL.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

FINANCIAL INSTRUMENTS *(Continued)*

Financial assets *(Continued)*

Classification and subsequent measurement of financial assets (upon application of HKFRS 9 in accordance with transitions in note 3 to the consolidated financial statements) *(Continued)*

(i) Amortised cost and interest income

Interest income is recognised using the effective interest method for financial assets measured subsequently at amortised cost and debt instruments/receivables subsequently measured at FVTOCI. For financial instruments other than purchased or originated credit-impaired financial assets, interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired. For financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset from the next reporting period. If the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset from the beginning of the reporting period following the determination that the asset is no longer credit-impaired.

(ii) Financial assets at FVTPL

Financial assets that do not meet the criteria for being measured at amortised cost are measured at FVTPL. Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognised in profit or loss. The net gain or loss recognised in profit or loss excludes any dividend or interest earned on the financial asset and is included in the consolidated statement of profit or loss and other comprehensive income.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

FINANCIAL INSTRUMENTS *(Continued)*

Financial assets *(Continued)*

Impairment of financial assets (upon application HKFRS 9 with transitions in accordance with note 3 to the consolidated financial statements)

The Group performs impairment assessment under expected credit loss ("ECL") model on financial assets (including trade and other receivables, and bank balances and cash) which are subjected to impairment under HKFRS 9. The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of the relevant instrument. In contrast, 12m ECL represents the portion of lifetime ECL that is expected to result from default events that are possible within 12 months after the reporting date. Assessment are done based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current conditions at the reporting date as well as the forecast of future conditions.

The Group always recognises lifetime ECL for trade and other receivables. The ECL on these assets are assessed individually for debtors with significant balance and/or collectively using a provision matrix with appropriate groupings based on aging and past due status.

For all other instruments, the Group measures the loss allowance equal to 12m ECL, unless when there has been a significant increase in credit risk since initial recognition, the Group recognises lifetime ECL. The assessment of whether lifetime ECL should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition.

(i) Significant increase in credit risk

In assessing whether the credit risk has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

FINANCIAL INSTRUMENTS *(Continued)*

Financial assets *(Continued)*

Impairment of financial assets (upon application HKFRS 9 with transitions in accordance with note 3 to the consolidated financial statements) *(Continued)*

(i) Significant increase in credit risk *(Continued)*

In particular, the following information is taken into account when assessing whether credit risk has increased significantly:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- significant deterioration in external market indicators of credit risk, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor; and
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk has increased significantly since initial recognition when contractual payments are more than one day past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

The Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

(ii) Definition of default

For internal credit risk management, the Group considers an event of default occurs when information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collaterals held by the Group).

Irrespective of the above, the Group considers that default has occurred when a financial asset is more than one day past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2019

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

FINANCIAL INSTRUMENTS *(Continued)*

Financial assets *(Continued)*

Impairment of financial assets (upon application HKFRS 9 with transitions in accordance with note 3 to the consolidated financial statements) *(Continued)*

(iii) Credit-impaired financial assets

A financial asset is credit-impaired when one or more events of default that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

(a) significant financial difficulty of the issuer or the borrower;

(b) a breach of contract, such as a default or past due event;

(c) the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;

(d) it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or

(e) the disappearance of an active market for that financial asset because of financial difficulties.

(iv) Written-off policy

The Group writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, for example, when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings, or in the case of trade receivables, when the amounts are over one year past due, whichever occurs sooner. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. A written-off constitutes a derecognition event. Any subsequent recoveries are recognised in profit or loss.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

FINANCIAL INSTRUMENTS *(Continued)*

Financial assets *(Continued)*

Impairment of financial assets (upon application HKFRS 9 with transitions in accordance with note 3 to the consolidated financial statements) *(Continued)*

(v) Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information. Estimation of ECL reflects an unbiased and probability-weighted amount that is determined with the respective risks of default occurring as the weights.

Generally, the ECL is the difference between all contractual cash flows that are due to the Group in accordance with the contract and the cash flows that the Group expects to receive, discounted at the effective interest rate determined at initial recognition.

Where ECL is measured on a collective basis or cater for cases where evidence at the individual instrument level may not yet be available, the financial instruments are grouped on the basis:

- Nature of financial instruments;
- Past-due status; and
- Nature, size and industry of debtors.

The grouping is regularly reviewed by management to ensure the constituents of each group continue to share similar credit risk characteristics.

Interest income is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit impaired, in which case interest income is calculated based on amortised cost of the financial asset.

Classification and subsequent measurement of financial assets (before application of HKFRS 9 on 1 April 2018)

Financial assets are classified into "available-for-sale ("AFS") financial assets" and "loans and receivables". The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2019

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

FINANCIAL INSTRUMENTS *(Continued)*

Financial assets *(Continued)*

AFS financial assets

AFS financial assets are non-derivatives that are either designated as available-for-sale or are not classified as loans and receivables.

Equity securities held by the Group that are classified as AFS financial assets and are traded in an active market are measured at fair value at the end of each reporting period except for unquoted equity investments whose fair value cannot be reliably measured. Changes in the carrying amount of AFS debt instruments relating to interest income calculated using the effective interest method are recognised in profit or loss. Dividends on AFS equity instruments are recognised in profit or loss when the Group's right to receive the dividends is established. Other changes in the carrying amount of AFS financial assets are recognised in other comprehensive income and accumulated under the heading of AFS investment revaluation reserve. When the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously accumulated in the AFS investment revaluation reserve is reclassified to profit or loss.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables (including financial assets included in trade and other receivables, loan receivables, amount due from a director, contingent consideration receivables and bank balances and cash) are measured at amortised cost using the effective interest method, less any impairment (see accounting policy on impairment loss of financial assets below).

Interest income is recognised by applying the effective interest rate, except for short-term receivables where the recognition of interest would be immaterial.

Impairment of financial assets (before application of HKFRS 9 on 1 April 2018)

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial assets have been affected.

For AFS equity investments, a significant or prolonged decline in the fair value of the security below its cost is considered to be objective evidence of impairment.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

FINANCIAL INSTRUMENTS *(Continued)*

Financial assets *(Continued)*

Impairment of financial assets (before application of HKFRS 9 on 1 April 2018) *(Continued)*

For all other financial assets, objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as a default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation; or
- disappearance of an active market for that financial asset because of financial difficulties.

For certain categories of financial assets, such as trade and other receivables, assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period, observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, the amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the financial asset's original effective interest rate.

For financial assets carried at cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent periods.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with exception of trade and other receivables, where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss. When other receivables are considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

When an AFS financial asset is considered to be impaired, cumulative gains or losses previously recognised in other comprehensive income are reclassified to profit or loss in the period.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

FINANCIAL INSTRUMENTS *(Continued)*

Financial assets *(Continued)*

Impairment of financial assets (before application of HKFRS 9 on 1 April 2018) *(Continued)*

For financial assets measured at amortised cost, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

In respect of AFS equity investments, impairment losses previously recognised in profit or loss are not reversed through profit or loss. Any increase in fair value subsequent to an impairment loss is recognised in other comprehensive income and accumulated under the heading of AFS investment revaluation reserve.

Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity.

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

On derecognition of an AFS financial asset, the cumulative gain or loss previously accumulated in the AFS revaluation reserve is reclassified to profit or loss.

Financial liabilities and equity instruments

Debt and equity instruments issued by a group entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. Equity instruments issued by the Company are recognised at the proceeds received, net of direct issue costs.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

FINANCIAL INSTRUMENTS *(Continued)*

Financial liabilities and equity instruments *(Continued)*

Convertible note

The component parts of the convertible note are classified separately as financial liability and equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument. A conversion option that will be settled by the exchange of a fixed amount of cash or another financial asset for a fixed number of the Company's own equity instruments is an equity instrument.

At the date of issue, the fair value of the liability component is estimated by measuring the fair value of similar liability that does not have an associated equity component.

A conversion option classified as equity is determined by deducting the amount of the liability component from the fair value of the compound instrument as a whole. This is recognised and included in equity, net of income tax effects, and is not subsequently remeasured. In addition, the conversion option classified as equity will remain in equity until the conversion option is exercised, in which case, the balance recognised in equity will be transferred to convertible notes equity reserve. Where the conversion option remains unexercised at the maturity date of the convertible note, the balance recognised in equity will be transferred to share premium. No gain or loss is recognised in profit or loss upon conversion or expiration of the conversion option.

Transaction costs that relate to the issue of the convertible note are allocated to the liability and equity components in proportion to the allocation of the gross proceeds. Transaction cost relating to the equity component are charged directly to equity. Transaction costs relating to the liability component are included in the carrying amount of the liability portion and amortised over the period of the convertible notes using the effective interest method.

Promissory notes payable and interest-bearing bond

Promissory notes payable and interest-bearing bond are recognised initially at their fair value less attributable transaction cost and subsequently measured at amortised cost, using the effective interest rate method.

Other financial liabilities

The Group's other financial liabilities (including trade and other payables and bank loan) are subsequently measured at amortised cost, using the effective interest method.

Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2019

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

RELATED PARTIES

A related party is a person or an entity that is related to the Group.

(a) A person, or a close member of that person's family, is related to the Group if that person:

(i) has control or joint control over the Group;

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Group or the Group's parent.

(b) An entity is related to the Group if any of the following conditions applies:

(i) the entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

(ii) one entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

(iii) both entities are joint ventures of the same third party.

(iv) one entity is a joint venture of a third entity and other entity is an associate of the third entity.

(v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group.

(vi) the entity is controlled or jointly controlled by a person identified in (a).

(vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the Company).

(viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the Group's parent.

Close member of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity including:

(i) the person's children and spouse or domestic partner;

(ii) children of that person's spouse or domestic partner; and

(iii) dependents of that person or that person's spouse or domestic partner.

5. CRITICAL ACCOUNTING JUDGEMENT AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in note 4, the directors of the Company are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

CRITICAL JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

The following are the critical judgements, apart from those involving estimations (see below), that the directors of the Company have made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in the consolidated financial statements.

Useful lives of property, plant and equipment

The Group determines the estimated useful lives, residual values and related depreciation charges for the Group's property, plant and equipment. This estimate is based on the historical experience of the actual useful lives and residual values of property, plant and equipment of similar nature and functions. The Group will revise the depreciation charge where useful lives and residual values are different from those previously estimated, or it will write-off or write-down technically obsolete or non-strategic assets that have been abandoned.

KEY SOURCES OF ESTIMATION UNCERTAINTY

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

5. CRITICAL ACCOUNTING JUDGEMENT AND KEY SOURCES OF ESTIMATION UNCERTAINTY *(Continued)*

KEY SOURCES OF ESTIMATION UNCERTAINTY *(Continued)*

Provision of ECL for trade receivables

The Group uses provision matrix to calculate ECL for the trade receivables. The provision matrix are based on debtor's aging as groupings of various debtors that have similar loss patterns. The provision rate is based on the Group's historical observed default rates taking into consideration the forward-looking information that is reasonable and supportable available without undue costs or effort. At every reporting date, the historical observed default rates are reassessed and changes in the forward-looking information are considered. In addition, trade receivables with credit impaired are assessed for ECL individually.

