中油港燃能源集團控股有限公司

CHINA OIL GANGRAN ENERGY GROUP HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 8132

Annual Report 2018

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

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Corporate Information

REGISTERED OFFICE

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

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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

PRINCIPAL PRODUCTION PLANT

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

COMPANY'S WEBSITES

www.chinaoilgangran.com
chinaoilgangran.todayir.com

LEGAL ADVISER

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

AUDITOR

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

STOCK CODE

8132

BOARD OF DIRECTORS

Executive Directors

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

Non-Executive Directors

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

Independent Non-Executive Directors

Mr. Chan Ying Kay
Mr. Lau Sung Tat, Vincent
Mr. Sun Dexin (appointed on 24 October 2017)
Ms. Eugenia Yang (resigned on 7 June 2018)

AUDIT COMMITTEE

Mr. Lau Sung Tat, Vincent *(Chairman)*
Mr. Chan Ying Kay
Mr. Sun Dexin (appointed on 7 June 2018)
Ms. Eugenia Yang (resigned on 7 June 2018)

NOMINATION COMMITTEE

Mr. Hua Xujie *(Chairman)*
(appointed as a member on 7 August 2017, as Chairman on 7 June 2018)
Mr. Chan Ying Kay (appointed on 7 August 2017)
Mr. Lau Sung Tat, Vincent
Ms. Eugenia Yang *(Chairlady)*
(resigned on 7 June 2018)

REMUNERATION COMMITTEE

Mr. Lau Sung Tat, Vincent *(Chairman)*
Mr. Chan Ying Kay (appointed on 7 August 2017)
Dr. Zheng Jian Peng (appointed on 7 June 2018)
Ms. Eugenia Yang (resigned on 7 June 2018)

Corporate Information

COMPANY SECRETARY

Dr. Zheng Jian Peng

COMPLIANCE OFFICER

Dr. Ho Chun Kit Gregory

AUTHORISED REPRESENTATIVES

Mr. Zou Donghai
Dr. Zheng Jian Peng

THE PRINCIPAL SHARE REGISTRAR IN THE CAYMAN ISLANDS

Codan Trust Company (Cayman) Limited
Cricket Square, Hutchins Drive
P.O. Box 2681
Grand Cayman, KY1-1111
Cayman Islands

BRANCH SHARE REGISTRAR AND TRANSFER AGENT IN HONG KONG

Tricor Investor Services Limited
Level 22, Hopewell Centre
183 Queen's Road East
Wanchai
Hong Kong

Chairman's Statement

"Innovation for development beyond milestone"

To Shareholders,

On behalf of the Board of Directors (the "Board") of China Oil Gangran Energy Group Holdings Limited (the "Company") and its subsidiaries (collectively the "Group"), I would like to present to the shareholders the annual results of the Group for the year ended 31 March 2018 (the "Financial Year").

During the Financial Year, there were still uncertainties over the world economy. Global economic recovery was slow in general and the international oil prices stayed at low levels. Given the unfavorable factors and uncertainties in the world economy, it is likely to continue operating at a low speed in 2018. In such a grim international economic environment, Chinese economy has begun to slow down. With the deepening of the reform of government, as well as industrial restructuring, the economic restructuring will also have a significant impact on economic development.

In this macro context, in order to reduce the uncertainties in economic environment or adverse effects on the Group, the Group endeavored to overcome the adverse effects by strengthening efforts to seize business opportunities and accelerating its development. The Group actively optimized the core business management model and enhanced performance management. On the basis of consolidating the existing business, the Group promoted the strategic expansion planning with development potential and long-term sustainability. With regard to potential investment projects, the Group continued to carry out prudent assessment on the relevant projects and the industries engaged with a view to make the investment decisions which are favorable to the long-term development of the Group.

The Group is proactively seeking business opportunities arising from the adjustment of China's oil and gas business structure and business model to widely seek for cooperation, so as to stabilize business development. This will resolve the current development problems, accumulate experience for the Group's scale development in the future, and create the necessary basic conditions. Looking back to the business development of the Group, there were main highlights as follows:

Chairman's Statement

I. A subsidiary, namely Jiangxi China Oil Gangran Energy Technology Company Limited ("Jiangxi China Oil") was jointly set up by the Group in conjunction with Jiangxi Zhongyou Yingtai Natural Gas Limited Liability Company (江西中油鷹泰天然氣有限責任公司) ("Zhongyou Yingtai") and Zhongwaijian Engineering Construction Limited (中外建工程建設有限責任公司) ("Zhongwaijian"). The Group indirectly held 51% equity interest of Jiangxi China Oil, while Zhongyou Yingtai and Zhongwaijian held 40% and 9% equity interest of Jiangxi China Oil, respectively. Jiangxi China Oil started negotiations with the potential partner about the business of "Vessel LNG Utilization Conversion" immediately after its establishment, and this will bring it to the natural gas market which has broad prospects and the support from the PRC policy.

II. Jiangxi China Oil conducted research on and resolved the core issue of Vessel LNG Utilization Conversion through cooperation with key national higher education institutions and research institutions to form the core competencies with independent intellectual property rights.

III. Currently, Jiangxi China Oil is also proactively cooperating with Harbin Institute of Technology to further optimize and upgrade the technology of Vessel LNG Utilization Conversion.

Jiangxi Project reflected that the Group's business development is consistent with the Chinese government's policy direction. China has set the implementation of "further promoting energy revolution, endeavoring to promote reform of energy utilization pattern in production, optimizing the structure of energy supply, improving energy utilization efficiency, building clean, low carbon, safe and efficient modern energy system to safeguard national energy security" as the key strategy of the 13th Five-Year Plan period. In respect of promoting the optimization and upgrading of energy structure, active development of natural gas is an important part. As the best quality clean energy for achieving China's energy conservation, emission reduction and low-carbon economy, natural gas has captured essential support from national policies. Therefore, Chinese government recently introduced various plans on the use of natural gas and projects of prevention and control of air pollution to reinforce governance over inefficient and heavily polluting industries, gradually guiding and promoting the transformation and upgrading of traditional industries, as well as promoting the implementation of "Coal Utilization Conversion" and "LNG Utilization Conversion" to ensure the sustainable and healthy development of the national clean energy industry. In the meantime, atmospheric haze governance and sustainable urbanization also further enhanced the rigid demand for clean energy alternatives.

Today, China has gradually implemented and promoted the application of natural gas, particularly the facilities for application of natural gas in the waterborne industry, with the relevant supports having been gradually increased. The national policy clearly stated that those "LNG Utilization Conversion" vessels being checked and accepted will be granted full subsidy. Policy and system support will be conducive to the long-term development of the natural gas enterprises, which will obtain more substantial returns in the future.

Moreover, compared with conventional diesel fuel, liquefied natural gas (LNG) fuel can significantly reduce the emission of carbon dioxide and greenhouse gases as well as waste oil and water discharge. This project applies new and high-tech environmental protection and energy conservation technology, which is encouraged and supported by the Chinese government, simultaneously bringing the favorable effects of guiding the consumption and centralizing resources. Jiangxi China Oil adopts the unique patented technology of Vessel LNG Utilization Conversion to significantly raise the conversion demand of vessel users and provide ample market development basis for the business of Jiangxi China Oil. The project of Vessel LNG Utilization Conversion is bound to generate huge earnings if it is fully carried out. In addition, the application of natural gas in the waterborne industry is in line with the national policy to conserve energy and advocate natural gas applications. China's policy of subsiding the relevant business is gradually implemented, which will smoothly push forward the Group's natural gas business and have a positive impact on the profit of the Group.

In addition to vigorously promoting the business of Vessel LNG Utilization Conversion, Jiangxi China Oil is also proactively seeking cooperation with the refined oil sales companies of PetroChina to build a new marketing system integrating refuelling, gas filling and charging stations. Jiangxi China Oil is developing the sales business of refined oil and has obtained the exclusive franchise right, which enables it to operate six bunker barges in the Yangtze River, Gan River and Poyang Lake Basin, each with a loading capacity of 1,800 tonnes. The government set limits over refined oil sales in the Yangtze River, Gan River and Poyang Lake, and currently only three major state-owned enterprises, namely PetroChina, Sinopec and CNOOC, have the sales right. The waterborne industry has a huge market with promising prospects. The Group has an opportunity to engage in this market and the project will create huge market efficiency, hence this will be undoubtedly the development priority of Jiangxi China Oil in the future.

Currently, projects of China Oil Gangran's Jilin Subsidiary ("Jilin China Oil") in cooperation with Jilin Oilfield Administration include transformation and upgrading of power, contracted energy management and new technology energy transformation. Jilin China Oil also participated in the development project of Jilin Oilfield 224 Block and was mainly responsible for research on how to coordinate cooperative development model and related operation and technical issues.

Jilin China Oil also explored the development direction of energy conservation and environmental protection projects with the government and related enterprises. They are ready for the implementation of high-tech improvements in respect of the Transformation of Jilin Thermal Power Plant. The power plant consumes thousands of tonnes of coal each year, not only causing environmental pollution, but also producing millions of tonnes of waste residue. Currently, the priority is placed on implementation of waste residues recycling and processing to transform the waste residues into secondary energy. Next is the recovery of combustion dust, which will then be processed into potash fertilizer by products. It is expected that such work will bring new growth for the Group in the future.

Chairman's Statement

In the coming year, the Group will continue to strengthen risk management and act prudently with a view to avoid risks. The Group will closely evaluate its business model and expand new direction of development while consolidating the existing business in order to strengthen the Group's core competitiveness. The Group will also continue to seize the opportunities arising from the favorable PRC policies, focus on promoting clean energy and related business with optimistic prospects, as well as other businesses of the Group with a view to optimize business structure in the medium and long term to bring maximum return and value for the Company's shareholders.

The Group will set the future goals as "New Thinking, New Strategy, New Energy, and New Development". "New Thinking" means to regard the Hong Kong capital market as the dominance and the resource development in the Mainland as the goal according to the economic development policies in Mainland China and Hong Kong. "New Strategy" is to implement the actual strategic development goal of China Oil Gangran to realize the Group's financial development objectives, extend the project development in the new areas, comprehensively expand the light energy, PV, solar thermal power generation, urban rapid rail and transportation clean energy vehicles, modern agricultural projects, tourism projects, film and television culture industry as well as big data and internet based on the overseas development strategy of "One Belt One Road" put forward by the Chinese President Xi Jinping. "New Energy" is to vigorously promote clean energy and new energy development on the basis of the existing refined oil and natural gas sales. "New Development" means to break the traditional confine to expand the global network and endeavor to become a cross-border link and industry pioneer in the new energy development model.

I would like to take this opportunity to express my gratitude to the members of the Board of Directors, management and entire employees for their valuable contributions to the development of the Group as well as our shareholders, investors and business partners for their trust and support for the Group. We promise that China Oil Gangran Energy Group Holdings Limited will continue to make efforts for the sustainable development in the future to repay the support of all parties concerned to the Group.

Yours Faithfully,
Zou Donghai
Chairman

29 June 2018

Management Discussion and Analysis

FINANCIAL REVIEW

The turnover of the Company and its subsidiaries (the "Group") during the year ended 31 March 2018 (the "Financial Year") was approximately HK$395.3 million, an increase of about 19.1% from HK$331.8 million in the corresponding period last year. This was attributable to increase in revenue generated from trading of methyl tert-butyl ether ("MTBE"), a chemical used as a component in fuel for gasoline engines of automobiles. Loss attributable to owners of the Company was HK$88.2 million, a decrease of 47.1% from HK$166.8 million last year. The decrease in loss was primarily due to (i) decrease in impairment loss on goodwill by approximately HK$38.3 million from HK$59.7 million last year to HK$21.4 million in the Financial Year; (ii) no provision for contingent consideration receivables and loan receivables has been made in the Financial Year (2017: HK$31.6 million); (iii) provision for deposit for acquisition of a subsidiary of HK$22.9 million made last year was reversed in the Financial Year; and (iv) offset by the increase in administrative expenses by approximately HK$26.7 million from HK$70.6 million last year to HK$97.3 million in the Financial Year.

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 mobile smart phones and glasses; (iii) the liquefied natural gas ("LNG"), compressed natural gas ("CNG") and other related clean energy businesses; (iv) refined oil retail business; and (v) trading of MTBE.

The Group's power and data cords business recorded a turnover of HK$53.7 million in the Financial Year, a drop of 21.6% from HK$68.5 million last year, and segment loss of HK$2.7 million, while the segment profit in the previous Financial Year was HK$0.3 million. The segment loss was mainly attributable to the decrease in turnover.

Despite the challenging development in the power cords and inlet sockets for household electric appliances sector and power and data cords for mobile phones and medical control devices sector, the Group continues to diversify its operating risks and expand its sources of revenue and proactively seeks to capture a full spectrum of development strategies and investment opportunities. Prior to the Financial Year, the Group contributed capital in conjunction with two strategic collaborative partners to establish a subsidiary, Jiangxi China Oil Gangran Energy Technology Company Limited（江西中油港燃能源科技有限責任公司）(the "Jiangxi China Oil"), in the People's Republic of China (the "PRC") for conducting the business of the LNG, the CNG and related clean energy, for which the Group acts as its controlling shareholder and holding a 51%-stake.

In terms of the geographical market performance, the United States and the PRC contributed to 6.0% (2017: approximately 6.7%) and 91.9% (2017: approximately 90.2%) of the Group's total turnover, while the remaining 2.1% (2017: approximately 3.1%) came from its overseas markets, including Taiwan, Hong Kong and India.

Power and Data Cords Business

The Group's power and data cords business generated a turnover and gross profit of HK$53.7 million (2017: HK$68.5 million) and HK$10.9 million (2017: HK$22.1 million) respectively during the Financial Year. These represented a decrease of 21.6% and a decrease of 50.7% respectively from the preceding year. The decrease in gross profit margin is mainly due to a significant increase of cost of goods sold.

Management Discussion and Analysis

Power Cords and Inlet Sockets for Household Electric Appliances

Due to tough market competition, the Group's turnover from the sales of power cords and inlet sockets for household electric appliances in the Financial Year was approximately HK$7.8 million, compared to approximately HK$7.7 million last year, representing an increase of 1.3%.

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

With fierce competition in the sector during the Financial Year, the Group's turnover from power and data cords for mobile phones recorded a decrease of approximately 41.5% to approximately HK$19.7 million (2017: approximately HK$33.7 million) for the 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 turnover from its power and data cords for medical control devices increased by 5.8% to HK$23.6 million from HK$22.3 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 and Glasses

With fierce competition in the power and data cords sector, the Group also traded in mobile smart phones. The Group's revenue from the trading of mobile smart phones was approximately HK$1 million (2017: HK$4.8 million) for the Financial Year. In addition, the Group also traded in glasses. The Group's revenue from the trading of glasses was approximately HK$1.5 million (2017: Nil) for the Financial Year.

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 2018 and 2017, the balance of HK$22,000,000 ("Contingent Consideration Receivables") was still outstanding for the Profit Guarantee and only 73,870,000 (after adjustment for share subdivision and consolidation) of the Escrow Shares remained as a security for the Profit Guarantee.

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

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

Liquefied Natural Gas, Compressed Natural Gas and Other Related Clean Energy Business

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

Management Discussion and Analysis

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

Refined Oil Business

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

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.

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$82.3 million (2017: HK$146.2 million) turnover to the Group, represented a decrease of 43.7% from the preceding year.

Trading of Methyl tert-butyl ether（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.

The Group takes the view that its engagement in the trading of such chemical will bring in considerable revenues over the long term. During the Financial Year, the trading of MTBE generated a turnover of approximately HK$259.3 million (2017: HK$117 million) to the Group, represented an increase of 121.6% from the preceding year.

Potential Acquisition Activities

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

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

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

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

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

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

Fundraising Activities

On 4 January 2017, the Company as issuer and Mr. Zou Donghai (the "Subscriber") as subscriber entered into a subscription agreement (the "Subscription Agreement") in relation to the subscription of 700,000,000 new Shares (each a "Subscription Share") of HK$0.0002 each in the share capital of the Company at the price (the "Subscription Price") of HK$0.101 per Subscription Share which constituted a connected transaction. The Subscription Shares represented (i) approximately 13.25% of the then issued share capital of the Company as at 20 January 2017; and (ii) approximately 11.70% of the issued share capital of the Company immediately upon completion (assuming there is no change to the issued share capital of the Company from 20 January 2017 and prior to completion) as enlarged by the Subscription. The maximum gross proceeds from the Subscription was approximately HK$70,700,000. The maximum net proceeds from the Subscription was approximately HK$70,280,000, which was used as general working capital of the Group, development and expansion of the existing businesses of the Group and/or for financing future investment opportunities. The Subscription Agreement was approved by the Shareholders at the extraordinary general meeting held on 10 February 2017. The transaction was completed on 24 April 2017.

On 22 June 2018 and 28 June 2018, the Company entered into a conditional placing agreement (the "Placing Agreement") and a supplemental agreement respectively with Taijin Securities and Futures Limited (the "Placing Agent"), pursuant to which the Placing Agent agrees, as agent of the Company, to procure on a fully underwritten basis (formerly on a best effort basis according to the Placing Agreement) not less than six 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") at the placing price of HK$0.041 per Placing Share (the "Placing"). The 1,000,000,000 Placing Shares represent (i) approximately 16.28% of the existing issued share capital of the Company as at 22 June 2018; and (ii) approximately 14.00% of the issued share capital of the Company as enlarged by the allotment and issue of all the Placing Shares. The gross proceeds from the Placing will be HK$41 million. The net proceeds, after deduction of all relevant expenses are estimated to be approximately HK$39.65 million. The Company intends to apply the net proceeds from the Placing as to approximately HK$28.9 million for the repayment of promissory notes due in the financial year ending 31 March 2019, HK$2.25 million for the repayment of interests on bonds and the remaining balance of approximately HK$8.5 million as general working capital of the Group. For further details of the Placing, please refer to the announcement of the Company dated 22 June 2018 and 28 June 2018.

Appointment of non-executive Directors

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

Appointment and Resignation of independent non-executive Directors

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

On 8 June 2018, the Company announced that Ms. Eugenia Yang has tendered her resignation as an independent non-executive Director of the Company with effect from 7 June 2018.

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 19.1% increase in overall revenue, which was mainly contributed by the revenue growth in trading of MTBE and other chemicals.

The revenue from power and data cords business decreased during the Financial Year and the Group believes that the market competition continues to be fierce in the future.

While this low-growth environment appears likely to persist in 2018 and beyond, the Group is steadfastly committed to expanding its market presence and profitability, through an operational strategy calculated to broaden its revenue bases and capture new business opportunities presented by the market developments and in alignment with the PRC's 13th Five-Year Plan and the "One Belt One Road" plan.

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

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

Management Discussion and Analysis

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

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

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

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

DIRECTORS' VIEW ON THE INDEPENDENT AUDITOR'S OPINION

Presumably, auditing standards and guidelines should mean to guide the auditors to express audit opinions which would lead the readers of audit reports to have a better understanding rather than misunderstanding of the financial reports.

While the Directors understand that the auditors are obligated to adhere strictly to the auditing standards and guidelines without the freedom to explain in their audit reports to the readers specifically as to whether the other parts of the financial statements in which the auditors have not encountered any limitation are indeed proper, true and fair.

In this respect and with regret, such auditing standards and guidelines are apparently not rational because it could easily lead the public readers to draw the wrong conclusion that the rest of the information disclosed in the financial statements are not reliable or having created limitation to the work of the auditors.

The independent auditor of the Company has issued a disclaimer of opinion on the consolidated financial statements of the Group for the year ended 31 March 2018, details of the disclaimer of opinion are disclosed in the Independent Auditor's Report on pages 48 to 53 of this report.

ANNUAL GENERAL MEETING

The forthcoming Annual General Meeting of the Company ("2018 Annual General Meeting") will be held on Tuesday, 7 August 2018.

CLOSURE OF REGISTER OF MEMBERS

For the purpose of ascertaining shareholders' entitlement to attend and vote at the 2018 Annual General Meeting of the Company to be held on Tuesday, 7 August 2018, the register of members of the Company will be closed from Thursday, 2 August 2018 to Tuesday, 7 August 2018, both dates inclusive. During this period, no transfer of shares of the Company will be effected. In order to qualify to attend and vote at the aforesaid meeting, all share certificates with completed transfer forms must be lodged with the Company's Hong Kong Branch Share Registrar and Transfer Agent in Hong Kong, Tricor Investor Services, Level 22, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, not later than 4:30 p.m. on Wednesday, 1 August 2018.

EMPLOYEES' REMUNERATION POLICY

As at 31 March 2018, the Group employed 269 (2017: 297) 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 recognize significant staff contributions. During the Financial Year, 264,000,000 share options (2017: Nil) 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$27.5 million (2017: HK$21 million).

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

As at 31 March 2018, the aggregate carrying value of the Group's indebtedness was approximately HK$146.8 million (2017: approximately HK$98.0 million), which comprised promissory notes, bank borrowing and interest-bearing bond. The indebtedness was denominated in Hong Kong dollars. As at 31 March 2018, the Group maintained bank and cash balances of approximately HK$46.7 million (2017: approximately HK$45.1 million).

Management Discussion and Analysis

As at 31 March 2018, the Group had trade receivables of approximately HK$33.5 million (2017: approximately HK$8.7 million), representing approximately 8.5% (2017: approximately 2.6%) of the Group's turnover of approximately HK$395.3 million (2017: approximately HK$331.8 million) for the Financial Year.

As at 31 March 2018, the Group's gearing ratio was approximately 56.6% (2017: 54.6%). 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. The Directors, taking into account of the nature and scale of operations and the capital structure of the Group, considered that the gearing ratio as at 31 March 2018 was reasonable. Details of the Company's share structure as at 31 March 2018 are set out in note 33 to the consolidated financial statements.

SECURITIES IN ISSUE

During the Financial Year,

(1) On 24 April 2017, 700,000,000 new ordinary shares at the placing price of HK$0.101 were issued to Mr. Zou Donghai, the chairman of the Board and an executive Director.

(2) 158,400,000 new ordinary shares were issued upon the exercise of share options under the share option scheme 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. 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 2018, the Group pledged its leasehold land and buildings with an aggregate carrying amount of approximately HK$13,403,000 (2017: approximately HK$13,836,000) 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 2018 are set out in note 36 to the consolidated financial statements.

CONTINGENT LIABILITIES

The Group had no significant contingent liabilities as at 31 March 2018 (2017: HK$Nil).

SEGMENT INFORMATION

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

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

In accordance with Rule 17.103 of the GEM Listing Rules, the Company will publish an Environmental, Social and Governance Report within three months after the publication of this annual report in compliance with the provisions set out in Appendix 20 of the GEM Listing Rules.

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 APPROPRIATIONS

The results and financial position of the Group for the Financial Year are set out in the Group's consolidated financial statements on pages 54 and 131 of this annual report.

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

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 58 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.

SHARES ISSUED IN THE YEAR

Details of the shares issued are set out in note 33 to the consolidated financial statements.

DISTRIBUTABLE RESERVES

Distributable reserves of the Company as at 31 March 2018 amounted to approximately HK$69,455,000 (2017: approximately HK$28,148,000), calculated under the Companies Law of the Cayman Islands.

SUBSIDIARIES

Particulars of the Company's subsidiaries as at 31 March 2018 are set out in notes 40 to the consolidated financial statements on pages 127 to 130.

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 34 of the consolidated financial statements and "Share Option Scheme" section contained in this Directors' Report.

During the Financial Year, 264,000,000 share options have been granted in total to an employee and the four Executive Directors, namely Mr. Rong Changjun, Mr. Zhang Xueming, Dr. Ho Chun Kit Gregory and Dr. Zheng Jian Peng. Each of them was entitled to 52,800,000 share options.

During the Financial Year, 158,400,000 share options have been exercised in total by an employee and the two Executive Directors, namely Dr. Ho Chun Kit Gregory and Dr. Zheng Jian Peng. The total consideration received was HK$19,958,400.

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.

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 132 of the Report.

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 2018 prior to the issue of the annual report, a total 420,198,000 option shares were still outstanding under the scheme, which represents approximately 6.84% of the issued ordinary shares of the company.

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 2017	Granted during the year	Exercised during the year	Cancelled/ Lapsed during the year	Outstanding as at 31 March 2018	Market value per share immediately before the date of grant of options	Weighted average closing price per share immediately before the date of exercise of options	Approximate % of the Company's total issued share capital as at 31 March 2018
Executive Directors:											
Ho Chun Kit Gregory	17 March 2015	HK$0.184	17 March 2015 – 16 March 2025	21,587,000	–	–	–	21,587,000	HK$0.176	–	0.35%
	21 April 2017	HK$0.126	21 April 2017 – 20 April 2020	–	52,800,000	52,800,000	–	–	HK$0.12	0.085	–
Rong Changjun	21 April 2017	HK$0.126	21 April 2017 – 20 April 2020	–	52,800,000	–	–	52,800,000	HK$0.12	–	0.86%
Zhang Xueming	21 April 2017	HK$0.126	21 April 2017 – 20 April 2020	–	52,800,000	–	–	52,800,000	HK$0.12	–	0.86%
Zheng Jian Peng	21 April 2017	HK$0.126	21 April 2017 – 20 April 2020	–	52,800,000	52,800,000	–	–	HK$0.12	0.085	–
Other Categories:											
Consultants in aggregate	10 October 2013	HK$0.391	10 October 2013 – 9 October 2023	27,500,000	–	–	–	27,500,000	HK$3.8	–	0.45%
	13 January 2014	HK$0.314	13 January 2014 – 12 January 2024	55,000,000	–	–	–	55,000,000	HK$3.08	–	0.90%
	14 July 2014	HK$0.256	14 July 2014 – 13 July 2024	77,000,000	–	–	–	77,000,000	HK$0.26	–	1.25%
	21 August 2014	HK$0.226	21 August 2014 – 20 August 2024	27,500,000	–	–	–	27,500,000	HK$0.24	–	0.45%
	16 February 2015	HK$0.164	16 February 2015 – 15 February 2025	43,587,000	–	–	–	43,587,000	HK$0.17	–	0.71%
	17 March 2015	HK$0.184	17 March 2015 – 16 March 2025	62,424,000	–	–	–	62,424,000	HK$0.176	–	1.02%
Employee	21 April 2017	HK$0.126	21 April 2017 – 20 April 2020	–	52,800,000	52,800,000	–	–	HK$0.12	0.083	–
Former employee	23 September 2014	HK$0.310	23 September 2014 – 22 September 2024	27,500,000	–	–	27,500,000	–	HK$0.34	–	–

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

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. 475,253,693 representing 10% of the issued share capital of the Company as at the date of listing.

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

Non-Executive Directors

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

Independent Non-Executive Directors

Mr. Chan Ying Kay	
Mr. Lau Sung Tat, Vincent	
Mr. Sun Dexin	(appointed on 24 October 2017)
Ms. Eugenia Yang	(resigned on 7 June 2018)

DIRECTORS' SERVICE CONTRACTS

None of the Directors who are proposed for re-election at the 2018 Annual General Meeting 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 on pages 97 to 100 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. Zou Donghai ("Mr. Zou"), aged 60, was appointed as the Chairman and an Executive Director of the Company on 16 October 2014. Mr. Zou has accumulated over 38 years of management and operation experience in the natural gas and petroleum industry, and is particular experienced in the field of vessel liquefied natural gas (LNG) utilization conversion. Since 2011, Mr. Zou has been the chairman of Jiangxi Zhongyou Yingtai Natural Gas Limited Liability Company (江西中油鷹泰天然氣有限責任公司).

Mr. Rong Changjun ("Mr. Rong"), aged 58, 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 Xueming ("Mr. Zhang"), aged 66, was appointed as an Executive Director of the Company on 16 October 2014. Mr. Zhang has attended Zhengzhou University, Xinjiang University and Macau University of Science of Technology, and holds a Master degree. Mr. Zhang was awarded the title of professor-level senior economist (教授級高級經濟師) in the People's Republic of China. Mr. Zhang has over 42 years of management and operation experience in the natural gas and petroleum industry. From 2000 to 2005, Mr. Zhang was the deputy chief economist and the officer of the development and research office of China Petroleum Pipeline Bureau (中石油管道局). Since 2009, Mr. Zhang has been acting as the deputy Director of China Petroleum Pipeline Bureau (中石油管道局).

Dr. Ho Chun Kit Gregory ("**Dr. Ho**"), aged 40, was appointed as an Executive Director on 8 May 2013. He also as a director of some subsidiaries. Dr. Ho holds a Doctor of Business Administration from the Apollos University of USA, and a bachelor degree in business accounting from Monash University of Australia. He is also a member of the Certified Public Accountants of Australia. Dr. Ho worked for several international accounting and business advisory firms for more than 12 years in providing corporate finance, mergers and acquisition, accounting and tax, corporate restructuring and advisory services to corporate clients, including listed companies. Dr. Ho subsequently set up his own corporate advisory firm. Dr. Ho was an Independent Non-Executive Director of KOALA Financial Group Limited (formerly known as "Sunrise (China) Technology Group Limited") (stock code: 8226), a company listed on GEM, from April 2014 to August 2016. Dr. Ho also was an Executive Director of Seamless Green China (Holdings) Ltd (stock code: 8150), a company listed on GEM, from January 2012 to April 2014. Dr. Ho also was an Independent Non-Executive Director of Asia Resources Holdings Limited (stock code: 899), a company listed on the Stock Exchange, from February 2015 to October 2016 and an Executive Director of China Solar Energy Holdings Limited (stock code: 155), a company limited on the main board of the Stock Exchange, from 15 May 2015 to 17 May 2015.