The provision of ECL is sensitive to changes in estimates. The information about the ECL and the Group's trade receivables are disclosed in notes 7(B) and 22 respectively.

Allowance for inventories

The Group reviews the carrying value of its inventories to ensure that they are stated at the lower of cost and net realisable value. In assessing the net realisable value and making appropriate allowances, management identifies, using their judgement, inventories that are slow moving or obsolete, and considering their physical conditions, age, market conditions and market price for similar items.

Income taxes

The Group is subject to income taxes in several jurisdictions. Significant estimates are required in determining the provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

Deferred income tax assets relating to certain temporary differences and tax losses are recognised when management considers to be probable that future taxable profit will be available against which the temporary differences or tax losses can be utilised. The outcome of their actual utilisation may be different.

6. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged from prior year.

The management of the Group reviews the capital structure periodically. The Group considers the cost of capital and the risk associated with the capital, and will balance its overall capital structure through payment of dividends, issuance of new shares and share buy-backs as well as the raising of new debts, if required.

The Group monitors its capital using gearing ratio. This ratio is calculated as net debt divided by total capital. Net debts is defined as total debts (includes promissory notes payable, borrowings and convertible notes) less bank balances and cash. Equity comprises share capital and reserves. No changes were made in the objectives, policies or processes for managing capital during the years ended 31 March 2019 and 2018.

	2019 HK$'000	2018 HK$'000
Total debts	126,257	146,787
Less: Bank balances and cash	(13,752)	(46,695)
Net debt	112,505	100,092
Total equity	(73,902)	101,657
Total capital	38,603	201,749
Gearing ratio	291.4%	49.6%

7. FINANCIAL INSTRUMENTS

(A) CATEGORIES OF FINANCIAL INSTRUMENTS

	2019 HK$'000	2018 HK$'000
Financial assets:		
Financial assets at FVTPL	—	—
Available-for-sale financial assets	—	—
Financial assets at amortised cost	66,557	125,340
	66,557	125,340
Financial liabilities:		
Financial liabilities at amortised cost	179,535	239,307

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2019

7. FINANCIAL INSTRUMENTS *(Continued)*

(B) FINANCIAL RISK MANAGEMENT OBJECTIVE AND POLICIES

The Group's major financial instruments comprise, trade and other receivables, bank balances and cash, trade and other payables, promissory notes payable, convertible notes and borrowings. The main purpose of these financial instruments is to raise fund for the Group's operations.

The main risk arising from the Group's financial instruments are interest rate risk, liquidity risk, credit risk, and foreign currency risk. The Board reviews and agrees policies for these risks and they are summarised below.

Interest rate risk

The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's interest-bearing bank deposits and bank borrowings with floating rates.

Sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to interest rates for non-derivative instruments at the end of the reporting period. The analysis is prepared assuming the financial instruments outstanding at the end of the reporting period were outstanding for the whole year. A 100 basis points (2018: 100 basis points) increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

If the interest rates had been 100 basis points (2018: 100 basis points) higher/lower and all other variables were held constant, the Group's loss for the year ended 31 March 2019 would decrease/increase by approximately HK$21,000 (2018: decrease/increase by approximately HK$113,000). This is mainly attributable to the Group's exposure to interest rates on its bank borrowing and bank balances.

Liquidity risk

The Group's policy is to regularly monitor current and expected liquidity requirements to ensure that it maintains sufficient reserves of cash to meet its liquidity requirements in the short and longer term.

The following table details the remaining contractual maturities at the date of the reporting period to the contractual maturity date of the Group's non-derivative financial liabilities, which are based on contracted undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on rates at the year end date and the earliest date the Group can be required to pay):

7. FINANCIAL INSTRUMENTS *(Continued)*

(B) FINANCIAL RISK MANAGEMENT OBJECTIVE AND POLICIES *(Continued)*

Liquidity risk *(Continued)*

The maturity profile of the Group's financial liabilities as at the end of the reporting period, based on contractual undiscounted payments, was as follows:

	On demand/ less than 1 year HK'000	1 to 2 years HK$'000	2 to 5 years HK$'000	Over 5 years HK$'000	Total undiscounted cash flow HK$'000	Carrying amounts HK$'000
At 31 March 2019						
Financial liabilities included in trade and other payables	53,278	—	—	—	53,278	53,278
Promissory notes payable	21,620	19,500	50,000	—	91,120	69,211
Borrowings	37,346	800	2,400	11,152	51,698	45,835
Convertible notes	—	13,390	—	—	13,390	11,211
	112,244	33,690	52,400	11,152	209,486	179,535

	On demand/ less than 1 year HK'000	1 to 2 years HK$'000	2 to 5 years HK$'000	Over 5 years HK$'000	Total undiscounted cash flow HK$'000	Carrying amounts HK$'000
At 31 March 2018						
Financial liabilities included in trade and other payables	92,520	—	—	—	92,520	92,520
Promissory notes payable	33,143	4,210	67,606	—	104,959	81,644
Borrowings	39,900	4,500	32,250	—	76,650	65,143
	165,563	8,710	99,856	—	274,129	239,307

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2019

7. FINANCIAL INSTRUMENTS *(Continued)*

(B) FINANCIAL RISK MANAGEMENT OBJECTIVE AND POLICIES *(Continued)*

Credit risk

Credit risk and impairment assessment

As at 31 March 2019, other than those financial assets whose carrying amounts best represent the maximum exposure to credit risk, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties is arising from the carrying amount of respective financial assets as stated in the consolidated statement of financial position. The Group does not hold any collateral or other credit enhancements to cover its credit risks associated with its financial assets.

Trade receivables

In order to minimise the credit risk, the management of the Group has delegated staffs responsible for determination of credit limits and credit approvals. Before accepting any new customer, the Group will assess the customer's credit quality and defines credit limits by customer. Other monitoring procedures are in place to ensure that follow-up action is taken to recover overdue debts. In addition, the Group performs impairment assessment under ECL model upon application of HKFRS 9 (2018: incurred loss model) on trade balances individually or based on provision matrix. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

Other receivables and bank balances

The Group performs impairment assessment under ECL model upon application of HKFRS 9 (2018: incurred loss model) on other receivables and bank balances based on 12-month ECL.

The credit risk on bank balances are limited because the counterparties are banks with high credit ratings assigned by international credit-rating agencies

The credit risk of the Group's other financial assets, which comprise certain deposit, included in other receivables, arises from default of the counterparty, with maximum exposure equal to the carrying amounts of these instruments.

7. FINANCIAL INSTRUMENTS *(Continued)*

(B) FINANCIAL RISK MANAGEMENT OBJECTIVE AND POLICIES *(Continued)*

Credit risk *(Continued)*

Other receivables and bank balances *(Continued)*

The Group's internal credit risk grading assessment comprises the following categories:

Internal credit rating	Description	Trade receivables	Other financial assets/other items
Low risk	The counterparty has a low risk of default and does not have any past-due amounts	Lifetime ECL - not credit-impaired	12-month ECL
Watch list	Debtor frequently repays after due dates but usually settle in full	Lifetime ECL - not credit-impaired	12-month ECL
Doubtful	There have been significant increases in credit risk since initial recognition through information developed internally or external resources	Lifetime ECL - not credit-impaired	Lifetime ECL - not credit-impaired
Loss	There is evidence indicating the asset is credit-impaired	Lifetime ECL - credit-impaired	Lifetime ECL - credit-impaired
Write-off	There is evidence indicating that the debtor is in severe financial difficulty and the Group has no realistic prospect of recovery	Amount is written off	Amount is written off

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2019

7. FINANCIAL INSTRUMENTS *(Continued)*

(B) FINANCIAL RISK MANAGEMENT OBJECTIVE AND POLICIES *(Continued)*

Foreign currency risk

The Group has minimal exposure to foreign currency risk as most of its business transactions, assets and liabilities are principally denominated in the functional currencies of the group entities. The Group currently does not have a foreign currency hedging policy in respect of foreign currency transactions, assets and liabilities. The Group monitors its foreign currency exposure closely and will consider hedging significant foreign currency exposure should the need arise.

The directors consider that foreign currency risk of the Company for the years ended 31 March 2019 and 2018 are insignificant and therefore no sensitivity analysis is presented thereon.

(C) FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS

The directors of the Company consider the carrying amounts of the financial assets and financial liabilities recorded at amortised cost in the consolidated statement of financial position approximate to their fair values.

8. REVENUE

A. FOR THE YEAR ENDED 31 MARCH 2019

(i) Disaggregation of revenue from contracts with customers

	2019 HK$'000
At a point of time	
Sales of refined oil and chemicals	37,005
Sales of power and data cords and inlet sockets	57,793
Trading of commodities	7,540
Total	102,338

(ii) Performance obligations for contracts with customers

The Group sells its products directly to customers. Revenue is recognised when control of the goods has transferred, being when customer acceptance has been obtained, which is the point of time when the customer has the ability to direct the use of these products and obtain substantially all of the remaining benefits of these products.

8. REVENUE *(Continued)*

B. FOR THE YEAR ENDED 31 MARCH 2018

An analysis of the Group's revenue for the year is as follows:

	2018 HK$'000
Sales of refined oil and chemicals	341,606
Sales of power and data cords and inlet sockets	51,157
Trading of commodities	2,518
	395,281

9. OTHER INCOME AND GAIN OR (LOSS), NET

	2019 HK$'000	2018 HK$'000
Gain on disposal of property, plant and equipment	—	6
Impairment loss on goodwill	—	(21,372)
Impairment of available-for-sale financial assets	—	(3,875)
Interest income	207	347
Loss on early redemption of bond	(1,006)	—
Net foreign exchange gains (losses)	78	(1,482)
Impairment loss on amounts due from deconsolidated subsidiaries	(43,745)	—
Reversal of provision of doubtful debts on trade receivables	7,327	6,639
Reversal of provision for deposit for acquisition of a subsidiary	—	22,900
Sundry income	1,426	813
	(35,713)	3,976

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2019

10. SEGMENT INFORMATION

The Group has adopted HKFRS 8 "Operating Segments", which requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker ("CODM") in order to allocate resources to the segment and to assess its performance. The directors constitute the CODM for the purposes of HKFRS 8 as it collectively makes strategic decisions in allocating the Group's resources and assessing its performance.

For the segment reporting purpose to the CODM, the Group is currently organised into the following three operating and reportable segments:

1.	Power and data cords and general trading 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 and general trading business
2.	Trading of refined oil and chemicals	–	engaged in trading of refined oil and chemicals.
3.	Digital application business	–	engaged in activities relating to the provision of programming services, web services, mobile marketing solutions and development of mobile phone games.