Dr. Zheng Jian Peng ("**Dr. Zheng**"), aged 36, was appointed as an Executive Director on 15 December 2015. He also appointed as the Company Secretary of the Company on 31 October 2016. Dr. Zheng holds a Doctor of Business Administration from the Apollos University of USA, a Master of Law in International Economic Law degree from the Chinese University of Hong Kong and a Bachelor of Business Administration degree in Accounting from the Open University of Hong Kong. He is currently studying a Doctorate degree in Business Administration at the Hong Kong Polytechnic University. Dr. Zheng is a member of the Institute of Chartered Accountants in England and Wales and a member of the Hong Kong Institute of Certified Public Accountants. Dr. Zheng was an executive director of Sing Pao Media Enterprises Limited (Stock Code: 8010) for the period from January 2014 to October 2014 and was an executive director and the chief executive officer of a PRC based property developing company for the period from April 2014 to October 2014. Prior to that, Dr. Zheng was a financial controller of China Fortune Investments (Holding) Limited (formerly known as China Public Healthcare (Holding) Limited) (Stock Code: 8116) for the period from 1 March 2010 to 31 March 2012. Dr. Zheng has auditing experience in two International accounting firms. He was an executive director of Global Strategic Group Limited (Stock Code: 8007) from 3 October 2014 to 3 June 2016. Dr. Zheng was also an Independent Non-Executive Director of Success Dragon International Holdings Limited (stock code: 1182) from 29 August 2016 to 14 September 2017.

Non-Executive Directors

Mr. Chan Shiu Man ("**Mr. Chan**"), aged 52, was appointed as a Non-Executive Director on 25 July 2017, Mr. Chan obtained a Bachelor of Science in Business Administration in accounting at Hawaii Pacific University, the United States in 1991 and a Master of Business Administration in finance at University of Hawaii at Manoa, the United States in 1995. He has also been a member of the American Institute of Certified Public Accountants since 1994 and a member of the Hong Kong Institute of Certified Public Accountants since 2011. He was the financial controller at Pacoma Holding, S.a.r.l from 2013 to 2016. He was also the group controller and the chief financial officer of Synerchip Co. Ltd. From 2009 to 2013. Prior to that, he was a controller and director of business and finance of RF Micro Devices, Inc., Shanghai BU (NASDAQ: RFMD), a controller at Tera System, Inc. from 2001 to 2005, an accounting manager at Entera, Inc. (NASDAQ: BCSI) from 2000 to 2001, and a controller at MP World Electronic Corp from 1998 to 2000. Mr. Chan is currently an Independent Non-Executive Director of Zhongda International Holdings Limited (stock code: 909) and On Real International Holdings Limited (stock code: 8245) since October 2011 and August 2016 respectively. These two companies are listed on the Stock Exchange.

Mr. Hua Xujie ("**Mr. Hua**"), aged 31, was appointed as a Non-Executive Director on 25 July 2017. Mr. Hua obtained a bachelor's degree in economics from Hebei University, the People's Republic of China in 2008. He has successively worked in the Nanchang Branch of Industrial Bank Co., Ltd. and Datang Wealth Management Co., Ltd. with over eight years of working experience in various financial fields. He is currently working in Datang Wealth Management Co., Ltd.

Independent Non-Executive Directors

Mr. Chan Ying Kay ("**Mr. Chan**"), aged 54, has been appointed as an Independent Non-Executive Director of the Company effected from 29 July 2016. Mr. Chan holds a Master of Business Administration from the University of Sheffield. Mr. Chan is a fellow member of the Hong Kong Institute of Certified Public Accountants and the Association of Chartered Certified Accountants.

Mr. Chan was an executive director and the company secretary of Bestway International Holdings Limited (stock code: 718), a company listed on the main board of the Stock Exchange from May 1995 to March 2003. Mr. Chan was the company secretary and the chief financial officer of Beautiful China Holdings Company Limited (stock code: 706), a company listed on the main board of the Stock Exchange from April 2003 to June 2016 and re-joined since October 2017. He also was an independent non-executive director of China Environmental Energy Investment Limited (stock code: 986), a company listed on the main board of the Stock Exchange from June 2011 to March 2013. Mr. Chan was the chief financial officer and the company secretary of Realord Group Holdings Limited (stock code: 1196), a company listed on the main board of Stock Exchange from July 2016 to September 2017. Mr. Chan is also an independent non-executive director of Doyen International Holdings Limited (formerly known as Dowell Property Holdings Limited) (stock code: 668), a company listed on the main board of the Stock Exchange since October 2009. Mr. Chan has over 20 years of experience in accounting and finance.

Mr. Lau Sung Tat, Vincent ("**Mr. Lau**"), aged 60, was appointed as an Independent Non-Executive Director of the Company on 31 October 2013. He is a visiting Professor of Accounting and Finance by the Research Institute of Economics of Shenzhen University in Shenzhen, China. His professional qualification includes International Affiliate member of The Hong Kong Institute of Certified Public Accountants, fellow member of Association of Taxation and Management Accountants and Member of the Institute of Public Accountants in Australia, fellow member of Institute of Cost and Executive Accountants in United Kingdom, associate member of the Institute of Financial Accountants in United Kingdom, honorary fellow member of The American Management Institute in United States, fellow member of The American Computer Society and associate member of Montana Society of Certified Public Accountants in United States.

Mr. Sun Dexin ("**Mr. Sun**"), aged 30, was appointed as an Independent Non-Executive Director of the Company on 24 October 2017. Mr. Sun was awarded membership of senior management in TUV NAND International Energy*（TUV南德國際能源高級管理成員資格）in 2014. He passed Licensing Examination for Securities and Futures Intermediaries of the Hong Kong Securities and Investment Institute and obtained Hong Kong Securities and Investment Institute Practicing Certificate (Assets Management) in 2017; and he received a practicing certificate from China Securities Investment Fund Association in the same year. Since 2014, Mr. Sun has been serving as an executive director of Shenzhen China New Energy Mutual Fund Management Limited*（深圳中新能聯合基金管理有限公司）, during which he is responsible for pre-IPO research and data analysis on listing for main board listed companies in Hong Kong, in addition to investment projects in the PRC and Cayman offshore mergers and acquisitions of fund projects. Prior to that, he served as an assistant to president and chief investment officer of Harbin Gloria Pharmaceuticals Co., Ltd.*（哈爾濱譽衡藥業股份有限公司）(SZSE stock code: 002437) from 2011 to 2014, where he assisted in investment, mergers and acquisitions and provision of relevant financial advisory services.

Company Secretary

Dr. Zheng Jian Peng, aged 36, was appointed as the Company Secretary of the Company on 31 October 2016. Please refer to the biography of Dr. Zheng above.

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 2018, the interest and short position of each Director and chief executive of the Company in the Shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571) (the "SFO"), which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein or which were required, pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules relating to securities transactions by Directors, to be notified to the Company and the Stock Exchange, were as follows:

Long Positions – Ordinary Shares

Interests in the Shares and underlying shares of the Company

		Derivatives		
	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	700,000,000	–	700,000,000	11.40%
Mr. Rong Changjun	–	52,800,000	52,800,000	0.86%
Mr. Zhang Xueming	–	52,800,000	52,800,000	0.86%
Dr. Ho Chun Kit Gregory	62,550,000	21,587,000	84,137,000	1.37%
Dr. Zheng Jian Peng	52,800,000	–	52,800,000	0.86%

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 2018, 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 2018, no entities or persons (not being a Director or Chief Executive of the Company) had an interest and short position of 5% or more in the shares and underlying shares of the Company which would fall to be disclosed to the Company under the provision of Division 2 and 3 of Part XV of the SFO, or which are required to be disclosed pursuant to section 336 of the SFO.

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 (2017: HK$Nil).

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	34.6%
– five largest suppliers in aggregate	67.6%
Sales	
– the largest customer	43.6%
– five largest customers in aggregate	79.7%

None of the Directors, their close associates 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.

CONNECTED TRANSACTIONS

A summary of the related party transactions entered into by the Group during the year ended 31 March 2018 is set out in note 35 to the consolidated financial statements.

The following transactions between certain connected persons (as defined in the GEM Listing Rules) and the Company have been entered into or are ongoing for which relevant announcement, if necessary, had been made by the company in accordance with Chapter 20 of the GEM Listing Rules.

During the year ended 31 March 2018, the Group has fully settled the amount (2017: HK$3,387,000) due to Jiangxi Zhongyou Yingtai Natural Gas Limited Liabilities Company ("Zhongyou Yingtai"). Mr. Zou Donghai, the Chairman of the Company, holds more than 30% shareholding in Zhongyou Yingyai. Therefore Zhongyou Yingtai is an associate of Mr. Zou Donghai and the transactions with Zhongyou Yingtai is a connected transaction. The amount is unsecured, interest-free and repayable on demand. As the amount is on normal commercial terms or better to the Group, and it is not secured by the assets of the Group, pursuant to GEM Listing Rule 20.87, this financial assistance received by the Group is exempt from the shareholders' approval, annual review and all disclosure requirements under Chapter 20 of the GEM Listing Rules.

On 4 January 2017, the Company as issuer and Mr. Zou Donghai (the "Subscriber"), the Chairman of the Company, as subscriber entered into a subscription agreement (the "Subscription Agreement") in relation to the subscription of 700,000,000 new Shares (each a "Subscription Share") of HK$0.0002 each in the share capital of the Company at the price (the "Subscription Price") of HK$0.101 per Subscription Share. The Subscription Shares represented (i) approximately 13.25% of the then issued share capital of the Company as at 20 January 2017; and (ii) approximately 11.70% of the issued share capital of the Company immediately upon completion (assuming there is no change to the issued share capital of the Company from 20 January 2017 and prior to completion) as enlarged by the Subscription. The maximum gross proceeds from the Subscription will be approximately HK$70,700,000. The maximum net proceeds from the Subscription are estimated to be approximately HK$70,280,000, which will be used as general working capital of the Group, development and expansion of the existing businesses of the Group and/or for financing future investment opportunities. The Subscription Agreement is approved by the Shareholders at the extraordinary general meeting held on 10 February 2017. The transaction was completed on 24 April 2017.

Save as disclosed above, the Directors are of the view that no related party transaction is a connected transaction under Chapter 20 of 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

As at 31 March 2018, the Company was not involved in any material litigation or arbitration and no material litigation or arbitration were pending or threatened or made against the Company so far as the Company is aware.

AUDITOR

The consolidated financial statements for the year ended 31 March 2016 were audited by the Elite Partners CPA Limited and which was resigned as auditors of the Company with effect from 29 March 2017.

The consolidated financial statements for the year ended 31 March 2017 and 2018 were audited by HLM CPA Limited ("HLM"). A resolution to re-appoint HLM as auditors of the Company will be proposed at the forthcoming annual general meeting.

On behalf of the Board

Zou Donghai
Chairman

Hong Kong, 29 June 2018

Corporate Governance Report

Pursuant to Rule 18.44 of the GEM Listing Rules, the Board is pleased to present this corporate governance report for the Financial Year. 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 appointed and authorized an Executive Director, Dr. Ho Chun Kit Gregory, 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 executive Directors namely Mr. Zou Donghai, Mr. Rong Changjun, Mr. Zhang Xueming, Dr. Ho Chun Kit Gregory and Dr. Zheng Jian Peng 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. Hence, a new CEO will not be appointed until suitable candidates have been identified for such purpose.

CG Code provision A.6.7 requires that independent non-executive directors and other non-executive directors should attend general meetings and develop a balanced understanding of the views of shareholders. Two Independent Non-Executive Directors attended Annual General Meeting.

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

The Board conducted reviews of the system of internal controls of the Group to ensure an effective and adequate internal control system is in place. The Board also converted meetings to discuss financial, operational and risk management control.

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.

Corporate Governance Report

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 up to the date of this report, 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 Changiun	A, B
Mr. Zhang Xueming	A, B
Dr. Ho Chun Kit Gregory	A, B
Dr. Zheng Jian Peng	A, B
Non-Executive Directors:	
Mr. Chan Shiu Man (appointed on 25 July 2017)	A, B
Mr. Hua Xujie (appointed on 25 July 2017)	A, B
Independent Non-Executive Directors:	
Mr. Chan Ying Kay	A, B
Mr. Lau Sung Tat, Vincent	A, B
Mr. Sun Dexin (appointed on 24 October 2017)	A, B
Ms. Eugenia Yang (resigned on 7 June 2018)	A, B

Remarks:

A – Attending seminars/conferences/forums

B – Reading journals/updates/articles/materials

Board Composition

The Board currently comprises five Executive Directors, two Non-Executive Directors and three Independent Non-Executive Directors. During the Financial Year, the Board held thirty-one meetings. 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 7 Aug 2017**
Executive Directors						
Mr. Zou Donghai	*(Chairman)*	17/18	–	–	–	0/1
Mr. Rong Changjun	*(Vice Chairman)*	16/18	–	–	–	0/1
Mr. Zhang Xueming		16/18	–	–	–	0/1
Dr. Ho Chun Kit Gregory		15/18	–	–	–	1/1
Dr. Zheng Jian Peng		17/18	–	–	–	1/1
Non-Executive Directors						
Mr. Chan Shiu Man	(appointed on 25 July 2017)	8/10	–	–	–	–
Mr. Hua Xujie	(appointed on 25 July 2017)	4/10	–	1/1	–	–
Independent Non-Executive Directors						
Mr. Chan Ying Kay		11/18	6/7	1/1	1/1	1/1
Mr. Lau Sung Tat, Vincent		12/18	7/7	2/2	3/3	0/1
Mr. Sun Dexin	(appointed on 24 October 2017)	3/3	–	–	–	–
Ms. Eugenia Yang	(resigned on 7 June 2018)	15/18	7/7	2/2	3/3	1/1

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, one of the Independent Non-Executive Directors on 7 June 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 is now seeking suitable candidates to fill the expected replacement to be appointed within three months from 7 June 2018 pursuant to Rule 5.06 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. Two Independent Non-Executive Directors attended Annual General Meeting. The other Director was obliged to be away for their business matters and for negotiating with potential business partners.

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 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. In compliance with the CG Code Rule A.2.1, the Group separated the roles of Chairman and CEO since the appointment of Mr. Zou Donghai as the Chairman and an Executive Director on 16 October 2014. The Board considered that it was important for the Chairman to have extensive experience in the field of vessel liquefied natural gas utilization conversion, which is the newly developed and important business sector of the Group, in order to manage such new business and hence spent about three months' time to identify such appropriate person. Hence, a new chief executive officer will not be appointed until suitable candidates have been identified for such purpose.

EXECUTIVE DIRECTORS

The executive Directors namely Mr. Zou Donghai, Mr. Rong Changiun, Mr. Zhang Xueming, Dr. Ho Chun Kit Gregory and Dr. Zheng Jian Peng 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.

NON-EXECUTIVE DIRECTORS

Mr. Chan Shiu Man is a non-executive director of the Company. He has entered into a service agreement with the Company for a period of 3 years subject to rotation and re-election at the annual general meeting of the Company in accordance with the Articles of Association effected from 25 July 2017.

Mr. Hua Xujie is a non-executive director of the Company. He has entered into a service agreement with the Company for a period of 3 years subject to rotation and re-election at the annual general meeting of the Company in accordance with the Articles of Association effected from 25 July 2017.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Chan Ying Kay is an independent non-executive director of the Company. He has entered into a service agreement with the Company for a period of 3 years subject to rotation and re-election at the AGM of the Company in accordance with the Articles of Association effected from 29 July 2016. He was re-elected as the independent non-executive Director of the Company in the AGM held on 7 August 2017.

Mr. Lau Sung Tat, Vincent is an independent non-executive director of the Company. He has entered into a service agreement with the Company for a period of 3 years subject to rotation and re-election at the AGM of the Company in accordance with the Articles of Association effected from 31 October 2013. Subsequently the service agreement was automatically renewed for a period of 3 years subject to rotation and re-election and the AGM of the Company in accordance with the Articles of Association effected from 1 November 2016. He was re-elected as the independent non-executive Director of the Company in the AGM held on 7 August 2017.

Mr. Sun Dexin is an independent non-executive director of the Company. He has entered into a service agreement with the Company for a period of 3 years subject to rotation and re-election at the AGM of the Company in accordance with the Articles of Association effected from 24 October 2017.

Ms. Eugenia Yang is an independent non-executive director of the Company. She has entered into a service agreement with the Company for a period of 3 years subject to rotation and re-election at the AGM of the Company in accordance with the Articles of Association effected from 1 August 2013. Subsequently, the service agreement was automatically renewed for a period of 3 years subject to rotation and re-election at the AGM of the Company in accordance with the Articles of Association effected from 2 August 2016. She was re-elected as the independent non-executive Director of the Company in the AGM held on 7 August 2017 and resigned on 7 June 2018.

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.

REMUNERATION COMMITTEE

The Company established a Remuneration committee on 27 April 2011 with written terms of reference. During the Financial Year, the Remuneration Committee comprised three Independent Non-Executive Directors, namely Mr. Lau Sung Tat, Vincent (Chairman), Mr. Chan Ying Kay and Ms. Eugenia Yang. Ms. Eugenia Yang resigned on 7 June 2018. Dr. Zheng Jian Peng has been appointed as a member of remuneration committee of the Board with effect from 7 June 2018.

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)*	3/3
Mr. Chan Ying Kay (appointed as a member on 7 August 2017)	1/1
Ms. Eugenia Yang (resigned on 7 June 2018)	3/3
Dr. Zheng Jian Peng (appointed as a member on 7 June 2018)	0/0

NOMINATION COMMITTEE

The Company established a Nomination Committee on 27 April 2011 with written terms of reference. During the Financial Year, the Nomination Committee comprised a Non-Executive Director, namely Mr. Hua Xujie and three Independent Non-Executive Directors, namely Ms. Eugenia Yang (Chairlady), Mr. Chan Ying Kay and Mr. Lau Sung Tat, Vincent. Mr. Eugenia Yang (Chairlady) resigned on 7 June 2018. Mr. Hua Xujie has been appointed as the Chairman of the nomination committee of the Board with effect from 7 June 2018.

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 *(Chairlady)* (resigned on 7 June 2018)	2/2
Mr. Chan Ying Kay (appointed as a member on 7 August 2017)	1/1
Mr. Lau Sung Tat, Vincent	2/2
Mr. Hua Xujie (appointed as a member on 7 August 2017, as Chairman on 7 June 2018)	1/1

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. During the Financial Year, the Audit Committee comprised three Independent Non-Executive Directors, namely Mr. Lau Sung Tat, Vincent (Chairman), Mr. Chan Ying Kay and Ms. Eugenia Yang. Ms. Eugenia Yang resigned on 7 June 2018. Mr. Sun Dexin has been appointed as a member of audit committee of the Board with effect from 7 June 2018.

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)*	7/7
Mr. Chan Ying Kay	6/7
Ms. Eugenia Yang (resigned on 7 June 2018)	7/7
Mr. Sun Dexin (appointed on as a member on 7 June 2018)	0/0

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 2018, 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

On 29 March 2017, Elite Partners CPA Limited ("Elite Partners") resigned as the external auditors of the Company and on the same day the Company engaged HLM CPA Limited ("HLM CPA") as the Group's new external auditors to conduct audit of the financial results of the Group for the year ended 31 March 2018 with the remuneration payable of approximately HK$900,000.

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. We have 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 revenues of the Group's internal controls, the Board has engaged an independent consultant Pan-China Enterprise Risk Management Consulting Limited ("Pan-China") to execute the internal control function. Pan-China has conducted an internal control review of the effectiveness of the Group's financial reporting procedures, systems and control for the period from 1 April 2017 to 31 March 2018 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.

Pan-China responded to the Audit Committee and the Audit Committee was satisfied that there had been no major deficient noted in the areas if the Group's risk management and internal control systems being reviewed after implementation of the recommendations on the internal control defects reported by Pan-China. 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.

In 2018, the Committee continued to implement and follow up on those suggestion and recommendation made by Pan-China as part of their 2017 comprehend review on the internal supervision and risk prevention measures.

Procedures and internal controls for the handling and dissemination of inside Information

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 Chief Financial Officer, 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") on 31 October 2016. The biographical details of Dr. Zheng are disclosed in the section "Biographical Details of Directors and Senior Management" in the Report of the Directors. Dr. Zheng has adequate knowledge on the Company to discharge his duty as the Company Secretary. He is also responsible for advising the Board on corporate governance matters. In compliance with Rule 5.15 of the GEM Listing Rules, Dr. Zheng confirmed that he has taken no less than 15 hours of relevant professional training during the Financial Year.

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@chinaoilgangran.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 Suites 707-709, 7/F., Prudential Tower, The Gateway, Harbour City, Tsim Sha Tsui, Kowloon, 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 recognizes 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.

恒健會計師行有限公司
HLM CPA LIMITED
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 54 to 131, which comprise the consolidated statement of financial position as at 31 March 2018, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and 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 2018. 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. Prepayments to suppliers in connection with purchases of inventories

As described in note 22(b)(ii) to the consolidated financial statements, as at 31 March 2018, included in prepayments for purchases, the Group recorded prepayments for purchases of approximately HK$91,803,000 to certain materials suppliers, including (i) prepayments of approximately RMB36,428,000 (equivalent to approximately HK$45,524,000); (ii) prepayment of RMB30,000,000 (equivalent to approximately HK$35,444,000); and (iii) prepayments of approximately RMB8,670,000 (equivalent to approximately HK$10,835,000) for purchases of chemical products and oxygen-free copper products for trading purpose. Details of these balances are summarised below:

1. **Prepayments to suppliers in connection with purchases of inventories** (Continued)

(a) During the year ended 31 March 2018, Jiangxi China Oil Gangran Energy Technology Company Limited (literal translation of the Chinese name 江西中油港燃能源科技有限責任公司) ("Subsidiary A"), an indirectly wholly-owned subsidiary of the Company, entered into an undated annual purchase contract with a supplier ("Company A") for the purchase of chemical products ("Chemical Purchase Contract") amounting to a total sum of RMB62,394,000 with effect from 1 July 2017 to 30 June 2018. During the year ended 31 March 2018, pursuant to the Chemical Purchase Contract, Subsidiary A made prepayments amounting to approximately RMB36,428,000 (equivalent to HK$45,524,000) in aggregate to Company A for purchases of chemical products.

Subsequently on 19 June 2018, Subsidiary A sent a letter to Company A to request for the refund of the abovementioned prepayments ("Request Letter") due to non-performance of the Chemical Purchase Contract by both Subsidiary A and Company A. On 27 June 2018, Subsidiary A received an amount of RMB20,000,000 (equivalent to HK$24,994,000) from Company A. Management represented that the receipt was a partial refund of the abovementioned prepayments.

During the course of our audit and up to the date of this report, we were not provided with sufficient evidence and explanations for this prepayments which could satisfy ourselves for the purpose of our audit.

(b) During the year ended 31 March 2018, Sun Fair Electric Wire & Cable (Shenzhen) Company Limited (literal translation of the Chinese name 三輝電線電纜(深圳)有限公司) ("Subsidiary B"), an indirectly wholly-owned subsidiary of the Company, entered into an undated purchase contract with a supplier ("Company B") for the purchase of oxygen-free copper products ("Copper Purchase Contract") amounting to a total sum of RMB33,831,000. On 18 January 2018, Subsidiary B made a prepayment of RMB30,000,000 (equivalent to approximately HK$35,444,000) to Company B pursuant to the Copper Purchase Contract. During the course of the audit, we did not obtain any documentary evidence to substantiate the Group's internal assessment of the capability of Company B and evaluation of the terms of the Copper Purchase Contract. We have not obtained direct confirmation reply from Company B to confirm the prepayment made to it during the year ended 31 March 2018 and the related prepayment balances as at 31 March 2018. We were not provided with sufficient evidence and explanations regarding this transaction which could satisfy ourselves for the purpose of our audit.

(c) In March 2018, Subsidiary A made payments in an aggregate of approximately RMB8,670,000 (equivalent to HK$10,835,000) on behalf of Jilin China Oil Gangran Energy Development Company Limited (literal translation of the Chinese name 吉林中油港燃能源開發有限責任公司) ("Subsidiary C"), an indirectly wholly-owned subsidiary of the Company, to a supplier ("Company C") for purchase of goods. However, apart from the internal payment instruction documents provided by management, no further information or documents were available in relation to the purchase transaction with Company C.

1. Prepayments to suppliers in connection with purchases of inventories (Continued)

(c) (Continued)

We have not obtained direct confirmation reply from Company C to confirm any prepayment made to it during the year ended 31 March 2018 and the related prepayment balances as at 31 March 2018. We were not provided with sufficient explanations which could satisfy ourselves for the purpose of our audit.

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, Company B and Company C as well as nature of abovementioned prepayments made by these subsidiaries during the year ended 31 March 2018 and the related prepayments balances as at 31 March 2018, and whether the effects of these transactions, including the related cash flows, have been properly accounted for and disclosed in the consolidated financial statements as at 31 March 2018 and for the year then ended. Consequently, we were not able to determine whether any adjustment to these amounts and disclosures was necessary.

2. Deposits for renovation of vessels and transportation services

On 15 August 2017, Subsidiary A entered into a vessel renovation and transportation service contract with Company A ("Renovation Contract"). Pursuant to the Renovation Contract, Company A is responsible for the provision of agreed services during the period from 15 August 2017 to 14 August 2018 including (i) renovation services on the oil vessels ("Oil Vessels") rented by the Subsidiary A in order to meet the requirements of quality inspection standards in the PRC ("Renovation Services"); (ii) installation and maintenance of fire equipment and facilities on the Oil Vessels ("Installation Services") and (iii) transportation of oil services. On 21 August 2017, Subsidiary A made deposits amounting to RMB22,000,000 (equivalent to HK$27,493,000) in relation to the Renovation Contract. During the course of the audit and up to the date of this report, we did not receive any progress reports in relation to the Renovation Services and the Installation Services, quality inspection documents or invoices issued by Company A.

As represented by the management, the Renovation Services and Installation Services are still in progress. However, we were unable to obtain sufficient appropriate audit evidence or satisfactory management explanation to ascertain the nature for the Renovation Contract of RMB22,000,000 (equivalent to approximately HK$27,493,000) made during the year ended 31 March 2018 and the related deposit balance as at 31 March 2018, and whether the effects of these transactions, including the related cash flows, have been properly accounted for and disclosed in the consolidated financial statements as at 31 March 2018 and for the year then ended. Consequently, we were not able to determine whether any adjustment to these amounts and disclosures was necessary.

3. Deposit paid for procurement of inventory

As described in note 22(b)(i) to the consolidated financial statements, on 28 September 2017, the Company paid a deposit amounting to HK$25,000,000 to a supplier (the "Company D"). As represented by the management, the Group will commence a new trading business in the year 2018. However, during the course of our audit, we did not obtain sufficient information, business plan or documents in respect of the above new trading business, purchase orders from customers and any related purchase or sales contracts with Company D. In addition, we have not obtained a direct confirmation reply from Company D to confirm the deposit paid to it during the year or the related deposit balance as at 31 March 2018.

In respect of abovementioned deposit paid amounting to HK$25,000,000 recorded as at 31 March 2018, we were unable to obtain sufficient appropriate audit evidence or satisfactory management explanation to ascertain the background of the Company D as well as the nature of the deposit made during the year ended 31 March 2018 and the related deposit balance as at 31 March 2018, and whether the effects of these transactions, including the related cash flows, have been properly accounted for and disclosed in the consolidated financial statements as at 31 March 2018 and for the year then ended. Consequently, we were not able to determine whether any adjustment to these amounts and disclosures was necessary.

4. Other receivables in relation to termination of advertising services

As described in note 22(b)(iv) to the consolidated financial statements, during the year ended 31 March 2018, the Company entered into an undated graphic design and advertising contract ("Advertising Contract") with two individual service providers ("Company E") and ("Company F") in relation to provision of graphic design and brand promotion of the Group in China and Hong Kong ("Advertising Services") and made payments to Company E and Company F amounting to HK$5,000,000 and HK$2,000,000 respectively on 27 June 2017 and 30 July 2017 pursuant to the Advertising Contract. However, Company E and Company F have not performed any work for the Company as described in the Advertising Contract. Therefore, the Company had later signed an undated refund policy documents ("Refund Policy") with Company E and Company F in order to claim refund of the above total payments of HK$7,000,000 with lump-sum interest. Approximately HK$2,485,000 had been refunded to the Group during the year ended 31 March 2018. As a result, the Group had receivable balances of approximately HK$4,515,000 outstanding as at 31 March 2018 in relation to the Advertising Contract. Subsequent to the end of the reporting period, on 13 April 2018, the outstanding receivable balances with interests were fully refunded to the Group.

4. Other receivables in relation to termination of advertising services (Continued)

Although we were provided with the above Advertising Contract and Refund Policy and evidence relating to payments and receipts recorded by the Group, we had not obtained direct confirmation reply from the Company E and Company F to confirm the amount paid by and refunded to the Group in relation to Advertising Contract and Refund Policy. Also, we had requested but were not provided with sufficient evidence relating to (i) details of the Advertising Services and (ii) internal assessment of Company E and Company F and the evaluation of the terms of the Advertising Contract and Refund Policy.

In this respect, we were unable to obtain sufficient appropriate audit evidence to ascertain the nature of the above payments made by and refunded to the Group as well as the outstanding receivable balances of HK$4,515,000 as at 31 March 2018 and whether the effects of these transactions, including the related cash flows, have been properly accounted for and disclosed in the consolidated financial statements as at 31 March 2018 and for the year then ended. Consequently, we were not able to determine whether any adjustment to these amounts and disclosures was necessary.