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 note 4 to the consolidated financial statements.

The Group accounts for inter-segment sales and transfers as if the sales or transfers were to third parties, i.e. at current market prices.

10. SEGMENT INFORMATION *(Continued)*

Segment profit or loss do not include the following items:

- Other income and gain or (loss), net
- Corporate expenses
- Gain on disposal of subsidiaries
- Impairment loss on amounts due from deconsolidated subsidiaries
- Net loss arising on deconsolidation of subsidiaries
- Finance costs

Segment assets do not include the following items:

- Financial assets at FVTPL
- Other corporate assets

Segment liabilities do not include the following items:

- Promissory notes payable
- Borrowings
- Convertible notes
- Other corporate liabilities

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2019

10. SEGMENT INFORMATION *(Continued)*

INFORMATION ABOUT REPORTABLE SEGMENT PROFIT OR LOSS, ASSETS AND LIABILITIES:

	Power and data cords and general trading business HK$'000	Trading of refined oil and chemicals HK$'000	Digital application business HK$'000	Total HK$'000
Year ended 31 March 2019				
Revenue from external customers	65,333	37,005	—	102,338
Segment profit (loss)	3,116	(7,501)	(22)	(4,407)
Interest income	12	195	—	207
Depreciation	(1,461)	(243)	—	(1,704)
Other material item of income and expense:				
Income tax expense	(790)	—	—	(790)
Other material non-cash items:				
Impairment loss on amounts due from deconsolidated subsidiaries	—	(43,745)	—	(43,745)
Net loss arising on deconsolidation of subsidiaries	—	(140,647)	—	(140,647)
Additions to segment non-current assets	933	22	—	955
At 31 March 2019				
Segment assets	70,118	—	1	70,119
Segment liabilities	31,661	—	8,294	39,955

10. SEGMENT INFORMATION *(Continued)*

INFORMATION ABOUT REPORTABLE SEGMENT PROFIT OR LOSS, ASSETS AND LIABILITIES: *(Continued)*

	Power and data cords and general trading business HK$'000	Trading of refined oil and chemicals HK$'000	Digital application business HK$'000	Total HK$'000
Year ended 31 March 2018				
Revenue from external customers	53,675	341,606	—	395,281
Segment loss	(2,712)	(5,390)	(10,984)	(19,086)
Interest income	55	287	—	342
Depreciation and amortisation	(1,854)	(1,451)	(14,534)	(17,839)
Other material item of income and expense:				
Income tax credit (expense)	(411)	195	3,630	3,414
Other material non-cash item:				
Impairment losses on goodwill	—	—	(21,372)	(21,372)
Additions to segment non-current assets	359	284	—	643
At 31 March 2018				
Segment assets	87,708	255,507	26	343,241
Segment liabilities	51,262	39,170	8,294	98,726

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2019

10. SEGMENT INFORMATION *(Continued)*

RECONCILIATIONS OF REPORTABLE SEGMENT REVENUE, PROFIT OR LOSS, ASSETS AND LIABILITIES:

	2019 HK$'000	2018 HK$'000
Revenue		
Total revenue of reportable segments	102,338	395,281
Profit or (loss)		
Total loss of reportable segments	(4,407)	(19,086)
Other income and gain or (loss), net	(714)	3,976
Corporate expenses	(32,352)	(62,431)
Gain on disposal of subsidiaries	—	628
Impairment loss on amounts due from deconsolidated subsidiaries	(43,745)	—
Net loss arising on deconsolidation of subsidiaries	(140,647)	—
Finance costs	(16,290)	(13,652)
Consolidated loss for the year	(238,155)	(90,565)
Assets		
Total assets of reportable segments	70,119	343,241
Other corporate assets	43,225	4,669
Consolidated total assets	113,344	347,910
Liabilities		
Total liabilities of reportable segments	39,955	98,726
Promissory notes payable	69,211	81,644
Borrowings	45,835	35,400
Convertible notes	11,211	—
Other corporate liabilities	21,034	30,483
Consolidated total liabilities	187,246	246,253

10. SEGMENT INFORMATION *(Continued)*

GEOGRAPHICAL INFORMATION:

	Revenue		Non-current assets	
	2019 HK$'000	2018 HK$'000	**2019 HK$'000**	2018 HK$'000
Hong Kong	**3,840**	2,295	**5,445**	7,530
PRC (other than Hong Kong)	**70,634**	363,279	**11,337**	13,994
Taiwan	**5,322**	3,687	**—**	—
United States	**21,332**	23,595	**—**	—
Other countries	**1,210**	2,425	**—**	—
Total	**102,338**	395,281	**16,782**	21,524

In presenting the geographical information, revenue is based on the locations of the customers.

REVENUE FROM MAJOR CUSTOMERS:

Revenue derived from major customers who contributed 10% or more of total revenue are as follows:

	Segment	**2019 HK$'000**	2018 HK$'000
Customer A	Trading of refined oil and chemicals	**—**	172,447
Customer B	Trading of refined oil and chemicals	**—**	50,184
Customer C	Sales of power and data cords and inlet sockets	**26,794**	9,962
Customer D	Sales of power and data cords and inlet sockets	**21,344**	23,600

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2019

11. FINANCE COSTS

	2019 HK$'000	2018 HK$'000
Effective interest expenses on convertible notes	506	—
Interest on secured bank loan	1,673	345
Interest on other loan	3,263	—
Interest on finance lease	—	34
Interest on interest-bearing bonds	3,261	4,731
Effective interest expenses on promissory notes payable	7,587	8,542
	16,290	13,652

12. INCOME TAX EXPENSE (CREDIT)

	2019 HK$'000	2018 HK$'000
Current tax		
Hong Kong Profits Tax	—	—
PRC Enterprise Income Tax	790	615
Deferred tax credit *(Note 31)*	—	(3,630)
	790	(3,015)

No Hong Kong Profits Tax has been provided as the Group had no assessable profits in Hong Kong for the year (2018: Nil).

12. INCOME TAX EXPENSE (CREDIT) *(Continued)*

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% (2018: 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).

Income tax expense (credit) for the year can be reconciled to the loss before tax per the consolidated statement of profit or loss and other comprehensive income as follows:

	2019 HK$'000	2018 HK$'000
Loss before tax	(237,365)	(93,580)
Tax at the income tax rate	(59,341)	(23,395)
Tax effect of income not taxable for tax purpose	(17,945)	(176)
Tax effect of expenses not deductible for tax purpose	54,372	12,714
Tax effect of tax losses not recognised	2,323	1,937
Effect of different tax rates of subsidiaries in other jurisdictions	21,381	5,905
Income tax expense (credit)	790	(3,015)

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For the year ended 31 March 2019

13. LOSS FOR THE YEAR

Loss for the year is arrived at after charging (crediting) the following items:

	2019 HK$'000	2018 HK$'000
Staff costs including directors' emoluments		
Salaries, bonuses and allowances	24,479	26,661
Retirement benefits scheme contributions	548	832
Share-based payments to employees	4,032	16,044
	29,059	43,537
Auditor's remuneration	1,200	900
Cost of inventories sold	70,355	354,908
Operating lease payments		
- Office, staff quarters and vessels	4,963	12,892
Amortisation of intangible assets	—	14,519
Depreciation of property, plant and equipment	3,462	4,072
Allowance for obsolete stock	6,974	7,713
Allowance for credit losses/provision for doubtful debts on trade receivables	5,948	9,154
Net foreign exchange (gains) losses	(78)	1,482
Gain on disposal of property, plant and equipment	—	(6)
Gain on disposal of subsidiaries	—	(628)
Reversal of provision for doubtful debts on trade receivables	(7,327)	(6,639)
Reversal of provision for acquisition of a subsidiary	—	(22,900)
Share-based payments to consultant	1,008	—
Impairment loss on amounts due from deconsolidated subsidiaries	43,745	—
Impairment loss on goodwill	—	21,372
Impairment of available-for-sale financial assets	—	3,875

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2019

14. DIRECTORS' AND EMPLOYEES' EMOLUMENTS

(A) DIRECTORS' EMOLUMENTS

Directors' remuneration for the year, disclosed pursuant to applicable Listing Rules and the disclosure requirements of the Hong Kong Companies Ordinance, is as follows:

	Fees HK$000	Salaries and other benefits HK'000	Discretionary bonuses HK$'000	Share-based payments HK$'000	Retirement benefits scheme contributions HK$'000	Total HK$'000
Year ended 31 March 2019						
Executive Directors:						
Ho Chun Kit, Gregory *(Note a)*	–	863		–	17	880
Zou Donghai *(Note b)*	–	1,800	–	–	18	1,818
Zhang Xueming *(Note c)*	–	250	–	–	–	250
Rong Changjun	–	1,200	–	–	–	1,200
Zheng Jian Peng *(Note d)*	–	960	–	–	18	978
Zhang Wenrong *(Note e)*	–	528	–	–	–	528
Hui Sai Ha *(Note f)*	–	386	–	–	10	396
Yuan Beisheng *(Note g)*	–	215	–	–	–	215
	–	6,202	–	–	63	6,265
Non-Executive Directors:						
Chan Shiu Man *(Note h)*	178	–	–	–	7	185
Hua Xujie *(Note i)*	–	–	–	–	–	–
	178	–	–	–	7	185
Independent Non-Executive Directors:						
Eugenia Yang *(Note j)*	22	–	–	–	–	22
Lau Sung Tat, Vincent *(Note k)*	120	–	–	–	–	120
Chan Ying Kay *(Note l)*	49	–	–	–	–	49
Sun Dexin *(Note m)*	50	–	–	–	–	50
Tam Kin Fung *(Note n)*	99	–	–	–	–	99
Qin Shihui *(Note o)*	43	–	–	–	–	43
He Wen *(Note p)*	2	–	–	–	–	2
	385	–	–	–	–	385
	563	6,202	–	–	70	6,835

14. DIRECTORS' AND EMPLOYEES' EMOLUMENTS *(Continued)*

(A) DIRECTORS' EMOLUMENTS *(Continued)*

	Fees HK$000	Salaries and other benefits HK'000	Discretionary bonuses HK$'000	Share-based payments HK$'000	Retirement benefits scheme contributions HK$'000	Total HK$'000
Year ended 31 March 2018						
Executive Directors:						
Ho Chun Kit, Gregory *(Note a)*	—	960	—	3,263	18	4,241
Zou Donghai *(Note b)*	—	1,800	—	—	15	1,815
Zhang Xueming *(Note c)*	—	600	—	3,263	—	3,863
Rong Changjun	—	1,200	—	3,263	—	4,463
Zheng Jian Peng *(Note d)*	—	960	—	3,263	18	4,241
	—	5,520	—	13,052	51	18,623
Non-Executive Directors:						
Chan Shiu Man *(Note h)*	247	—	—	—	12	259
Hua Xujie *(Note i)*	—	—	—	—	—	—
	247	—	—	—	12	259
Independent Non-Executive Directors:						
Eugenia Yang *(Note j)*	120	—	—	—	—	120
Lau Sung Tat, Vincent *(Note k)*	120	—	—	—	—	120
Chan Ying Kay *(Note l)*	120	—	—	—	—	120
Sun Dexin *(Note m)*	53	—	—	—	—	53
	413	—	—	—	—	413
	660	5,520	—	13,052	63	19,295

14. DIRECTORS' AND EMPLOYEES' EMOLUMENTS *(Continued)*

(A) DIRECTORS' EMOLUMENTS *(Continued)*

Notes:

(a) Resigned on 22 February 2019.