5. Insufficient information relating to a subsidiary

On 21 December 2017, Subsidiary C entered into an agreement with a vendor pursuant to which Subsidiary C acquired the entire equity interest in Naimanqi Xingshi Shakuang Company Limited, (literal translation of the Chinese name 奈曼旗興世砂礦有限公司)("Company G") at a consideration of RMB21,000,000. During the course of our audit, we noted that consideration had not been paid by the Group and the books and accounting records of the Company G in respect of year ended 31 March 2018 were found to be incomplete. There were no information or documents to ascertain the acquisition transaction was completed and whether the Group had obtained controls over Company G up to the date of this report. As described above, the books and records of Company G were found to be incomplete. We were unable to carry out satisfactory audit procedures to obtain reasonable assurance regarding the occurrence, completeness, accuracy, valuation, ownership, classification and disclosures of the above transaction of the Group and whether Company G has been consolidated in accordance with HKFRS 3 (revised) "Business Combinations". In addition, we were unable to carry out audit procedures that we consider necessary to satisfy ourselves as to the completeness and existence or occurrence of any other significant transactions, inter-group transactions, contingent liabilities, commitments, related party transactions and event after the reporting period relating to Company G as it was not consolidated into the Group.

Any adjustments that might have been found to be necessary in respect of the above would have a consequential significant effect on the Group's net assets as at 31 March 2018 and the financial performance and cash flows of the Group for the year then ended and may have resulted in additional information being disclosed in the consolidated financial statements as to the nature of the transactions and any contingent liabilities, commitments, related party transactions and significant non-adjusting subsequent events relating to the above transaction.

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 Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("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, 29 June 2018

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 March 2018

	Notes	2018 HK$'000	2017 HK$'000
Revenue	*8*	**395,281**	331,804
Cost of sales		**(367,704)**	(304,726)
Gross profit		**27,577**	27,078
Other income and gain or (loss)	*9*	**3,976**	(109,090)
Selling expenses		**(14,821)**	(10,896)
Administrative expenses		**(97,288)**	(70,605)
Loss from operations		**(80,556)**	(163,513)
Gain on disposal of subsidiaries	*38*	**628**	–
Finance costs	*11*	**(13,652)**	(10,412)
Loss before tax		**(93,580)**	(173,925)
Income tax credit	*12*	**3,015**	3,596
Loss for the year		**(90,565)**	(170,329)
Other comprehensive income (expenses)			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translating foreign operations		**14,227**	(5,486)
Reclassification adjustment upon impairment of available-for-sale financial assets		**598**	–
Net gain arising on revaluation of available-for-sale financial assets		**–**	859
Other comprehensive income (expenses) for the year, net of tax		**14,825**	(4,627)
Total comprehensive expenses for the year		**(75,740)**	(174,956)

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 March 2018

	Note	2018 HK$'000	2017 HK$'000
Loss for the year attributable to:			
Owners of the Company		**(88,168)**	(166,789)
Non-controlling interests		**(2,397)**	(3,540)
		(90,565)	(170,329)
Total comprehensive expenses for the year attributable to:			
Owners of the Company		**(75,376)**	(169,916)
Non-controlling interests		**(364)**	(5,040)
		(75,740)	(174,956)
Loss per share			
Basic (HK cents)	*15*	**(1.47)**	(3.25)
Diluted (HK cents)		**(1.47)**	(3.25)

Consolidated Statement of Financial Position

At 31 March 2018

	Notes	2018 HK$'000	2017 HK$'000
Non-current assets			
Property, plant and equipment	*17*	**21,524**	21,889
Available-for-sale financial assets	*18*	**–**	3,277
Goodwill	*19*	**–**	21,372
Intangible assets	*20*	**–**	14,519
		21,524	61,057
Current assets			
Inventories	*21*	**23,880**	30,448
Trade and other receivables	*22*	**243,548**	143,988
Loan receivables	*23*	**–**	–
Amounts due from a director	*24*	**2,370**	12,570
Amounts due from related companies	*35*	**9,893**	–
Contingent consideration receivables	*25*	**–**	–
Bank balances and cash	*26*	**46,695**	45,129
		326,386	232,135
Current liabilities			
Trade and other payables	*27*	**92,520**	105,811
Obligation under finance lease	*28*	**–**	1,204
Amounts due to a director	*29*	**–**	3,200
Amounts due to a related company	*35*	**–**	3,387
Promissory notes payable	*30*	**26,842**	31,775
Borrowings	*31*	**35,400**	–
Tax payables		**5,973**	6,303
		160,735	151,680
Net current assets		**165,651**	80,455
Total assets less current liabilities		**187,175**	141,512

Consolidated Statement of Financial Position

At 31 March 2018

	Notes	2018 HK$'000	2017 HK$'000
Non-current liabilities			
Promissory notes payable	*30*	**54,802**	66,214
Borrowings	*31*	**29,743**	–
Deferred tax liabilities	*32*	**973**	4,603
		85,518	70,817
NET ASSETS		**101,657**	70,695
Capital and reserves			
Share capital	*33*	**1,228**	1,057
Reserves		**111,465**	80,310
Equity attributable to owners of the Company		**112,693**	81,367
Non-controlling interests		**(11,036)**	(10,672)
TOTAL EQUITY		**101,657**	70,695

The consolidated financial statements on pages 54 to 131 were approved and authorised for issue by the Board of Directors on 29 June 2018 and are signed on its behalf by:

Zou Donghai
Chairman and Executive Director

Zheng Jian Peng
Executive Director

Consolidated Statement of Changes in Equity

For the year ended 31 March 2018

	Share capital HK$'000	Share premium HK$'000	Statutory reserve HK$'000	Available-for-sale investment revaluation reserve HK$'000	Foreign currency translation reserve HK$'000	Share-based payment reserve HK$'000	Accumulated losses HK$'000	Sub-total HK$'000	Non-controlling interests HK$'000	Total HK$'000
At 1 April 2016	1,005	523,826	3,622	(1,457)	(4,459)	52,050	(352,957)	221,630	(5,632)	215,998
Total comprehensive income (expenses) for the year	–	–	–	859	(3,986)	–	(166,789)	(169,916)	(5,040)	(174,956)
Placement of shares	45	23,823	–	–	–	–	–	23,868	–	23,868
Share issue expenses	–	(901)	–	–	–	–	–	(901)	–	(901)
Exercise of share options	7	10,589	–	–	–	(3,910)	–	6,686	–	6,686
Share options lapsed	–	–	–	–	–	(6,710)	6,710	–	–	–
Transfers	–	–	122	–	–	–	(122)	–	–	–
At 31 March 2017 and 1 April 2017	**1,057**	**557,337**	**3,744**	**(598)**	**(8,445)**	**41,430**	**(513,158)**	**81,367**	**(10,672)**	**70,695**
Total comprehensive income (expenses) 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	**1,228**	**657,343**	**3,909**	**–**	**3,749**	**45,754**	**(599,290)**	**112,693**	**(11,036)**	**101,657**

Consolidated Statement of Cash Flows

For the year ended 31 March 2018

	Notes	2018 HK$'000	2017 HK$'000
Operating activities			
Loss before tax		**(93,580)**	(173,925)
Adjustment for:			
Depreciation of property, plant and equipment	17	**4,072**	4,118
Amortisation of intangible assets	20	**14,519**	15,781
Gain on disposal of property, plant and equipment		**(6)**	(10)
Gain on disposal of subsidiaries	38	**(628)**	–
Reversal of provision of doubtful debts on trade receivables	22	**(6,639)**	(2,738)
Reversal of provision for deposit for acquisition of a subsidiary	9	**(22,900)**	–
Obsolete inventories written off	21	**7,713**	6,829
Written off of other receivables		**–**	545
Impairment loss on goodwill	19	**21,372**	59,741
Impairment of available-for-sale financial assets		**3,875**	–
Provision for loan receivables	23	**–**	9,600
Provision for deposit for acquisition of a subsidiary		**–**	22,900
Provision for contingent consideration receivables	25	**–**	22,000
Provision of doubtful debts on trade receivables	22	**9,154**	10,215
Share based payment expenses		**16,044**	–
Finance costs		**13,652**	10,412
Interest income		**(347)**	(56)
Operating cash flows before movements in working capital		**(33,699)**	(14,588)
Increase in inventories		**(1,145)**	(14,826)
(Increase) decrease in trade and other receivables		**(102,075)**	9,324
Decrease in amounts due from a director		**10,200**	–
Decrease in amounts due to a related company		**(9,893)**	–
(Decrease) increase in trade and other payables		**(14,961)**	28,629
Increase in amounts due from related companies		**(3,387)**	(6,046)
(Decrease) increase in amounts due to a director		**(3,200)**	3,200
Cash (used in) generated from operations		**(158,160)**	5,693
Income tax paid		**(613)**	–
Interest paid		**(11,584)**	(6,561)
Net cash used in operating activities		**(170,357)**	(868)

Consolidated Statement of Cash Flows

For the year ended 31 March 2018

	Notes	2018 HK$'000	2017 HK$'000
Investing activities			
Purchase of property, plant and equipment	*17*	**(3,516)**	(3,662)
Proceeds from disposals of property, plant and equipment		**10**	35
Deposit refunded for acquisition of a subsidiary		**22,900**	500
Interest received		**347**	56
Net cash generated from (used in) investing activities		**19,741**	(3,071)
Financing activities			
Proceeds from secured bank loan		**35,400**	–
Proceeds from unsecured interest-bearing bond		**28,200**	–
Repayments of borrowings		**–**	(12,089)
Net proceeds from issue of shares		**70,700**	22,967
Net cash inflow from exercise of share options		**19,958**	6,686
Proceeds from issue of promissory notes		**5,000**	–
Repayment of promissory notes		**(20,200)**	–
Repayment of obligations under a finance lease		**(1,204)**	(1,247)
Net cash generated from financing activities		**137,854**	16,317
Net (decrease) increase in cash and cash equivalents		**(12,762)**	12,378
Effect of foreign exchange rate changes		**14,328**	(5,418)
Cash and cash equivalents at beginning of the year		**45,129**	38,169
Cash and cash equivalents at end of the year		**46,695**	45,129
Analysis of cash and cash equivalents			
Bank and cash balances	*26*	**46,695**	45,129

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 Suites 707-9, 7th Floor, Prudential Tower, The Gateway, Tsim Sha Tsui, Kowloon, 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 these consolidated financial statements.

2. BASIS OF PREPARATION FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The Group reported a net loss attributable to owners of the Company of approximately HK$88,168,000 for the year ended 31 March 2018. As at 31 March 2018, the Group's total promissory notes payable and total borrowings amounted to HK$81,644,000 and HK$65,143,000 respectively, of which current portion of promissory notes payable and borrowings amounting to HK$26,842,000 and HK$35,400,000 respectively are subject to be fully repaid within the next twelve months as described in notes 30 to 31 to the consolidated financial statements respectively, while the cash and cash equivalents of the Group amounted to approximately HK$46,695,000 only.

The directors are of the opinion that the Group will have sufficient working capital to meet its financial obligations as and when they fall due for the next twelve months from 31 March 2018 after taking into consideration the following:

i) Subsequent to 31 March 2018, each of the executive directors of the Company signed an agreement with the Company that they undertook on a joint and several basis to provide adequate funds to enable the Group to meet its liabilities and to settle financial obligations to third parties as and when they fall due such that the Group can continue as a going concern and carry on its business without a significant curtailment of operations for at least twelve months from the date of this report;

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

ii) On 22 June 2018, the Company entered into a placement agreement with a placing agent ("Placing Agent") pursuant to which the Company has agreed to place up to 1,000,000,000 new ordinary shares of the Company of HK$0.0002 each through the placing agent at HK$0.041 per share ("Placing") raising a net proceed of approximately HK$39,650,000. On 28 June 2018, the Company and Placing Agent further entered into a supplement agreement that the Placing shall be on a fully underwritten basis. Up to the date of this report, the Placing has not yet been completed; and

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

The directors have carried out a detailed review of the cash flow forecast of the Group for a 12 months period from the reporting date, i.e. to 30 June 2019, taking into account the impact of above measures, the directors of the Company believe that the Group will have sufficient cash resources to satisfy its future working capital and other financing requirements as and when they fall due in the next twelve months from the date of this report, and accordingly, the directors are satisfied that it is appropriate to prepare the consolidated financial statements on a going concern basis.

Should the Group be unable to continue as a going concern, adjustments would have to be made to the consolidated financial statements to adjust the carrying values of the Group's assets to their recoverable amounts on realisation basis, to provide for any further liabilities which might arise and to reclassify non-current assets and liabilities as current assets and liabilities respectively. The effect of these potential adjustments has not been reflected in the consolidated financial statements.

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

Amendments to HKFRSs that are mandatorily effective for the current year

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

Amendments to HKAS 7	Disclosure Initiative
Amendments to HKAS 12	Recognition of Deferred Tax Assets for Unrealised Losses
Amendments to HKFRS 12	Amendments to HKFRS 12 included in Annual Improvements to HKFRSs 2014-2016 Cycle

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

Amendments to HKFRSs that are mandatorily effective for the current year (Continued)

The application of the above 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.

New and revised HKFRSs issued but not yet effective

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

HKFRS 9	Financial Instruments[1]
HKFRS 15	Revenue from Contracts with Customers and the related Amendments[1]
HKFRS 16	Leases[2]
HKFRS 17	Insurance Contracts[5]
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions[1]
Amendments to HKFRS 4	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts[1]
Amendments to HKFRS 9	Prepayment Features with Negative Compensation[2]
Amendments to HKFRS 10 & HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2014-2016 Cycle[4]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015-2017 Cycle[2]
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement[2]
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures[2]
Amendments to HKAS 40	Transfer of Investment Property[1]
HK(IFRIC) – Int 22	Foreign Currency Transactions and Advance Consideration[1]
HK(IFRIC) – Int 23	Uncertainty over Income Tax Treatments[2]

1 Effective for annual periods beginning on or after 1 January 2018
2 Effective for annual periods beginning on or after 1 January 2019
3 Effective date to be determined
4 Effective for annual periods beginning on or after 1 January 2017 or 1 January 2018, as appropriate
5 Effective for annual periods beginning on or after 1 January 2021

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

New and revised HKFRSs issued but not yet effective (Continued)

None of these is expected to have significant effect on the consolidated financial statements of the Group, except the following set out below:

HKFRS 9 "Financial Instruments"

The new standard addresses the classification, measurement and derecognition of financial assets and financial liabilities, introduces new rules for hedge accounting and a new impairment model for financial assets.

The Group does not expect the new guidance to have a significant impact on the classification and measurement of its financial assets because a fair value through other comprehensive income ("FVOCI") election is available for the equity instrument which is currently classified as available-for-sale and the Group does not have the following financial assets:

– Debt instrument that is classified as available-for-sale financial assets;

– Debt instrument classified as held-to-maturity and measured at amortised cost; and

– Equity investment measured at fair value through profit or loss.

There will be no impact on the Group's accounting for financial liabilities, as the new requirements only affect the accounting for non-derivative financial liabilities that are designated at fair value through profit or loss and the Group does not have any such liabilities. The derecognition rules have been transferred from HKAS 39 "Financial Instruments: Recognition and Measurement" and have not been changed.

The new impairment model requires the recognition of impairment provisions based on expected credit losses rather than only incurred credit losses as is the case under HKAS 39. It applies to financial assets classified at amortised cost, debt instruments measured at FVOCI, contract assets under HKFRS 15 "Revenue from Contracts with Customers", lease receivables, loan commitments and certain financial guarantee contracts. Based on the assessments undertaken to date, the Group does not expect any material change to its impairment provisions.