(b) Resigned on 25 February 2020.

(c) Retired on 31 August 2018.

(d) Resigned on 25 February 2020.

(e) Appointed on 23 October 2018.

(f) Appointed on 22 November 2018.

(g) Appointed on 22 November 2018.

(h) Resigned on 28 August 2018.

(i) Retired on 31 August 2018.

(j) Resigned on 7 June 2018.

(k) Resigned on 31 July 2019.

(l) Resigned on 28 August 2018.

(m) Retired on 31 August 2018.

(n) Appointed on 4 September 2018 and resigned on 22 March 2019.

(o) Appointed on 22 November 2018 and resigned on 25 February 2020.

(p) Appointed on 22 February 2019 and resigned on 5 March 2020.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2019

14. DIRECTORS' AND EMPLOYEES' EMOLUMENTS *(Continued)*

(A) DIRECTORS' EMOLUMENTS *(Continued)*

The executive directors' emoluments shown above include their services in connection with the management of the affairs of the Company and the Group.

The non-executive directors' and independent non-executive directors' emoluments shown above were mainly for their services as directors of the Company.

There was no arrangement under which a director waived or agreed to waive any emoluments during the year (2018: Nil).

During the years ended 31 March 2019, no emoluments were paid by the Group to any of the directors as inducement to join or upon joining the Group or as compensation for loss of office (2018: Nil).

During the year, no retirement benefits, payment or benefits in respect of termination of directors' services were paid or made, directly or indirectly, to the directors, nor any are payable (2018: Nil). No consideration was provided to or receivable by third parties for making available directors' services (2018: Nil).

There are no loans, quasi loans and other dealing arrangements in favour of the directors, their controlled body corporates and connected entities for the year ended 31 March 2019 and 2018.

No directors of the Company had a material interest, directly or indirectly, in any significant transaction, arrangements and contracts in relation to the Company's business to which the Company was or is a party that subsisted at the end of the year or at any time during the year (2018: Nil).

(B) FIVE HIGHEST PAID INDIVIDUALS

The five highest paid individuals in the Group during the year included two (2018: four) directors whose emoluments are reflected in the analysis presented above. The emoluments of the remaining three (2018: one) individual(s) is set out below:

	2019 HK$'000	2018 HK$'000
Salaries, bonuses and allowances	200	1,200
Retirement benefits scheme contributions	—	3
Share-based payments	3,024	2,992
	3,224	4,195

14. DIRECTORS' AND EMPLOYEES' EMOLUMENTS *(Continued)*

(B) FIVE HIGHEST PAID INDIVIDUALS *(Continued)*

The emoluments of three (2018: one) individual(s) with the highest emoluments are within the following bands:

	Number of employess	
	2019	2018
HK$1,000,001 to HK$2,000,000	3	—
HK$4,000,001 to HK$5,000,000	—	1
	3	1

During the years ended 31 March 2019, no emoluments were paid by the Group to any of the highest paid individuals as inducement to join or upon joining the Group or as compensation for loss of office (2018: Nil).

15. 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$235,286,000 (2018: approximately HK$88,168,000) by the weighted average number of ordinary shares of 343,663,591 (2018: 300,727,641 (restated)) in issue for the year ended 31 March 2019.

The weighted average number of ordinary shares for the years ended 31 March 2019 and 2018 for the purpose of calculating basic loss per share has been adjusted for the consolidation of shares on the basis that every twenty issued and authorised shares being converted into one consolidated share which took place on 29 November 2018. Details of the share consolidation are set out in note 32(d) to the consolidated financial statements.

DILUTED LOSS PER SHARE

Diluted loss per share is the same as basic loss per share as the outstanding convertible notes and share options have anti-dilutive effects on the basic loss per share for the both years.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2019

16. DIVIDEND

No dividend has been paid or declared by the Company during the years ended 31 March 2019 and 2018.

17. PROPERTY, PLANT AND EQUIPMENT

	Leasehold land HK$'000	Buildings HK$'000	Leasehold improvements HK$'000	Moulding and equipment HK$'000	Motor vehicles HK$'000	Furniture and office equipment HK$'000	Total HK$'000
COST							
At 1 April 2017	3,660	12,919	6,470	23,236	13,870	6,591	66,746
Additions	–	–	241	344	2,545	386	3,516
Disposals	–	–	–	(125)	(101)	–	(226)
Exchange differences	–	–	112	173	202	90	577
At 31 March 2018 and 1 April 2018	3,660	12,919	6,823	23,628	16,516	7,067	70,613
Additions	–	–	–	673	193	89	955
Disposals	–	–	–	(264)	–	–	(264)
Deconsolidation of subsidiaries	–	–	(232)	–	(1,905)	(726)	(2,863)
Exchange differences	–	(778)	(96)	(35)	(351)	(34)	(1,294)
At 31 March 2019	3,660	12,141	6,495	24,002	14,453	6,396	67,147

17. PROPERTY, PLANT AND EQUIPMENT *(Continued)*

	Leasehold land HK$'000	Buildings HK$'000	Leasehold improvements HK$'000	Moulding and equipment HK$'000	Motor vehicles HK$'000	Furniture and office equipment HK$'000	Total HK$'000
Accumulated depreciation and impairment							
At 1 April 2017	1,699	1,044	6,270	22,766	7,207	5,871	44,857
Charge for the year	98	335	379	138	2,674	448	4,072
Eliminated upon disposals	—	—	—	(125)	(97)	—	(222)
Exchange differences	—	—	99	170	64	49	382
At 31 March 2018 and 1 April 2018	1,797	1,379	6,748	22,949	9,848	6,368	49,089
Charge for the year	98	316	27	235	2,480	306	3,462
Eliminated upon disposals	—	—	—	(264)	—	—	(264)
Eliminated on deconsolidated of subsidiaries	—	—	(205)	—	(815)	(566)	(1,586)
Exchange differences	—	(53)	(75)	(18)	(190)	—	(336)
At 31 March 2019	1,895	1,642	6,495	22,902	11,323	6,108	50,365
CARRYING AMOUNTS							
At 31 March 2019	1,765	10,499	—	1,100	3,130	288	16,782
At 31 March 2018	1,863	11,540	75	679	6,668	699	21,524

Buildings with carrying amount of approximately HK$9,939,000 (2018: HK$10,948,000) were pledged to a bank to secure general banking facilities granted to the Group.

The Group's leasehold land is situated in Hong Kong.

18. FINANCIAL ASSETS AT FVTPL/AVAILABLE-FOR-SALE FINANCIAL ASSETS

FINANCIAL ASSETS AT FVTPL

As at 31 March 2019, the Group's financial assets at FVTPL (2018: available-for-sale financial assets) represent investment in company listed on Indian Stock Market. The fair value of the listed equity investments was based on the quoted market bid prices available on the Stock Exchange where the securities were listed. Since 1 January 2018, the investee company's shares were suspended in trading in the stock market. The directors of the Company considered it was appropriate to make a full provision for impairment on the investment due to the uncertainty of resumption of trading of the investee company's shares in an active market and the remote possibility in realisation of these financial assets. Up to the date of this report, the investee company's shares remained the suspension of trading.

	HK$'000
As at 31 March 2018,	
As originally presented	—
Change in an accounting policy	
Reclassified from AFS financial assets to financial assets at FVTPL	—
As at 1 April 2018, as restated and 31 March 2019	—

AVAILABLE-FOR-SALE FINANCIAL ASSETS

	HK$'000
As at 1 April 2017	3,277
Impairment loss	(3,277)
As at 31 March 2018	—

19. GOODWILL

	2019 HK$'000	2018 HK$'000
Cost		
At 1 April and 31 March	**105,775**	105,775
Accumulated impairment losses		
At 1 April	**105,775**	84,403
Impairment loss recognised	**—**	21,372
At 31 March	**105,775**	105,775
Carrying amount		
At 31 March	**—**	—

20. INTANGIBLE ASSETS

	Contractual right	
	2019 HK$'000	2018 HK$'000
Cost		
At 1 April	**98,035**	98,035
Written-off upon termination of contract	**(98,035)**	—
At 31 March	**—**	98,035
Accumulated amortisation and impairment		
At 1 April	**98,035**	83,516
Amortisation for the year	**—**	14,519
Written-off upon termination of contract	**(98,035)**	—
At 31 March	**—**	98,035
Carrying amount		
At 31 March	**—**	—

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For the year ended 31 March 2019

20. INTANGIBLE ASSETS *(Continued)*

The Group possessed a contractual right involving the design, development, sales and distribution of mobile phone games with popular cartoon characters in the PRC arising from a cooperation agreement with a PRC company, 廣州藍弧文化傳播有限公司 (transliterated as "Guangzhou Blue Arc Culture Communication Company Limited") ("Cooperation Agreement"). As at 31 March 2019, the Cooperation Agreement has been expired and terminated and the contractual right had been fully written-off.

21. INVENTORIES

	2019 HK$'000	2018 HK$'000
Raw materials	1,220	2,182
Work in progress	1,928	2,375
Finished goods	2,142	19,323
	5,290	23,880

During the year, the Group has made an allowance for obsolete stock of approximately HK$6,974,000 (2018:HK$7,713,000) which has been included in cost of sales. Inventories amounting to approximately HK$Nil were stated at net realisable value as at 31 March 2019 (2018: HK$23,880,000).

22. TRADE AND OTHER RECEIVABLES

	2019 HK$'000	2018 HK$'000
Trade receivables from contract with customers *(Note a)*	**20,460**	46,263
Less: Allowance for credit losses *(Note a)*	**(5,948)**	(12,730)
	14,512	33,533
Other receivables *(Note b)*	**63,008**	210,015
	77,520	243,548

As at 1 April 2017, trade receivables from contracts with customers amounted to approximately HK$8,743,000.

Notes:

(a) Trade receivables

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 management. The Group does not hold any collateral or other credit enhancements over its trade receivable balances.

The aging analysis of trade receivables (net of allowance for credit losses) based on the invoice dates is as follows:

	2019 HK$'000	2018 HK$'000
Within 30 days	**4,596**	26,067
31 – 60 days	**2,566**	7,411
61 – 90 days	**3,828**	55
91 – 180 days	**3,522**	—
	14,512	33,533

The aging analysis of trade receivables which are past due but not impaired as at the reporting date based on the past due dates is as follows:

	2019 HK$'000	2018 HK$'000
Within 30 days	**3,210**	—
31 – 60 days	**4,520**	—
61 – 90 days	**1,204**	—
	8,934	—

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2019

22. TRADE AND OTHER RECEIVABLES *(Continued)*

Notes: (Continued)

(a) Trade receivables *(Continued)*

Movements in allowance for credit losses are as follows:

	2019 HK$'000	2018 HK$'000
At 1 April	12,730	10,215
Impairment loss under ECL model for the year	5,948	—
Reversal of provision of doubtful debts	(7,327)	(6,639)
Provision of doubtful debts	—	9,154
Written-off of irrecoverable receivable	(5,403)	—
At 31 March	5,948	12,730

The carrying amounts of the Group's trade receivables are denominated in the following currencies:

	2019 HK$'000	2018 HK$'000
HK$	5,580	2,965
United States dollars ("US$")	8,743	4,758
Renminbi ("RMB")	189	25,810
	14,512	33,533

22. TRADE AND OTHER RECEIVABLES *(Continued)*

Notes: *(Continued)*

(b) Other receivables

	2019 HK$'000	2018 HK$'000
Advances to staff	431	923
Deposits paid for inventory procurement	—	25,000
Deposits paid for purchase of oil products *(Note (i))*	22,500	—
Deposits paid to other suppliers	8,129	1,181
Prepayments for purchases *(Note (ii))*	11,672	124,673
Prepayment for acquisition of intangible asset *(Note (iii))*	12,770	—
Prepayments for renovation of vessels	—	27,493
Other receivables from suppliers	—	4,515
Other prepayments and deposits	1,524	8,712
Others	5,982	17,518
	63,008	210,015

Notes:

(i) On 12 July 2018, a wholly-owned subsidiary of the Company ("Subsidiary A") paid trade deposits amounting to HK$17,000,000 and HK$5,500,000 ("Oil Trade Deposits") respectively to two suppliers ("Trade Suppliers") in accordance with Oil Supply Contracts. The above deposits were used for purchase of oil products to be sold in the ordinary course of business of the Group. On 30 June 2020, Subsidiary A further entered into Deeds of assignment ("Deeds") with Trade Suppliers and Baineng Holdings Limited ("Baineng"), a potential investor which had entered into a non-legally binding memorandum of understanding with the Company for possible subscription of new shares and bonds of the Company (details disclosed in the Company's announcement dated 23 December 2019 and 6 March 2020 respectively). Under the Deeds, Baineng would take over the Oil Trade Deposits with Trade Suppliers and return the amount of HK$22,500,000 to the Group, subject to the Company being successful in resumption of trading in the future. Up to the date of this report, these trade deposits have not been settled.

(ii) The amount represents prepayments for purchases of electronic products for trading. The ordered products were subsequently delivered to the Group for the period from February to March 2020.

(iii) On 24 October 2018, the Company entered into a patent service agreement ("Patent Agreement") with a service provider ("Company A") in a contract sum of HK$15,000,000 pursuant to which Company A would process the research and development of patents in the PRC for the Group's business development. From October to November 2018, the Company made certain prepayments amounting to, in aggregate, HK$12,770,000 to Company A in accordance with the Patent Agreement. Up to the date of this report, the Company is in the negotiation with Company A for the transfer of patent or request for refund.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2019

23. LOAN RECEIVABLES

	2019 HK$'000	2018 HK$'000
Loan to a third party, 8% p.a.	—	—

As at 31 March 2017, the Board considered that the loan receivables of HK$9,600,000 were not recoverable and full provision is made for this balance. On 28 June 2017, the Company as the plaintiff ("Plaintiff") had initiated a claim under the writ of summons against the borrower as defendant ("Defendant") under High Court Action HCA 1528 of 2017 for the repayment of HK$9,600,000 being money advanced by the Plaintiff to the Defendant. However, the defendant had not responded to the writ of summons. As at 31 March 2019, the loan receivables has not yet settled and the chance to collect the loan receivable was low. The directors of the Company considered that the loan receivable should be written off.

24. AMOUNT DUE FROM A DIRECTOR

Name of director	Maximum balance during the year HK$'000	2019 HK$'000	2018 HK$'000
Zhang Xueming	2,370	—	2,370

The amount was unsecured, interest-free and repayable on demand.

25. CONTINGENT CONSIDERATION RECEIVABLES

	2019 HK$'000	2018 HK$'000
Carrying amount of contingent consideration receivables	22,000	22,000
Less: Provision of impairment	(22,000)	(22,000)
	—	—

The receivables represent the contingent consideration arising from the acquisition of the entire issued share capital of 3 Dynamics on 11 December 2013 (the "Acquisition Date").

Pursuant to the terms of the sale and purchase agreement dated 21 November 2013 ("SPA"), Mr. Chung Wai Sum (the "Vendor") irrevocably and unconditionally warranted and guaranteed to Dynamic Miracle Limited, a wholly-owned subsidiary of the Company (the "Dynamic Miracle") that the audited net profits after tax of 3 Dynamics as shown in its audited financial statements for the 12 months from the date of the completion of acquisition, i.e. for the period from 11 December 2013 to 10 December 2014 (the "Relevant Period") shall not be less than HK$42,000,000 (the "Profit Guarantee"). The Profit Guarantee was secured by 140,000,000 consideration shares ("Escrow Shares") of the Company issued to the Vendor. As certified by the previous auditor of the 3 Dynamics, 3 Dynamics has recorded a net loss after tax in its audited financial statements for the period from 11 December 2013 to 10 December 2014 and there was no profit for the Relevant Period pursuant to the SPA. Under the terms and conditions as stipulated in SPA, the Escrow Shares would be sold in order to pay for the Profit Guarantee. During the year ended 31 March 2016, a portion of the Escrow Shares was 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 2019, the balance of HK$22,000,000 was still outstanding for the Profit Guarantee and the 73,870,000 (before adjustment for share consolidation described in note 32(d)) of the Escrow Shares are remained as a security for the Profit Guarantee.

During the year ended 31 March 2019, the Company was still in the process of negotiating with the Vendor on the recovery of the outstanding amount. As at 31 March 2019, the outstanding balance of HK$22,000,000 (2018: HK$22,000,000) represents the nominal amount of cash to be received for the Profit Guarantee. However, the receivables have been long outstanding, despite the Escrow Shares held, full provision for the amount receivables had been made during the year ended 31 March 2017.

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For the year ended 31 March 2019

26. BANK BALANCES AND CASH

The amounts comprise cash held by the Group and short-term bank deposits at market interest rates ranging from 0.001% to 0.03% p.a. (2018: 0.001% to 0.01% p.a.) with an original maturity of three months or less.

27. TRADE AND OTHER PAYABLES

	2019 HK$'000	2018 HK$'000
Trade payables *(Note a)*	5,802	23,707
Other payables *(Note b)*	47,476	68,813
	53,278	92,520

Notes:

(a) Trade payables

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:

	2019 HK$'000	2018 HK$'000
Not yet due	4,333	4,478
1 – 30 days past due	1,127	1,330
31 – 60 days past due	76	82
61 – 90 days past due	137	16
91 – 180 days past due	63	41
Over 180 days	66	17,760
	5,802	23,707

27. TRADE AND OTHER PAYABLES *(Continued)*

Notes: *(Continued)*

(a) Trade payables *(Continued)*

The carrying amounts of the Group's trade payables were denominated in the following currencies:

	2019 HK$'000	2018 HK$'000
HK$	5,477	5,012
RMB	269	18,342
US$	56	353
Total	5,802	23,707

(b) Other payables

	2019 HK$'000	2018 HK$'000
Accruals	11,297	11,836
Interest payables	5,326	3,760
Other tax payables	—	1,302
Salary and welfare payables	15,640	10,400
Deposit received and receipts in advance	—	11,263
Others	15,213	30,252
	47,476	68,813

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28. PROMISSORY NOTES PAYABLE

	2019 HK$'000	2018 HK$'000
At 1 April	**81,644**	97,989
Issuance	**10,420**	5,000
Effective interest charged	**7,587**	8,542
Interest paid/payable	**(4,440)**	(9,687)
Redemption on maturity	**(26,000)**	(20,200)
At 31 March	**69,211**	81,644
Less: Amount classified as current liabilities	**(1,513)**	(26,842)
Amount classified as non-current liabilities	**67,698**	54,802

The promissory notes were unsecured, bearing interest at rates ranging from 4% to 14% per annum and with maturity dates range from 1 to 7 years from the dates of issue. The effective interest rates of the promissory notes range from 3.5% to 21.1% per annum.

During the year ended 31 March 2019, the Company issued unsecured promissory notes with aggregate principal amounts of HK$10,420,000 (2018: HK$5,000,000). The proceeds from the issue are used for general working capital of the Group.

At any time prior to the maturity date, the Company has the sole discretion to elect for redemption of the promissory notes, in whole or in part (in the amounts of not less than HK$1,000,000 or an integral multiple thereof or such other amounts agreed between the Company and promissory notes holders), at a redemption price equal to 100% of the principal amount of the promissory notes, plus accrued and unpaid interest thereon at the redemption date.

The early redemption right is regarded as embedded derivatives in the host contract. The early redemption right is not recognised in the consolidated financial statements since the redemption is at the discretion of the Company and the Directors consider that the probability of exercise of the early redemption right is remote. The Directors have assessed the fair values of the early redemption right at initial recognition and at the end of the reporting period and consider that the fair value of the early redemption right was immaterial.

29. BORROWINGS

	2019 HK$'000	2018 HK$'000
Secured bank loan *(Note a)*	11,672	35,400
Unsecured interest-bearing bond *(Note b)*	10,000	29,743
Other loan *(Note c)*	24,163	—
	45,835	65,143
Secured	11,672	35,400
Unsecured	34,163	29,743
	45,835	65,143
Less: Amount classified as current liabilities	(35,835)	(35,400)
Amount classified as non-current liabilities	10,000	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:

	2019 HK$'000	2018 HK$'000
The carrying amount of the bank loan is repayable:		
Within one year	11,672	35,400

As at 31 March 2019, the secured bank loan, which is denominated in RMB, is secured by the (i) Group's buildings with carrying amounts of approximately HK$9,939,000, equivalent to approximately RMB8,515,000 (2018: HK$10,948,000, equivalent to approximately RMB8,759,000) and (ii) land and building provided by a director of the Group's subsidiary, and (iii) supported by guarantees provided by a director of the Group's subsidiary. (2018: supported by guarantees provided by a director of the Group's subsidiary). The secured bank loan bears interest at approximately 6.09% per annum (2018: 5.66% per annum).