The new standard also introduces expanded disclosure requirements and changes in presentation. These are expected to change the nature and extent of the Group's disclosures about its financial instruments particularly in the year of the adoption of the new standard.

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

New and revised HKFRSs issued but not yet effective (Continued)

HKFRS 15 "Revenue from Contracts with Customers"

This new standard will replace HKAS 18 which covers contracts for goods and services and HKAS 11 which covers construction contracts. The new standard is based on the principle that revenue is recognised when control of a good or service is transferred to a customer. The standard permits either a full retrospective or a modified retrospective approach for the adoption.

Management has assessed the effects of applying the new standard on the Group's financial statements and considered there would be no material changes to the existing revenue recognition policy in this regard. Since HKFRS 15 is mandatory for financial years commencing on or after 1 April 2018, the Group does not intend to adopt the standard before its effective date.

HKFRS 16 "Leases"

HKFRS 16 will result in almost all leases being recognised on the consolidated statement of financial position, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. The only exceptions are short-term and low value leases.

The accounting for lessors will not significantly change.

The standard will affect primarily the accounting for the Group's operating leases. As at the reporting date, the Group has non-cancellable operating lease commitments of approximately HK$57,922,000. However, the Group has not yet determined to what extent these commitments will result in the recognition of an asset and a liability for future payments and how this will affect the Group's profit and classification of cash flows.

Some of the commitments may be covered by the exception for short-term and low value leases and some commitments may relate to arrangements that will not qualify as leases under HKFRS 16.

The standard is mandatory for annual reporting periods beginning on or after 1 April 2019. At this stage, the Group does not intend to adopt the standard before its effective date.

4. SIGNIFICANT ACCOUNTING POLICIES

These 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 of Hong Kong Limited (the "GEM Listing Rules") and by the Hong Kong Companies Ordinance.

The consolidated financial statements have been prepared on the historical cost basis except for financial instruments classified as available-for-sale investment which is measured at fair value, as explained in accounting policies below. Historical cost is generally based on the fair value of the consideration given in exchange for 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.

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.

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.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of consolidation (Continued)

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.

Investments in subsidiaries

Investments in subsidiaries presented in the statement of financial position included in note 39 to the consolidated financial statements are stated at cost less identified impairment loss.

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.

Goodwill

Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of the business less accumulated impairment losses, if any, and is presented separately in the consolidated statement of financial position.

For the purpose of impairment testing, goodwill is allocated to each of the Group's cash generating units (or groups of cash-generating units) that is expected to benefit from the synergies of the combination, which represent the lowest level at which the goodwill is monitored for internal management purposes and not larger than an operating segment.

A cash-generating unit (or group of cash-generating units) to which goodwill has been allocated is tested for impairment annually or more frequently when there is an indication that the unit may be impaired. For goodwill arising on acquisition in a reporting period, the cash-generating unit (or group of cash-generating units) to which goodwill has been allocated is tested for impairment before the end of that reporting period. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill and then to the other assets on a pro rata basis based on the carrying amount of each asset in the unit (or group of cash-generating units). Any impairment loss for goodwill is recognised directly in profit or loss. An impairment loss recognised for goodwill is not reversed in subsequent periods.

On disposal of the relevant cash-generating unit, the attributable amount of goodwill is included in the determination of the amount of profit or loss on disposal.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue recognition

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.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Foreign currencies (Continued)

Exchange differences on monetary items are recognised in profit or loss in the period in which they arise except for:

– exchange differences on foreign currency borrowings relating to assets under construction for future productive use, which are included in the cost of those assets when they are regarded as an adjustment to interest costs on those foreign currency borrowings;

– exchange differences on transactions entered into in order to hedge certain foreign currency risks; and

– exchange differences on monetary items receivable from or payable to a foreign operation for which settlement is neither planned nor likely to occur (therefore forming part of the net investment in the foreign operation), which are recognised initially in other comprehensive income and reclassified from equity to profit or loss on repayment of the monetary items.

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.

Property, plant and equipment

Property, plant and equipment 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	Unexpired term of land lease
Buildings	Shorter of the unexpired term of land lease and 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

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property, plant and equipment (Continued)

Assets under finance leases are depreciated over their expected useful lives on the same basis as owned assets. However, when there is no reasonable certainty that ownership will be obtained by the end of the lease term, assets are depreciated over the shorter of the lease term and their useful lives.

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.

Intangible assets

Intangible assets acquired in a business combination are recognised separately from goodwill and are initially recognised at their fair value at the acquisition date (which is regarded as their cost).

Subsequent to initial recognition, intangible assets acquired in a business combination with finite useful lives are carried at costs less accumulated amortisation and any accumulated impairment losses. Amortisation for intangible assets with finite useful lives is provided on straight-line basis over their estimated useful lives.

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from its use or disposal. Gains and losses arising from derecognition of an intangible assets are measured at the difference between the net disposal proceeds and the carrying amounts of the assets and are recognised in profit and loss in the period when the asset is derecognised.

Impairment of tangible and intangible assets other than goodwill

At the end of each reporting period, the Group reviews the carrying amounts of its tangible and intangible assets 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). When it is not possible to estimate the recoverable amount of an individual assets, 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 units for which a reasonable and consistent allocation basis can be identified.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Impairment of tangible and intangible assets other than goodwill (Continued)

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.

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. 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 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 is determined using the weighted average basis. 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 in the ordinary course of business, less the estimated costs of completion and the estimated costs necessary to make the sale.

Leasing

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.

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 services 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 vesting conditions) of the equity instruments at the date of grant. The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of shares that will eventually vest and adjusted for the effect of non-market vesting conditions.

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.

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.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Share-based payments (Continued)

When share options are exercised, the amount previously recognised in share options 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 options 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. In addition, deferred tax liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill.

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.

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.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Taxation (Continued)

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.

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.

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. 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.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets

The Group's financial assets are classified into the following specified categories: (i) available-for-sale ("AFS") financial assets and (ii) 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.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (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 debt instrument, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Interest income is recognised on an effective interest basis for debt instruments.

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, amounts due from a director, and bank balances and cash) are measured at amortised cost using the effective interest method, less any impairment.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets *(Continued)*

Loans and receivables (Continued)

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

Financial assets 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.

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.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

***Financial assets** (Continued)*

Impairment of financial assets (Continued)

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.

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.

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.

Promissory notes payable and interest-bearing bond

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

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial liabilities and equity instruments *(Continued)*

Other financial liabilities

The Group's other financial liabilities (including financial liabilities included in trade and other payables, obligation under a finance lease, amounts due to a director, amounts due to a related party, promissory notes payable and borrowings) are subsequently measured at amortised cost, using the effective interest method.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash 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 liability or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Interest expense is recognised on an effective interest basis.

Derecognition

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, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity is recognised in profit or loss.

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.

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.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Related parties (Continued)

(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 members 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

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.

Intangible assets and amortisation

The Group determines the estimated useful lives and related amortisation for the Group's intangible assets. The useful lives of intangible assets are assessed based on the expected usage and technical obsolescence resulting from the changes in market demands or services output from the assets. Intangible assets with finite useful lives are amortised over the expected useful economic lives and assessed for impairment whenever there is an indication that the intangible assets may be impaired. The amortisation period and the amortisation method for the intangible assets with finite useful lives are reviewed by the management at the end of each reporting period.

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)

Impairment of goodwill

The Group determined whether goodwill is impaired at least on an annual basis. This requires an estimation of the value-in-use of the cash-generating units to which the goodwill is allocated. Estimating the value-in-use requires the Group to make an estimate of the expected future cash flows from the cash-generating units and also to choose a suitable discount rate in order to calculate the present value of those cash flows. The carrying amount of goodwill as at 31 March 2018 was HK$Nil (2017: approximately HK$21,372,000). Further details are given in note 19 to the consolidated financial statements.

Impairment allowance for trade and other receivables

The Group makes impairment allowance for trade and other receivables based on an assessment of the recoverability of trade and other receivables. Allowances are applied to trade and other receivables where events or changes in circumstances indicate that the balances may not be collectible. The identification of doubtful debts requires the use of judgement and estimates. Where the expectation is different from the original estimate, such difference will impact the carrying values of trade and other receivables and impairment allowance for trade and other receivables in the year in which such estimate has been changed.

Allowance for slow-moving 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.

Impairment of AFS financial assets

For AFS financial assets, a significant or prolonged decline in fair value below carrying value is considered to be objective evidence of impairment. Judgement is required when determining whether a decline in fair value has been significant or prolonged. In making this judgement, the management of the Group takes into account factors such as industry and sector performance and financial information regarding the investees.

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

Key sources of estimation uncertainty (Continued)

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 it 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 (including bill payables, obligations under a finance lease, promissory notes payables and borrowings) 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 2018 and 2017.

	2018 **HK$'000**	2017 HK$'000
Total debts	**146,787**	127,193
Less: cash and bank balances	**(46,695)**	(45,129)
Net debt	**100,092**	82,064
Total equity	**101,657**	70,695
Total capital	**201,749**	152,759
Gearing ratio	**49.6%**	53.7%

7. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

	2018 HK$'000	2017 HK$'000
Financial assets:		
Available-for-sale financial assets	**–**	3,277
Loans and receivables (including bank balances and cash)	**125,340**	158,557
Financial liabilities:		
Financial liabilities at amortised cost	**215,769**	207,233

(b) Financial risk management objective and policies

The Group's principal financial instruments comprise AFS financial assets, financial assets included in trade and other receivables, amounts due from a director, amounts due from related companies, bank balances and cash, financial liabilities included in trade and other payables, obligations under a finance lease, amounts due to a director, amounts due to a related company, promissory notes payables and borrowings. The main purpose of these financial instruments is to raise funds for the Group's operations.

The main risk arising from the Group's financial instruments are interest rate risk, liquidity risk, credit risk, price risk and foreign currency risk. The board of directors reviews and agrees on 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 (2017: 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 interest rates had been 100 basis points (2017: 100 basis points) higher/lower and all other variables were held constant, the Group's loss for the year ended 31 March 2018 would decrease/increase by approximately HK$113,000 (2017: HK$451,000). This is mainly attributable to the Group's exposure to interest rates on its interest-bearing bank deposits and bank borrowings.

7. FINANCIAL INSTRUMENTS (Continued)

(b) Financial risk management objective and policies (Continued)

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):

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$'000	Between 1 and 2 years HK$'000	Between 2 and 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	**68,982**	**–**	**–**	**–**	**68,982**	**68,982**
Promissory notes payable	**33,143**	**4,210**	**67,606**	**–**	**104,959**	**81,644**
Borrowings	**39,900**	**4,500**	**32,250**	**–**	**76,650**	**65,143**
Amounts due to a director	**–**	**–**	**–**	**–**	**–**	**–**
Amounts due to a related party	**–**	**–**	**–**	**–**	**–**	**–**
	142,025	**8,710**	**99,856**	**–**	**250,591**	**215,769**
At 31 March 2017						
Financial liabilities included in trade and other payables	101,453	–	–	–	101,453	101,453
Promissory notes payable	38,504	4,980	72,016	10,800	126,300	97,989
Obligation under finance lease	1,238	–	–	–	1,238	1,204
Amounts due to a director	3,200	–	–	–	3,200	3,200
Amounts due to a related party	3,387	–	–	–	3,387	3,387
	147,782	4,980	72,016	10,800	235,578	207,233

7. FINANCIAL INSTRUMENTS (Continued)

(b) Financial risk management objective and policies (Continued)

Credit risk

The Group trades only with recognised and creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, trade receivable balances are monitored on an ongoing basis.

The credit risk of the Group's other financial assets, which comprise financial assets included in other receivables, bank balances and cash, loan receivables and amounts due from a director, arises from default of the counterparty, with maximum exposure equal to the carrying amounts of these instruments.

As at 31 March 2018, approximately 76% (2017: 81%) of the Group's total trade receivables were due from the five largest customers which were within trading of refined oil and chemicals segment during the years ended 31 March 2018 (2017: power and data cords business segment). The Group has policies and procedures to monitor the collection of the trade receivables to limit the exposure to non-recoverable of the receivables. In addition, included in the Group's other receivables was deposit for procurement of traded products representing 71% of total other receivables of the Group as at 31 March 2018 (2017: 51%).

The Group has no other significant concentrations of credit risks on trade and other receivables. The credit quality of the counterparties in respect of other receivables and loan receivables was assessed by taking into account their financial position, credit history and other factors. Given the stable repayment history, the directors are of the opinion that the risk of default by these counterparties is low.

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

Price risk

The Group is exposed to equity price risk through its investment in listed equity securities outside Hong Kong, which are classified as available-for-sale financial assets. The management will consider hedging the risk exposure should the need arise. The Group is not exposed to commodity price risk.

At 31 March 2018, if equity prices had increased/decreased by 10% and all other variables were held constant, the Group's investment revaluation reserve (i.e. equity) would increase/decrease by approximately HK$Nil (2017: HK$328,000) as a result of the changes in fair value of listed equity investments included in the Group's available-for-sale investments.

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 2018 and 2017 are insignificant and therefore no sensitivity analysis is presented thereon.

Fair value measurements of financial instruments

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The following disclosures of fair value measurements use a fair value hierarchy that categorises into three levels the inputs to valuation techniques used to measure fair value:

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

Disclosures of level in fair value hierarchy

	2018 **HK$'000**	2017 HK$'000
Recurring fair value measurement:		
Available-for-sale financial assets – Level 1	–	3,277

The Group did not have any financial liabilities measured at fair value as at 31 March 2018.

During the year, there were no transfers of fair value measurement between Level 1 and Level 2 and no transfers into or out of Level 3.

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

8. REVENUE

The Group's revenue represented the following:

	2018 HK$'000	2017 HK$'000
Sales of refined oil and chemicals	**341,606**	263,299
Sales of power and data cords and inlet sockets	**53,675**	68,505
	395,281	331,804

9. OTHER INCOME AND GAIN OR (LOSS)

	2018 HK$'000	2017 HK$'000
Interest income	**347**	56
Net foreign exchange (losses) gains	**(1,482)**	1,643
Gain on disposal of property, plant and equipment	**6**	10
Reversal of provision of doubtful debts on trade receivables	**6,639**	2,738
Reversal of provision for deposit for acquisition of a subsidiary	**22,900**	–
Impairment loss on goodwill	**(21,372)**	(59,741)
Impairment of available-for-sale financial assets	**(3,875)**	–
Provision for deposit for acquisition of a subsidiary	**–**	(22,900)
Provision for loan receivables	**–**	(9,600)
Provision for contingent consideration receivables	**–**	(22,000)
Sundry income	**813**	704
	3,976	(109,090)

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.