29. BORROWINGS *(Continued)*

Notes: (Continued)

(b) Unsecured interest-bearing bond

During the year ended 31 March 2018, the Company issued an unsecured interest-bearing bond ("Bond 1") in the principal amount of HK$30,000,000 which bears interest rate at 15% per annum and with a maturity of 3 years. During the year ended 31 March 2019, the Bond 1 had been early redeemed and the Company issued an unsecured interest-bearing bond ("Bond 2") in the principal amount of HK$10,000,000 which bears interest rate at 8% per annum and with a maturity of 7 years.

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

	Bond 1 HK$'000	Bond 2 HK$'000	**Total HK$'000**
At 1 April 2017	—	—	**—**
Issuance, net of direct attributable cost	28,200	—	**28,200**
Effective interest charged	4,731	—	**4,731**
Interest paid/payable	(3,188)	—	**(3,188)**
At 31 March 2018 and 1 April 2018	29,743	—	**29,743**
Issuance, net of direct attributable cost	—	10,000	**10,000**
Effective interest charged	2,813	448	**3,261**
Interest paid/payable	(3,562)	(448)	**(4,010)**
Redemption	(28,994)	—	**(28,994)**
At 31 March 2019	—	10,000	**10,000**

(c) Other loan

As disclosed in note (b), Bond 1 had been early redeemed as requested by the holder of Bond 1 and re-scheduled as an other loan in the principal amount of HK$30,000,000 which bears interest rate at 20% per annum (30% per annum when the Company breaches the repayment terms) and matured on 15 May 2019.

	2019 HK$'000	2018 HK$'000
The carrying amount of the other loan is repayable:		
Within one year	**24,163**	—

30. CONVERTIBLE NOTES

On 2 November 2018, the Company issued convertible notes with an aggregate principal amount of HK$13,000,000 ("2020 CN"), due on 2 November 2020 and bearing interest at 1.5% per annum payable on due date. The 2020 CN are convertible into fully paid ordinary shares with a par value of HK$0.004 each of the Company at an initial conversion price of HK$4 (after adjustment on consolidation of shares as described in note 32(d) to the consolidated financial statements).

On initial recognition, the equity component of the convertible notes was separated from the liability component. The equity element is presented in equity as convertible notes equity reserve. The effective interest rate of the liability component is 11.43% per annum.

Upon the full conversion of the outstanding 2020 CN at the conversion price of HK$4 per conversion share, the outstanding 2020 CN would be converted into 3,250,000 ordinary shares.

On the maturity date, any of the 2020 CN not converted or redeemed during the tenure will be redeemed at 100% of its principal amount and accrued interest. The Board will consider to negotiate with the noteholders to obtain an extension for repayment of the 2020 CN and not to demand for repayment even if any event of default or potential event of default which might occur.

	2020 CN HK'000
At 1 April 2017, 31 March 2018 and 1 April 2018	—
2020 CN liability component on initial recognition	10,785
Interest charged	506
Interest payable	(80)
At 31 March 2019	11,211

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31. DEFERRED TAX LIABILITIES

The following are the deferred tax liabilities recognised by the Group:

	Intangible assets HK$'000	Accelerated tax depreciation HK$'000	Withholding tax on undistributed earnings HK$'000	Total HK$'000
At 1 April 2017	3,630	157	816	4,603
Credit to consolidated profit or loss for the year	(3,630)	—	—	(3,630)
At 31 March 2018, 1 April 2018 and 31 March 2019	**—**	**157**	**816**	**973**

At the end of the reporting period, the Group had unused tax losses of approximately HK$7,879,000 (2018: approximately HK$88,270,000), available for offset against future profits. No deferred tax asset has been recognised due to the unpredictability of future profit streams.

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32. SHARE CAPITAL

	Notes	Number of ordinary shares at HK$0.0002 per share	Number of ordinary shares at HK$0.004 per share	Amount HK'000
Authorised				
At 1 April 2017, 31 March 2018 and 1 April 2018		40,000,000,000	—	8,000
Consolidation of shares	*(d)*	(40,000,000,000)	2,000,000,000	—
As at 31 March 2019		**—**	**2,000,000,000**	**8,000**
Issued and fully paid				
At 1 April 2017		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		6,142,456,372	—	1,228
Placement of shares	*(c)*	1,000,000,000	—	200
Consolidation of shares	*(d)*	(7,142,456,372)	357,122,818	—
Placement of shares	*(e)*	—	22,897,000	92
As at 31 March 2019		**—**	**380,019,818**	**1,520**

Notes:

(a) 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.

(b) 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.

(c) On 10 July 2018, the Company allotted 1,000,000,000 ordinary shares under placing at the price of HK$0.041 each for a total cash consideration of HK$41,000,000. The premium on the allotment of shares amounted to approximately HK$40,800,000.

(d) Pursuant to an ordinary resolution passed on 28 November 2018, the Company consolidated every existing 20 issued and unissued shares of HK$0.0002 each into 1 consolidated share of HK$0.004 each (the "Share Consolidation"). Upon the Share Consolidation becoming effective, the authorised share capital of the Company became HK$8,000,000 divided into 2,000,000,000 ordinary shares of HK$0.004 each. Based on a total of 7,142,456,372 ordinary shares of HK$0.0002 each in issue immediately prior to the Share Consolidation, the issued and fully-paid share capital of the Company became approximately HK$1,428,000 divided into 357,122,818 ordinary shares of HK$0.004 each.

(e) On 26 March 2019, the Company allotted 22,897,000 ordinary shares under placing at the price of HK$0.316 each for a total cash consideration of approximately HK$7,235,000. The premium on the allotment of shares amounted to approximately HK$7,144,000.

33. 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 eligible participants who contribute to the success of the Group's operations. Eligible participants include 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 any time. 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 or substantial shareholder of the Company, 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 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, 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 shareholders' meetings.

33. SHARE-BASED PAYMENTS *(Continued)*

EQUITY-SETTLED SHARE OPTION SCHEME *(Continued)*

Details of the specific categories of options are as follows:

Grantee	Date of grant	Exercise period	Exercise price HK$
Directors, employees and consultants	10.10.2013 *(Note a)*	10.10.2013 to 9.10.2023	7.82
	13.1.2014 *(Note a)*	13.1.2014 to 12.1.2024	6.28
	14.7.2014 *(Note a)*	14.7.2014 to 13.7.2024	5.12
	21.8.2014 *(Note b)*	21.8.2014 to 20.8.2024	4.52
	23.9.2014 *(Note b)*	23.9.2014 to 22.9.2024	6.20
	16.2.2015 *(Note b)*	16.2.2015 to 15.2.2025	3.28
	17.3.2015 *(Note b)*	17.3.2015 to 16.3.2025	3.68
	21.4.2017 *(Note b)*	21.4.2017 to 20.4.2020	2.52
	11.4.2018 *(Note c)*	11.4.2018 to 10.4.2021	1.04

Notes:

(a) The exercise price of the share options granted in prior years have been adjusted pursuant to the share subdivision and share consolidation of the Company's shares becoming effective on 25 March 2014, 30 September 2016 and 29 November 2018.

(b) The exercise price of the share options granted in prior years have been adjusted pursuant to the share subdivision and share consolidation of the Company's shares becoming effective on 30 September 2016 and 29 November 2018.

(c) The fair value and the exercise price of the share options granted in the current year have been adjusted pursuant to the share consolidation of the Company's shares becoming effective on 29 November 2018.

If the options remain unexercised after a period of 10 years from the date of grant, the options will expire. Options will be forfeited after the period of 9 months from the date of cessation if the employee ceases to be an employee or consultant of the Group.

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33. SHARE-BASED PAYMENTS *(Continued)*

EQUITY-SETTLED SHARE OPTION SCHEME *(Continued)*

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

	2019		2018	
	Number of share options	Weighted average exercise price HK$	Number of share options	Weighted average exercise price HK$
Outstanding at the beginning of the year	420,198,000	0.21	342,098,000	0.08
Granted during the year	211,250,000	0.052	264,000,000	0.126
Lapsed during the year	—	N/A	(27,500,000)	0.31
Exercised during the year	—	N/A	(158,400,000)	0.126
Consolidation of shares (Note 32(d))	(599,875,600)	N/A	—	N/A
Outstanding at the end of the year	31,572,400	3.20	420,198,000	0.21
Exercisable at the end of the year	31,572,400	3.20	420,198,000	0.21

The options outstanding at the end of the year have a weighted average remaining contractual life of 3.63 years (2018: 5.31 years) and the exercise prices range from HK$1.04 to HK$7.82 (2018: from HK$2.52 to HK$7.82), after adjustment for the share consolidation described in note 32(d) to the consolidated financial statements.

33. SHARE-BASED PAYMENTS *(Continued)*

EQUITY-SETTLED SHARE OPTION SCHEME *(Continued)*

The estimated fair values of the share options granted were determined at the date of grant using the Binominal Option Pricing Model. The respective fair values and significant inputs to the models at the date of grant were as follows:

Date of grant	Fair value	Exercise price	Expected volatility (Note)	Risk free rate	Expected life
21 April 2017	HK$0.06	HK$0.126	91.41%	0.92%	3 years
11 April 2018	HK$0.02	HK$0.052	90.11%	1.61%	3 years

The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which may not necessarily be the actual outcome.

Share options granted to consultants were incentives for helping the Group to expand its business network, acquire and explore new business projects and opportunities. The fair value of such benefits could not be estimated reliably and as a result, the fair value is measured by reference to the fair value of share options granted.

During the year ended 31 March 2019, the Company granted 211,250,000 (2018: 264,000,000) share options with exercise price of HK$1.04 (2018: HK$2.52) per share under the share option scheme, after adjustment for the share consolidation described in note 32(d).

The Group recognised the total expense of approximately HK$5,040,000 for the year ended 31 March 2019 (2018: HK$16,044,000) in relation to share options granted by the Company.

34. RELATED PARTY TRANSACTIONS

Saved as disclosed elsewhere in these consolidated financial statements, the Group has following balances with related parties.

(A) NAME AND RELATIONSHIP WITH A RELATED PARTY

Name of a related party	Relationship
Jiangxi Zhongyou Yingtai Natural Gas Limited Liability Company ("Zhongyou Yingtai")	Mr. Zou Donghai, the Chairman of the Company, has indirect significant influence on Zhongyou Yingai
China Oil Gang Xin Capital Limited ("Gang Xin")	Dr. Zheng Jian Peng is a common director of the Company

(B) BALANCE WITH RELATED COMPANIES

In addition to the related parties, balances disclosed elsewhere in the consolidated financial statements, the Group had the following balances with its related parties during the year:

	Maximum balance during the year HK$'000	**2019 HK$'000**	2018 HK$'000
Amounts due from related companies			
– Zhongyou Yingtai	9,773	—	9,773
– Gang Xin	120	—	120
		—	9,893

The amounts due from related companies are unsecured, interest-free and repayable on demand.

35. COMMITMENTS

(A) OPERATING LEASE COMMITMENTS

The Group as lessee

At the end of reporting period, the total future minimum lease payments under non-cancellable operating leases are payable as follows:

	2019 HK$'000	2018 HK$'000
Within one year	3,612	12,075
In the second to fifth years inclusive	306	34,017
Over five years	—	11,830
	3,918	57,922

Operating lease payments represent rentals payable by the Group for certain of its offices and factories (2018: offices, factories, staff quarters, and vessels). Rentals are fixed over the lease terms and do not include contingent rentals.

(B) CAPITAL COMMITMENT

	2019 HK$'000	2018 HK$'000
Capital expenditure in respect of the acquisition of intangible asset contracted for but not fully provided in the consolidated financial statements	2,230	—

36. RETIREMENT BENEFITS SCHEME

The Group operates a mandatory provident fund scheme (the "MPF Scheme") under the Hong Kong Mandatory Provident Fund Schemes Ordinance for all qualifying employees in Hong Kong. The Group's contributions to the MPF Scheme are calculated at 5% of the salaries and wages subject to a monthly maximum amount of contribution of HK$1,500 per employee and vest fully with employees when contributed into the MPF Scheme.

The employees of the Group's subsidiaries established in the PRC are members of a central pension scheme operated by the local municipal government. These subsidiaries are required to contribute certain percentage of the employees' basic salaries and wages to the central pension scheme to fund the retirement benefits. The local municipal government undertakes to assume the retirement benefits obligations of all existing and future retired employees of these subsidiaries. The only obligation of these subsidiaries with respect to the central pension scheme is to meet the required contributions under the scheme.

37. GAIN ON DISPOSAL OF SUBSIDIARIES

There was no disposal of subsidiaries during the year ended 31 March 2019.

During the year ended 31 March 2018, the Group disposed of its 100% equity interest in Capital Convoy Limited together with its subsidiary to a son of a director of a subsidiary for a consideration of HK$7.8, resulting in a gain of a disposal of HK$628,000.

The aggregate amounts of the assets and liabilities of the subsidiaries on the date of disposal are as follow:

	2018 HK$'000
Net liabilities disposed of:	
Other receivables	27,873
Other payables	(27,771)
Income tax payables	(730)
	(628)
Less: cash consideration	—
Gain on disposal of subsidiaries	(628)

An analysis of net inflows of cash and cash equivalents in respect of the disposal of subsidiaries is as follows:

	2018 HK$'000
Net cash inflow arising on disposal:	
Cash consideration received	—
Cash and cash equivalent disposed of	—
	—

38. DECONSOLIDATION OF SUBSIDIARIES

As described in note 2 of the consolidated financial statements, due to the obstructions faced by the Company in exercising control over, and gathering information and documents from, the Deconsolidated Subsidiaries, the Company regard that it has lost control over the Deconsolidated Subsidiaries. Under these circumstances, the directors have not been able to obtain complete documentary information to satisfy themselves regarding the accounting treatments and carrying values in respect of those transactions for the year ended 31 March 2019. As such, the assets and liabilities of the Deconsolidated Subsidiaries have not been included in the consolidated financial statements of the Group since 1 January 2019. The aggregate amounts of the assets and liabilities of the Deconsolidated Subsidiaries as at 1 January 2019 were as follow:

	Immediate before deconsolidation on 1.1.2019 HK$'000
Net assets deconsolidated:	
Property, plant and equipment	1,277
Inventories	26,093
Trade and other receivables	118,240
Amounts due from related companies	43,280
Bank balances and cash	31,579
Trade and other payables	(52,252)
Amounts due to group companies	(43,049)
	125,168
Release of foreign currency translation reserve	4,688
Non-controlling interests	10,865
Release of statutory reserve	(74)
Net loss arising on deconsolidation of subsidiaries	140,647
Analysis of net outflow of cash and cash equivalents arising from deconsolidation of subsidiaries	31,579

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38. DECONSOLIDATION OF SUBSIDIARIES *(Continued)*

The results of the Deconsolidated Subsidiaries for the period from 1 April 2018 to 31 December 2018, which have been included in the consolidated statement of profit or loss and other comprehensive income, were as follow:

	Period from 1 April 2018 to 31 December 2018 HK$'000
Revenue	37,005
Cost of sales	(35,760)
Other income	236
Selling expenses	(1,925)
Administrative expenses	(7,057)
Loss before tax	(7,501)
Income tax expense	—
Loss for the period	(7,501)
Loss for the period attributable to:	
Owners of the Company	(4,632)
Non-controlling interests	(2,869)
	(7,501)

39. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY

	2019 HK$'000	2018 HK$'000
Non-current assets		
Investments in subsidiaries	—	9,291
Property, plant and equipment	1,750	2,407
	1,750	11,698
Current assets		
Deposits, prepayment and other receivables	16,386	34,255
Amount due from a director	—	2,370
Amounts due from subsidiaries *(Note 1)*	29,368	144,271
Amount due from a related company	—	120
Bank and cash balances	833	211
	46,587	181,227
Current liabilities		
Accruals and other payables	19,614	10,061
Amounts due to subsidiaries *(Note 1)*	421	794
Promissory notes payable	1,513	26,842
Borrowings	24,163	—
	45,711	37,697
Net current assets	876	143,530
Total assets less current liabilities	2,626	155,228

Note 1: The amounts are unsecured, interest-free and repayable on demand.

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39. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY *(Continued)*

	2019 HK$'000	2018 HK$'000
Non-current liabilities		
Promissory notes payable	67,698	54,802
Borrowings	10,000	29,743
Convertible notes	11,211	—
	88,909	84,545
Net (liabilities) assets	(86,283)	70,683
Capital and reserves		
Share capital	1,520	1,228
Reserves	(87,803)	69,455
Total (deficit) equity	(86,283)	70,683

Approved and authorised for issue by the Board of Directors on 2 July 2020.

Yeung Shing Wai
Executive Director

Chen Tian Gang
Executive Director

39. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY *(Continued)*

	Share premium HK'000	Share-based payment reserve HK$'000	Convertible notes equity reserve HK$'000	Foreign currency translation reserve HK$'000	Accumulated losses HK$'000	Total HK$'000
At 1 April 2017	557,337	41,430	—	—	(570,619)	28,148
Total comprehensive expenses for the year	—	—	—	(74)	(65,150)	(65,224)
Placement of shares	70,560	—	—	—	—	70,560
Recognition of share options	—	16,044	—	—	—	16,044
Exercise of share options	29,446	(9,519)	—	—	—	19,927
Share options lapsed	—	(2,201)	—	—	2,201	—
At 31 March 2018 and 1 April 2018	**657,343**	**45,754**	—	**(74)**	**(633,568)**	**69,455**
Total comprehensive expense for the year	**—**	**—**	—	**—**	**(210,938)**	**(210,938)**
Placement of shares	**47,944**	**—**	—	**—**	**—**	**47,944**
Share issue expenses	**(1,519)**	**—**	—	**—**	**—**	**(1,519)**
Recognition of share options	**—**	**5,040**	—	**—**	**—**	**5,040**
Recognition of equity component of convertible notes	**—**	**—**	**2,215**	**—**	**—**	**2,215**
At 31 March 2019	**703,768**	**50,794**	**2,215**	**(74)**	**(844,506)**	**(87,803)**

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39. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY *(Continued)*

NATURE AND PURPOSE OF RESERVES

(i) Share premium

Under the Companies Law of the Cayman Islands, the funds in the share premium account of the Company are distributable to the shareholders of the Company provided that immediately following the date on which the dividend is proposed to be distributed, the Company will be in a position to pay off its debts as they fall due in the ordinary course of business.

(ii) Foreign currency translation reserve

Foreign currency translation reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations. The reserve is dealt with in accordance with the accounting policies set out in note 4 to the consolidated financial statements.

(iii) Share-based payment reserve

Share-based payment reserve represents the fair value of the actual or estimated number of unexercised share options granted to employees and consultants of the Company recognised in accordance with the accounting policy adopted for equity-settled share-based payments in note 4 to the consolidated financial statements.

(iv) Convertible notes equity reserve

The convertible notes equity reserve represents the value of the unexercised equity component of convertible notes issued by the Company recognised in accordance with the accounting policy adopted for convertible notes in note 4 to the consolidated financial statements.

40. PARTICULARS OF SUBSIDIARIES

Particulars of the subsidiaries as at 31 March 2019 are as follows:

Name	Place of incorporation/ operation	Issued and fully paid share capital/ registration capital	Percentage of ownership interest/ voting power/ profit sharing		Principal activities
			Direct	Indirect	
Brave Lead International Limited	British Virgin Islands ("BVI")/ Hong Kong	1 ordinary share of US$1 each	100%	—	Investment holding
Prosper State International Holdings Limited	Hong Kong/ Hong Kong	HK$1	—	100%	Inactive
Brilliant Access Holdings Limited	BVI/Hong Kong	1 ordinary share of US$1 each	100%	—	Investment holding
China Oil Gangran Energy Group International Limited	Hong Kong/ Hong Kong	HK$1	—	100%	Investment holding
Dynamics Miracle Limited	BVI/Hong Kong	1 ordinary share of US$1 each	100%	—	Investment holding
3 Dynamics (Asia) Limited	Hong Kong/ Hong Kong	HK$10,000	—	100%	Engaged in activities relating to the provision of programming services, web services, mobile marketing solutions and development of mobile phone games
Yuan Da Capital Limited	BVI/Hong Kong	1 ordinary share of US$1 each	100%	—	Investment holding
China Oil Gangran Energy Group Limited	Hong Kong/ Hong Kong	HK$10,000	—	100%	Investment holding

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For the year ended 31 March 2019

40. PARTICULARS OF SUBSIDIARIES *(Continued)*

Name	Place of incorporation/ operation	Issued and fully paid share capital/ registration capital	Percentage of ownership interest/ voting power/ profit sharing Direct	Indirect	Principal activities
吉林中油港燃能源開發有限公司 Jilin China Oil Gangran Energy Development Company Limited ("Jilin China Oil")*	The PRC/PRC	HK$100,000,000	–	100%	Development of liquefied natural gas, compressed natural gas and related clean energy business
High Group Limited	Hong Kong/ Hong Kong	HK$10,000	–	100%	Investment holding
Rich Talent Worldwide Limited	BVI/Hong Kong	1 ordinary share of US$1 each	100%	–	Investment holding
Treasure Rich International Investment Limited	Hong Kong/ Hong Kong	HK$1	–	100%	Inactive
New Skyline Group Limited	BVI/Hong Kong	1 ordinary share of US$1 each	100%	–	Investment holding
China Oil Gangran Energy Group Investment Limited	Hong Kong/ Hong Kong	HK$10,000	–	100%	Inactive
Charm Profit Inc	BVI/Hong Kong	1 ordinary share of US$1 each	100%	–	Investment holding
Brave Champ Holdings Limited	BVI/Hong Kong	1 ordinary share of US$1 each	100%	–	Investment holding
China Oil Gangran Energy Group (Hong Kong) Limited	Hong Kong/ Hong Kong	HK$1	–	100%	Investment holding
江西中油港燃能源科技有限責任公司 ("江西中油") Jiangxi China Oil Gangran Energy Technology Company Limited ("Jiangxi China Oil")*	The PRC/PRC	RMB100,000,000	–	51%	Development and trading of refined oil and chemicals