10. SEGMENT INFORMATION (Continued)

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

1. Trading of refined oil and chemicals	–	engaging in trading of refined oil and chemicals.
2. Digital application business	–	engaging in activities relating to the provision of programming services, web services, mobile marketing solutions and development of mobile phone games.
3. Power and data cords and general trading business	–	engaging in sales and manufacture of power cords and inlet sockets for household electrical appliances and power and data cords for mobile handsets and medical control devices and raw cables and general trading business.

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.

Segment profit or loss does not include the following items:

– Other income and gain or loss

– Corporate expenses

– Gain on disposal of subsidiaries

– Finance costs

Segment assets do not include the following items:

– Available-for-sale financial assets

– Other corporate assets

10. SEGMENT INFORMATION (Continued)

Segment liabilities do not include the following items:

– Promissory notes

– Borrowings

– Obligation under finance leases

– Other corporate liabilities

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

	Trading of refined oil and chemicals HK$'000	Digital application business HK$'000	Power and data cords and general trading business HK$'000	Total HK$'000
Year ended 31 March 2018				
Revenue from external customers	341,606	–	53,675	395,281
Segment loss	(5,390)	(10,984)	(2,712)	(19,086)
Interest income	287	–	55	342
Interest expenses	34	–	345	379
Depreciation and amortisation	1,451	14,534	1,854	17,839
Other material item of income and expense: Income tax debit/(credit)	195	3,630	(411)	3,414
Other material non-cash item: Impairment losses on goodwill	–	21,372	–	21,372
Additions to segment non-current assets	284	–	359	643
At 31 March 2018				
Segment assets	255,507	26	87,708	343,241
Segment liabilities	39,170	8,294	51,262	98,726

10. SEGMENT INFORMATION (Continued)

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

	Trading of refined oil and chemicals HK$'000	Digital application business HK$'000	Power and data cords and general trading business HK$'000	Total HK$'000
Year ended 31 March 2017				
Revenue from external customers	263,299	–	68,505	331,804
Segment (loss)/profit	(4,868)	(153,478)	307	(158,039)
Interest income	50	–	6	56
Interest expenses	121	–	557	678
Depreciation and amortisation	1,396	15,838	2,284	19,518
Other material item of income and expense:				
Income tax (credit)/debit	–	(3,945)	349	(3,596)
Other material non-cash item:				
Impairment losses on goodwill	–	59,741	–	59,741
Provision for contingent consideration receivables	–	22,000	–	22,000
Additions to segment non-current assets	57	–	3,543	3,600
At 31 March 2017				
Segment assets	115,517	35,933	89,810	241,260
Segment liabilities	40,939	11,923	41,867	94,729

10. SEGMENT INFORMATION (Continued)

Reconciliations of reportable segment revenue, profit or loss, assets and liabilities:

	2018 HK$'000	2017 HK$'000
Revenue		
Total Revenue of reportable segments	**395,281**	331,804
Profit or (loss)		
Total loss of reportable segments	**(19,086)**	(158,039)
Other income and gain or (loss)	**3,976**	(99,490)
Corporate expenses	**(62,431)**	97,612
Gain on disposal of subsidiaries	**628**	–
Finance costs	**(13,652)**	(10,412)
Consolidated loss for the year	**(90,565)**	(170,329)
Assets		
Total assets of reportable segments	**343,241**	241,260
Available-for-sale financial assets	**–**	3,277
Other corporate assets	**4,669**	48,655
Consolidated total assets	**347,910**	293,192
Liabilities		
Total liabilities of reportable segments	**98,726**	94,729
Promissory notes payable	**81,644**	97,989
Borrowings	**35,400**	–
Other corporate liabilities	**30,483**	28,575
Obligation under a finance lease	**–**	1,204
Consolidated total liabilities	**246,253**	222,497

10. SEGMENT INFORMATION (Continued)

Geographical information:

	Revenue		Non-current assets*	
	2018	2017	**2018**	2017
	HK$'000	HK$'000	**HK$'000**	HK$'000
Hong Kong	**2,295**	6,532	**8,543**	42,064
PRC	**363,279**	299,189	**12,981**	15,716
Taiwan	**3,687**	2,719	**–**	–
United States	**23,595**	22,259	**–**	–
Other countries	**2,425**	1,105	**–**	–
Total	**395,281**	331,804	**21,524**	57,780

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

* Non-current assets excluded AFS financial assets

Revenue from major customers:

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

	Segment	**2018** **HK$'000**	2017 HK$'000
Customer A	Trading of refined oil and chemicals	**172,447**	181,259
Customer B	Trading of refined oil and chemicals	**50,184**	–

11. FINANCE COSTS

	2018 HK$'000	2017 HK$'000
Interest on secured bank loan	**345**	465
Interest on trust receipt loans	**–**	91
Interest on financial lease	**34**	121
Interest on unsecured interest-bearing bond	**4,731**	–
Effective interest expenses on promissory notes		
– wholly repayable within one year	**2,514**	3,020
– not wholly repayable within one year	**6,028**	6,715
	13,652	10,412

12. INCOME TAX CREDIT

	2018 HK$'000	2017 HK$'000
Current tax – Hong Kong Profits Tax		
Provision for the year	**–**	–
Current tax – PRC Enterprise Income Tax		
Provision for the year	**615**	350
Deferred taxation *(Note 32)*	**(3,630)**	(3,946)
	(3,015)	(3,596)

Hong Kong Profits Tax has been provided at the rate of 16.5% (2017: 16.5%) on the estimated assessable profits for the year.

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

12. INCOME TAX 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% (2017: 25%), except for Sun Fair Electric Wire & Cable (Shenzhen) Company Limited ("Sun Fair SZ"), which is entitled to a preferential tax rate of 15% for being a high technology enterprise.

Tax 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:

	2018 **HK$'000**	2017 HK$'000
Loss before tax	**(93,580)**	(173,925)
Tax at the income tax rate	**(17,489)**	(28,698)
Tax effect of income that is not taxable	**(184)**	(1,288)
Tax effect of expenses that are not deductible	**14,009**	25,015
Tax effect of tax losses not recognised	**649**	1,375
Income tax credit	**(3,015)**	(3,596)

13. LOSS FOR THE YEAR

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

	2018 **HK$'000**	2017 HK$'000
Auditors' remuneration	**900**	900
Cost of inventories sold	**354,908**	290,116
Operating lease payments		
– Office and staff quarters	**9,475**	4,852
– Vessels	**3,417**	3,651
Amortisation of intangible assets	**14,519**	15,781
Depreciation of property, plant and equipment	**4,072**	4,118
Obsolete inventories written off	**7,713**	6,829
Provision of doubtful debts on trade receivables	**9,154**	10,215
Write off of other receivables	**–**	545
Net foreign exchange losses (gains)	**1,482**	(1,643)
Gain on disposal of property, plant and equipment	**(6)**	(10)
Gain on disposal of subsidiaries	**(628)**	–
Reversal of provision for doubtful debts on trade receivables	**(6,639)**	(2,738)
Reversal of provision for deposit for acquisition of a subsidiary	**(22,900)**	–
Impairment loss on goodwill	**21,372**	59,741
Impairment of available-for-sale financial assets	**3,875**	–
Provision for loan receivables	**–**	9,600
Provision for deposit for acquisition of a subsidiary	**–**	22,900
Provision for contingent consideration receivables	**–**	22,000
Staff costs including directors' emoluments		
Salaries, bonuses and allowances	**26,661**	20,563
Retirement benefits scheme contributions	**832**	456
Share-based payments	**16,044**	–
	43,537	21,019

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 2018						
Executive Directors:						
Ho Chun Kit, Gregory	–	960	–	3,263	18	4,241
Zou Donghai	–	1,800	–	–	15	1,815
Zhang Xueming	–	600	–	3,263	–	3,863
Rong Changjun	–	1,200	–	3,263	–	4,463
Zheng Jian Peng	–	960	–	3,263	18	4,241
	–	5,520	–	13,052	51	18,623
Non-Executive Directors:						
Chan Shiu Man *(Note d)*	247	–	–	–	12	259
Hua Xujie *(Note d)*	–	–	–	–	–	–
	247	–	–	–	12	259
Independent Non-Executive Directors:						
Eugenia Yang *(Note f)*	120	–	–	–	–	120
Lau Sung Tat, Vincent	120	–	–	–	–	120
Chan Ying Kay *(Note c)*	120	–	–	–	–	120
Sun Dexin *(Note e)*	53	–	–	–	–	53
	413	–	–	–	–	413
	660	5,520	–	13,052	63	19,295

14. DIRECTORS' AND EMPLOYEES' EMOLUMENTS (Continued)

(a) Directors' emoluments (Continued)

	Fees HK$'000	Salaries and other benefits HK$'000	Discretionary bonuses HK$'000	Retirement benefits scheme contributions HK$'000	Total HK$'000
Year ended 31 March 2017					
Executive Directors:					
Ho Chun Kit, Gregory	–	960	–	18	978
Zou Donghai	–	1,800	–	–	1,800
Chan Lung Ming *(Note a)*	–	50	–	2	52
Zhang Xueming	–	600	–	–	600
Rong Changjun	–	1,200	–	–	1,200
Zheng Jian Peng	–	960	–	18	978
	–	5,570	–	38	5,608
Independent Non-Executive Directors:					
Eugenia Yang	120	–	–	–	120
Ng Ka Chung *(Note b)*	30	–	–	–	30
Lau Sung Tat, Vincent	120	–	–	–	120
Chan Ying Kay *(Note c)*	90	–	–	–	90
	360	–	–	–	360
	360	5,570	–	38	5,968

Notes:

(a) Resigned on 6 December 2016.

(b) Retired on 29 July 2016.

(c) Appointed on 29 July 2016.

(d) Appointed on 25 July 2017.

(e) Appointed on 24 October 2017.

(f) Resigned on 7 June 2018.

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

14. DIRECTORS' AND EMPLOYEES' EMOLUMENTS (Continued)

(a) Directors' emoluments (Continued)

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 (2017: Nil).

During the years ended 31 March 2018, 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 (2017: 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 (2017: Nil). No consideration was provided to or receivable by third parties for making available directors' services (2017: Nil).

Except for disclosed in note 35 to the consolidated financial statements, 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 2018 and 2017.

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 (2017: Nil).

(b) Five highest paid individuals

The five highest paid individuals in the Group during the year included four (2017: four) directors whose emoluments are reflected in the analysis presented above. The emolument of the remaining one (2017: one) individual is set out below:

	2018	2017
	HK$'000	HK$'000
Salaries, bonuses and allowances	**1,200**	900
Retirement benefits scheme contributions	**3**	8
Share-based payments	**2,992**	–
	4,195	908

14. DIRECTORS' AND EMPLOYEES' EMOLUMENTS (Continued)

(b) Five highest paid individuals (Continued)

The emoluments of one (2017: one) individual with the highest emoluments are within the following band:

	Number of employees	
	2018	2017
HK$Nil to HK$1,000,000	**1**	1

During the years ended 31 March 2018, 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 (2017: 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$88,168,000 (2017: approximately HK$166,789,000) by the weighted average number of ordinary shares of 6,014,552,810 (2017: 5,129,104,438) in issue for the year ended 31 March 2018.

The weighted average number of ordinary shares for the years ended 31 March 2017 for the purpose of calculating basic loss per share has been adjusted for the consolidation of shares on the basis that every two issued and unissued shares being converted into one consolidated share which took place on 30 September 2016. Details of the share consolidation are set out in note 33(a) to the consolidated financial statements.

Diluted loss per share

Diluted loss per share is the same as basic loss per share as the outstanding share options have anti-dilutive effects on the basic loss per share for the year (2017: Nil).

16. DIVIDEND

No dividend has been paid or declared by the Company during the years ended 31 March 2018 and 2017.

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 2016	3,660	12,919	6,590	23,080	12,900	6,511	65,660
Additions	–	–	19	569	2,919	155	3,662
Disposals	–	–	–	(166)	(1,806)	(14)	(1,986)
Exchange differences	–	–	(139)	(247)	(143)	(61)	(590)
At 31 March 2017 and 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	3,660	12,919	6,823	23,628	16,516	7,067	70,613
Accumulated depreciation and impairment							
At 1 April 2016	1,601	709	5,778	22,995	6,704	5,351	43,138
Charge for the year	98	335	621	182	2,316	566	4,118
Eliminated upon disposals	–	–	–	(166)	(1,781)	(14)	(1,961)
Exchange differences	–	–	(129)	(245)	(32)	(32)	(438)
At 31 March 2017 and 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	1,797	1,379	6,748	22,949	9,848	6,368	49,089
CARRYING AMOUNTS							
At 31 March 2018	1,863	11,540	75	679	6,668	699	21,524
At 31 March 2017	1,961	11,875	200	470	6,663	720	21,889

Leasehold land and buildings with carrying amount of HK$13,403,000 (2017: HK$13,836,000) were pledged to a bank to secure general banking facilities granted to the Group as at 31 March 2018.

The Group's leasehold land is situated in the PRC under medium-term lease.

18. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	2018 **HK$'000**	2017 HK$'000
Listed equity investment outside Hong Kong, at fair value	**3,277**	3,277
Less: Provision for impairment	**(3,277)**	–
	–	3,277

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.

The listed equity investment represented an investment in a company which is listed on an Indian Stock Market. On 1 January 2018, the investee company's shares was 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.

19. GOODWILL

	2018 **HK$'000**	2017 HK$'000
Cost		
At 1 April and 31 March	**105,775**	105,775
Accumulated impairment losses		
At 1 April	**84,403**	24,662
Impairment loss	**21,372**	59,741
At 31 March	**105,775**	84,403
Carrying amount		
At 31 March	**–**	21,372

19. GOODWILL (Continued)

Goodwill acquired in a business combination is allocated, at acquisition, to the cash generating units ("CGUs") that are expected to benefit from that business combination. The carrying amount of goodwill had been allocated as follows:

	2018 HK$'000	2017 HK$'000
Digital application business:		
3 Dynamics (Asia) Limited ("3 Dynamics")	–	21,372

Cash generating unit for the segment of digital application business ("CGU for digital application")

The recoverable amount is determined based on value-in-use calculation using the discounted cash flow method in accordance with HKAS 36. The key assumptions for the discounted cash flow method are those regarding the discount rate, terminal growth rate and budgeted gross margin and revenue during the period. The Group estimated the discount rate using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the CGU for digital application. The terminal growth rate is based on the long-term average economic growth rate of the geographical area in which the businesses of the CGU for digital application operate. Budgeted gross margin and revenue are based on past practices and expectations of market development.

The Group prepares cash flow forecasts derived from the most recent financial budgets approved by the directors for the next five years (2017: five years) with the residual period using the terminal growth rate of 3% (2017: 3%).

As at 31 March 2018, as the development of electronic software was unsuccessful and it was not expected to generate any revenue in the foreseeable future, the management assessed the recoverable amount of the CGU for the digital application and decided to write off the carrying amount of the goodwill in relation to the digital application business. An impairment loss of approximately HK$21,372,000 (2017: HK$59,741,000) was recognised in the profit or loss.