40. PARTICULARS OF SUBSIDIARIES *(Continued)*

Name	Place of incorporation/ operation	Issued and fully paid share capital/ registration capital	Percentage of ownership interest/ voting power/ profit sharing Direct	Indirect	Principal activities
江西港燃貿易有限公司 Jiangxi Gangran Trading Company Limited ("Gangran Trading")*	The PRC/PRC	HK$200,000,000	–	100%	Development and trading of refined oil and chemicals
舟山中油港燃石油化工有限公司 Zhoushan China Oil Gangran Petroleum and Chemical Company Limited ("Zhoushan China Oil")*	The PRC/PRC	RMB30,000,000	–	51%	Development and trading of refined oil and chemicals
China Oil Gangran Energy Group Coal Sale Company Limited	Hong Kong/ Hong Kong	HK$1	–	100%	Inactive
Empire Smart International Group Limited	BVI/Hong Kong	1 ordinary share of US$1 each	100%	–	Investment holding
China Oil Gangran Energy Group (Hong Kong) Investment Company Limited	Hong Kong/ Hong Kong	HK$1	–	100%	Investment holding
中創國際陸港(瀋陽)有限公司 ZhongChuang International Port (Shenyang) Company Limited ("ZhongChuang")*	The PRC/PRC	HK$150,000,000	–	91%	Inactive
Fortune Hill International Group Limited	BVI/Hong Kong	1 ordinary share of US$1 each	100%	–	Investment holding
China Oil Gangran Energy Group (Africa) Development Company Limited	Hong Kong/ Hong Kong	HK$1	–	100%	Inactive

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40. PARTICULARS OF SUBSIDIARIES *(Continued)*

Name	Place of incorporation/ operation	Issued and fully paid share capital/ registration capital	Percentage of ownership interest/ voting power/ profit sharing Direct	Indirect	Principal activities
Mighty Wide Limited	BVI/Hong Kong	1 ordinary share of US$1 each	100%	–	Investment holding
China Oil Gangran Energy Group (Huge Trend) Investment Limited	Hong Kong/ Hong Kong	HK$1	–	100%	Inactive
Able One Investments Limited	BVI/Hong Kong	3 ordinary shares of US$1 each	100%	–	Investment holding
Sun Fair Electric Wire & Cable (HK) Company Limited	Hong Kong/ Hong Kong	HK$3,000,000	–	100%	Trading of power and data cords
Joint Market Limited	BVI/Hong Kong	1 ordinary share of US$1 each	–	100%	Investment holding
Logic Dynamic Limited	Hong Kong/ Hong Kong	HK$10,000	–	100%	Trading of power and data cords for medical control devices
三輝電線電纜(郴州)有限公司 Sun Fair Electric Wire & Cable (Chenzhou) Company Limited ("Sun Fair CZ")*	The PRC/PRC	HK$4,000,000	–	100%	Manufacturing and trading of power and data cords
三輝電線電纜(深圳)有限公司 Sun Fair Electric Wire & Cable (Shenzhen) Company Limited ("Sun Fair SZ")*	The PRC/PRC	HK$10,000,000	–	100%	Manufacturing and trading of power and data cords

Sun Fair SZ, Sun Fair CZ, Jilin China Oil and Gangran Trading are wholly-foreign-owned enterprises established in the PRC.

* for identification purpose only

41. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Group's consolidated statement of cash flows as cash flows from financing activities.

	Interest payables HK'000	Borrowings HK$'000	Obligations under finance leases HK$'000	Promissory notes payable HK$'000	Liability component of convertible notes HK$'000	Total HK$'000
At 1 April 2017	2,090	–	1,204	97,989	–	101,283
Changes from financing cash flows:						
Raised	–	63,600	–	5,000	–	68,600
Repayment	–	–	(1,204)	–	–	(1,204)
Redemption	–	–	–	(20,200)	–	(20,200)
Interest expenses	345	4,731	34	8,542	–	13,652
Repayment of interest	1,325	(3,188)	(34)	(9,687)	–	(11,584)
At 31 March 2018 and 1 April 2018	3,760	65,143	–	81,644	–	150,547
Changes from financing cash flows:						
Raised	–	21,720	–	10,420	10,785	42,925
Repayment	–	(40,997)	–	–	–	(40,997)
Redemption	–	–	–	(26,000)	–	(26,000)
Interest expenses	–	8,197	–	7,587	506	16,290
Interest accrued	4,520	–	–	(4,440)	(80)	–
Loss on early redemption	–	1,006	–	–	–	1,006
Repayment of interest	(2,954)	(8,946)	–	–	–	(11,900)
Exchange differences	–	(288)	–	–	–	(288)
At 31 March 2019	**5,326**	**45,835**	**–**	**69,211**	**11,211**	**131,583**

42. EVENTS AFTER THE REPORTING PERIOD

Saved as disclosed elsewhere in these consolidated financial statements, the Group's material events after the reporting period are as follows:

(i) On 26 April 2019, the Company received a petition ("HK Petition") from Glory Sum Securities Limited, formerly known as China Goldjoy Securities Limited ("HK Petitioner") filed in the High Count of Hong Kong ("HK High Court") that the Company may be wound up by the High Court on the ground that the Company is insolvent and unable to pay its debts. The HK Petition was filed against the Company for failure to settle an indebted sum of HK$23,654,900.30, plus further daily interest of HK$20,726.03, in total being the alleged outstanding amount owed by the Company to the HK Petitioner.

(ii) On 22 October 2019, the Company filed a winding up petition at Grand Court of the Cayman Islands (the "Cayman Court") under section 93 of the Cayman Companies Law. On 5 November 2019, the Cayman Court ordered that 3 persons be appointed as the Joint Provisional Liquidators ("JPLs") of the Company with the power to act jointly and severally. The JPLs were authorised to develop and propose a restructuring of the Company's indebtedness in a manner designed to allow the Company to continue as a going concern, with a view to making a compromise or arrangement with the Company's creditors, including (without limitation) a compromise or arrangement by way of a scheme of arrangement pursuant to section 86 of the Cayman Companies law.

(iii) On 5 July 2019, a wholly-owned subsidiary of the Company, Able One Investments Limited ("Able One") and an independent third party ("Subscriber") have entered into a subscription agreement pursuant to which Able One has agreed to allot and issue, and the Subscriber has agreed to subscribe for, the subscription shares at an aggregate subscription consideration of HK$2,000,000. The allotted shares representing 49% equity interest of Able One and its subsidiaries with entire power and data cords and general trading business.

(iv) On 24 July 2019, the Company and an independent third party (the "Lender") entered into a loan agreement, pursuant to which the Lender has agreed to make available to the Company the loan, through itself or company controlled by it, with the principal amount of HK$5,000,000 from 24 July 2019 on the terms and conditions contained therein, and the Company has agreed to provide, as security for the loan and in favour of the Lender, the share pledge over 51% equity interests of Able One and its subsidiaries with entire power and data cords and general trading business.

(v) Since December 2019, the outbreak of novel coronavirus ("COVID-19") has impact on the global business environment. Pending the development and spread of the epidemic subsequent to the date of the approval of these consolidated financial statements, further changes in economic conditions for the Group arising thereof may have impact on the financial results of the Group, the extent of which could not be estimated as at the date of the approval of these consolidated financial statements. The Group will pay close attention to the development of COVID-19 and evaluate its impact on the financial position and operating results of the Group.

42. EVENTS AFTER THE REPORTING PERIOD *(Continued)*

(vi) On 23 December 2019, the Company and a potential investor ("First Potential Investor") entered into a non-legally binding memorandum of understanding ("MOU") pursuant to the First Potential Investor shall invest a sum of HK$40,000,000 in the Company by way of subscription of shares and bonds. The First Potential Investor has paid to the Company an non-refundable deposit in the sum of HK$5,000,000 in cash ("Deposit").

On 6 March 2020, the Company entered into a deed of assignment and novation with the First Potential Investor as assignor, the Assignee ("Second Potential Investor") and a warrantor (a director of the First Potential Investor) pursuant to which (i) the First Potential Investor has assigned to the Second Potential Investor all its rights, titles, benefits and interests in and under the MOU (including the Deposit under the MOU); and (b) the Second Potential Investor has undertaken to each of the First Potential Investor and the Company to be bound by and to observe and perform the terms, conditions and covenants of the MOU on the part of the First Potential Investor, and to assume all liabilities of the First Potential Investor under the MOU from the date of the deed of assignment and novation.

43. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform to current year's presentation.

44. APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements were approved and authorised for issue by the Board of Directors on 2 July 2020.

FINANCIAL SUMMARY

The results, assets and liabilities of the Group for each of the last five financial years are as follows:

RESULTS

	For the year ended 31 March				
	2019 HK$'000	2018 HK$'000	2017 HK$'000	2016 HK$'000	2015 HK$'000
Revenue	**102,338**	395,281	331,804	194,790	79,627
Loss before tax	**(237,365)**	(93,580)	(173,925)	(121,679)	(225,327)
Income tax (expense) credit	**(790)**	3,015	3,596	9,514	5,538
Loss for the year	**(238,155)**	(90,565)	(170,329)	(112,165)	(219,789)
Attributable to:					
Owners of the Company	**(235,286)**	(88,168)	(166,789)	(109,552)	(217,075)
Non-controlling interests	**(2,869)**	(2,397)	(3,540)	(2,613)	(2,714)
	(238,155)	(90,565)	(170,329)	(112,165)	(219,789)

ASSETS, EQUITY AND LIABILITIES

	As at 31 March				
	2019 HK$'000	2018 HK$'000	2017 HK$'000	2016 HK$'000	2015 HK$'000
ASSETS					
Non-current assets	**16,782**	21,524	61,057	168,853	230,455
Current assets	**96,562**	326,386	232,135	257,024	219,491
Total assets	**113,344**	347,910	293,192	425,877	449,946
EQUITY AND LIABILITIES					
Total (deficit) equity	**(73,902)**	101,657	70,695	215,998	262,443
Non-current liabilities	**89,882**	85,518	70,817	105,221	102,644
Current liabilities	**97,364**	160,735	151,680	104,658	84,859
Total liabilities	**187,246**	246,253	222,497	209,879	187,503
Total equity and liabilities	**113,344**	347,910	293,192	425,877	449,946
Attributable to:					
Owners of the Company	**(73,812)**	112,693	81,367	221,630	265,456
Non-controlling interests	**(90)**	(11,036)	(10,672)	(5,632)	(3,013)
	(73,902)	101,657	70,695	215,998	262,443