20. INTANGIBLE ASSETS

	Contractual right	
	2018	2017
	HK$'000	HK$'000
Cost		
At 1 April	**98,035**	98,035
Accumulated amortisation and impairment		
At 1 April	**83,516**	67,735
Amortisation for the year	**14,519**	15,781
At 31 March	**98,035**	83,516
Carrying amount		
At 31 March	**–**	14,519

As at 31 March 2017, 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 co-operation agreement with a PRC company, Guangzhou Blue Arc Culture Communication Company Limited（廣州藍弧文化傳播有限公司）("Cooperation Agreement"). The Cooperation Agreement has a term of 5 years from 1 March 2013 to 28 February 2018 and is renewable for 5 years subject to negotiations by the parties concerned. In the opinion of the Directors, the contractual right is expected to be available for use by the Group over a useful life of 4.17 years from the date of acquisition and it is being amortised on a straight-line basis over its useful life. As at 31 March 2018, the contractual right was fully amortised (2017: remaining amortisation period is 0.92 years).

21. INVENTORIES

	2018 HK$'000	2017 HK$'000
Raw materials	**5,592**	5,335
Work in progress	**2,375**	959
Finished goods	**23,626**	30,983
	31,593	37,277
Less: Provision of obsolete stock	**(7,713)**	(6,829)
	23,880	30,448

Inventories amounting to approximately HK$23,880,000 were stated at net realisable value as at 31 March 2018 (2017: HK$30,448,000).

	2018 HK$'000	2017 HK$'000
Carrying amount of inventories sold	**354,908**	290,116
Write-down of inventories	**11,061**	6,829
	365,969	296,945

22. TRADE AND OTHER RECEIVABLES

	2018 HK$'000	2017 HK$'000
Trade receivables *(Note a)*	**46,263**	18,958
Provision of doubtful debts *(Note a)*	**(12,730)**	(10,215)
Bill receivables	**–**	226
Other receivables *(Note b)*	**210,015**	135,019
	243,548	143,988

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

The aging analysis of trade receivables (net of provision of doubtful debts) based on the invoice dates is as follows:

	2018 HK$'000	2017 HK$'000
Within 30 days	**26,067**	5,250
31 – 60 days	**7,411**	3,362
61 – 90 days	**55**	114
91 – 180 days	**–**	17
	33,533	8,743

As at 31 March 2018, none of trade receivables were past due but not impaired (2017: Nil).

22. TRADE AND OTHER RECEIVABLES (Continued)

Notes: (Continued)

(a) Trade receivables (Continued)

The movements in the provision for doubtful debts of trade receivables are as follows:

	2018 HK$'000	2017 HK$'000
At 1 April	**10,215**	2,738
Reversal of provision of doubtful debts	**(6,639)**	(2,738)
Provision of doubtful debts	**9,154**	10,215
At 31 March	**12,730**	10,215

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

	2018 HK$'000	2017 HK$'000
HK$	**2,965**	3,944
United States dollars ("US$")	**4,758**	4,780
Renminbi ("RMB")	**25,810**	19
	33,533	8,743

(b) Other receivables

	2018 HK$'000	2017 HK$'000
Advances to staff	**923**	290
Deposits paid for inventory procurement *(Note (i))*	**25,000**	–
Deposits paid to other suppliers	**1,181**	–
Prepayments for purchases *(Note (ii))*	**124,673**	69,300
Prepayments for renovation of vessels *(Note (iii))*	**27,493**	–
Other receivables from suppliers *(Note (iv))*	**4,515**	–
Other prepayments and deposits	**8,712**	27,742
Refundable deposits for acquisition of subsidiaries	**–**	24,100
Others	**17,518**	13,587
	210,015	135,019

22. TRADE AND OTHER RECEIVABLES (Continued)

Notes: (Continued)

(b) Other receivables (Continued)

Notes:

(i) On 28 September 2017, the Group made a deposit amounting to HK$25,000,000 to a supplier for procurement of trading products. As at 31 March 2018, the amount of HK$25,000,000 remained outstanding.

(ii) As at 31 March 2018, included in prepayments for purchases, the balances of approximately HK$91,803,000 (equivalent to approximately RMB75,098,000) were paid to certain materials suppliers in relation to the purchases of chemical products and oxygen-free copper products for trading purpose. Details of these prepayments for purchases are as follows:

During the year ended 31 March 2018, Jiangxi China Oil Gangran Energy Technology Company Limited (literal translation of the Chinese name 江西中油港燃能源科技有限責任公司) ("Subsidiary A"), an indirectly wholly-owned subsidiary of the Company, entered into an undated annual purchase contract with a supplier ("Company A") for the purchase of chemical products ("Chemical Purchase Contract") amounting to a total sum of RMB62,394,000 with effect from 1 July 2017 to 30 June 2018. During the year ended 31 March 2018, pursuant to the Chemical Purchase Contract, Subsidiary A had made prepayments amounting to RMB36,428,000 (equivalent to HK$45,524,000) in aggregate to Company A for purchases of chemical products.

Subsequently on 19 June 2018, Subsidiary A sent a letter to Company A to request for the refund of the abovementioned repayments ("Request Letter") due to non-performance of the Chemical Purchase Contract by both Subsidiary A and Company A. On 27 June 2018, Subsidiary A received an amount of RMB20,000,000 (equivalent to HK$25,000,000) from Company A.

During the year ended 31 March 2018, Sun Fair Electric Wire & Cable (Shenzhen) Company Limited (literal translation of the Chinese name 三輝電線電纜(深圳)有限公司) ("Subsidiary B"), an indirectly wholly-owned subsidiary of the Company, entered into an undated purchase contract with a supplier ("Company B") for the purchase of oxygen-free copper products ("Copper Purchase Contract") amounting to a total sum of RMB33,831,000. On 18 January 2018, Subsidiary B made a prepayment of RMB30,000,000 (equivalent to approximately HK$35,444,000) to Company B pursuant to the Copper Purchase Contract.

In March 2018, Subsidiary A made payments in an aggregate of approximately RMB8,670,000 (equivalent to HK$10,835,000) on behalf of Jilin China Oil Gangran Energy Development Company Limited (literal translation of the Chinese name 吉林中油港燃能源開發有限責任公司 ("Subsidiary C"), an indirectly wholly-owned subsidiary of the Company, to a supplier ("Company C") for purchase of goods.

(iii) On 15 August 2017, Subsidiary A entered into a vessel renovation and transportation service contract with Company A ("Renovation Contract"). Pursuant to the Renovation Contract, Company A is responsible for the provision of agreed services during the period from 15 August 2017 to 14 August 2018 including (i) renovation services on the oil vessels ("Oil Vessels") rented by Subsidiary A in order to meet the requirements of quality inspection standards in the PRC ("Renovation Services"); (ii) installation and maintenance of fire equipment and facilities on the Oil Vessels ("Installation Services") and (iii) transportation of oil services. On 21 August 2017, Subsidiary A made deposits amounting to RMB22,000,000 (equivalent to HK$27,493,000) in relation to the Renovation Contract.

22. TRADE AND OTHER RECEIVABLES (Continued)

Notes: (Continued)

(b) Other receivables (Continued)

Notes: (Continued)

(iv) During the year ended 31 March 2018, the Company entered into an undated graphic design and advertising contract ("Advertising Contract") with two service providers ("Service Providers") and made payments to then which amounted to HK$5,000,000 and HK$2,000,000 each. However, because of the Service Providers had not performed any work for the Company, the Company had later signed an undated refund policy documents ("Refund Policy") with the Service Providers in order to claim refund of the above total payments of HK$7,000,000 with lump-sum interest. Approximately HK$2,485,000 had been refunded to the Group during the year ended 31 March 2018 and the balance of HK$4,515,000 remained outstanding. Subsequent to the end of the reporting period, on 13 April 2018, the outstanding receivable balances with interests were fully refunded to the Group.

23. LOAN RECEIVABLES

During the year ended 31 March 2017, the Group entered into a loan agreement with an independent third party. The loan receivables carried interest of 8% per annum and due on 14 March 2017.

	2018 **HK$'000**	2017 HK$'000
Carrying amount of loan receivables based on scheduled repayment dates set out in the loan agreement		
Within one year	**–**	–

As at 31 March 2017, the directors of the Company considered that the loan receivables of HK$9,600,000 was 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. As at 31 March 2018, the claim was still in process.

24. AMOUNTS DUE FROM A DIRECTOR

Name of director	**Maximum debit balance** HK$'000	**2018** **HK$'000**	2017 HK$'000
Zhang Xueming	12,570	**2,370**	12,570

The amounts due from a director are unsecured, interest-free and recoverable on demand.

The amounts are solely used for establishing the representative office located in PRC.

25. CONTINGENT CONSIDERATION RECEIVABLES

	2018 **HK$'000**	2017 HK$'000
Carrying amount of contingent consideration receivables	**22,000**	22,000
Less: Provision for impairment	**(22,000)**	(22,000)
	–	–

The receivables represent the contingent consideration receivable 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 3 Dynamics, 3 Dynamics 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 2018 and 2017, the balance of HK$22,000,000 was still outstanding for the Profit Guarantee and only 73,870,000 (after adjustment for share subdivision and consolidation) of the Escrow Shares remained as a security for the Profit Guarantee.

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

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 0.01% p.a. (2017: 0.001% to 0.01% p.a.) with an original maturity of three months or less.

27. TRADE AND OTHER PAYABLES

	2018 **HK$'000**	2017 HK$'000
Trade payables *(Note a)*	**23,707**	30,865
Bill payables	**–**	28,000
Other payables *(Note b)*	**68,813**	46,946
	92,520	105,811

(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 due dates is as follows:

	2018 **HK$'000**	2017 HK$'000
Not yet due	**4,478**	29,557
1 – 30 days past due	**1,330**	1,161
31 – 60 days past due	**82**	146
61 – 90 days past due	**16**	–
91 – 180 days past due	**41**	1
Over 180 days	**17,760**	–
	23,707	30,865

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

	2018 **HK$'000**	2017 HK$'000
HK$	**5,012**	4,262
RMB	**18,342**	26,452
US$	**353**	151
	23,707	30,865

27. TRADE AND OTHER PAYABLES (Continued)

(b) Other payables

	2018 HK$'000	2017 HK$'000
Accruals	**11,836**	7,739
Interest payables	**3,760**	2,090
Other tax payables	**1,302**	129
Salary and welfare payables	**10,400**	6,367
Deposit received and receipts in advance	**11,263**	4,358
Others	**30,252**	26,263
	68,813	46,946

28. OBLIGATION UNDER FINANCE LEASE

The Group leased the motor vehicle under finance lease. The lease term is 4 years. Interest rate underlying obligation under finance lease is fixed at 5.47% per annum.

	Minimum lease payments		Present value of minimum lease payments	
	2018 HK$'000	2017 HK$'000	**2018 HK$'000**	2017 HK$'000
Amounts payable under finance lease:				
Within one year	**–**	1,238	**–**	1,204
More than one year but less than five years	**–**	–	**–**	–
	–	1,238	**–**	1,204
Less: future finance charges	**–**	(34)	**–**	–
Present value of lease obligation	**–**	1,204	**–**	1,204
Less: Amount due for settlement within 12 months			**–**	(1,204)
Amount due for settlement after 12 months			**–**	–

29. AMOUNTS DUE TO A DIRECTOR

The amounts due to a director is unsecured, interest-free and repayable on demand.

30. PROMISSORY NOTES

	2018 **HK$'000**	2017 HK$'000
At 1 April	**97,989**	95,468
Issuance	**5,000**	–
Imputed interest charged	**8,542**	9,735
Interest paid	**(9,687)**	(7,214)
Redemption	**(20,200)**	–
At 31 March	**81,644**	97,989
Analysed as:		
Current liabilities	**26,842**	31,775
Non-current liabilities	**54,802**	66,214
	81,644	97,989

The promissory notes are unsecured, bearing interest at rates ranging from 4% to 10% per annum and whose 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 2018, the Company issued unsecured promissory notes with aggregate principal amounts of HK$5,000,000. The proceeds from the issue are used for general working capital of the Group. There was no issuance of unsecured promissory notes made during the year ended 31 March 2017.

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 option of the promissory notes is regarded as an embedded derivative not closely related to the host contract and shall be separately accounted for as a derivative financial instrument. In the opinion of the directors, the fair value of the early redemption option was considered immaterial.

31. BORROWINGS

	2018 HK$'000	2017 HK$'000
Secured bank loan *(Note a)*	35,400	–
Unsecured interest-bearing bond *(Note b)*	29,743	–
	65,143	–
Less: Amount classified as current liabilities	(35,400)	–
Amount classified as non-current liabilities	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:

	2018 HK$'000	2017 HK$'000
The carrying amount of the bank loan is repayable:		
Within one year	35,400	–

The secured bank loan, which is denominated in RMB, is secured by the Group's land and buildings with carrying amounts of approximately HK$10,948,000 (equivalent to approximately RMB8,759,000) as at 31 March 2018 and supported by guarantees provided by a director of the Group's subsidiary. It bears interest at approximately 5.66% per annum.

31. BORROWINGS (Continued)

Notes: (Continued)

(b) Unsecured Interest-bearing bond

During the year ended 31 March 2018, the Company has issued an unsecured interest-bearing bond in the principal amount of HK$30,000,000 which bears interest rate at 15% per annum and with maturity date of 3 years.

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

	2018 **HK$'000**	2017 HK$'000
At 1 April	**–**	–
Issuance	**28,200**	–
Effective interest charged	**4,731**	–
Interest paid	**(3,188)**	–
At 31 March	**29,743**	–

32. 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 2016	7,576	157	816	8,549
Credit to consolidated profit or loss for the year	(3,946)	–	–	(3,946)
At 31 March 2017 and 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	–	157	816	973

At the end of the reporting period, the Group had unused tax losses of approximately HK$84,462,000 (2017: approximately HK$80,525,000), available for offset against future profits. No deferred tax asset has been recognised due to the unpredictability of future profit streams.

33. SHARE CAPITAL

	Notes	Number of shares	Amount HK$'000
Authorised:			
Ordinary shares of HK$0.0002 each			
At 1 April 2016		80,000,000,000	8,000
Consolidation of shares	*(a)*	(40,000,000,000)	–
At 31 March 2017 and 31 March 2018		**40,000,000,000**	**8,000**
Issued and fully paid:			
Ordinary shares of HK$0.0002 each			
At 1 April 2016		10,047,438,744	1,005
Exercise of share options	*(b)*	72,674,000	7
Placement of shares	*(c)*	48,000,000	5
Consolidation of shares	*(a)*	(5,084,056,372)	–
Placement of shares	*(d)*	200,000,000	40
At 31 March 2017 and 1 April 2017		5,284,056,372	1,057
Placement of shares	*(e)*	700,000,000	140
Exercise of share options	*(f)*	158,400,000	31
At 31 March 2018		**6,142,456,372**	**1,228**

33. SHARE CAPITAL (Continued)

Notes:

(a) Pursuant to an ordinary resolution passed on 29 September 2016, the Company consolidated every existing 2 issued and unissued shares of HK$0.0001 each into 1 consolidated share of HK$0.0002 each (the "Share Consolidation"). Upon the Share Consolidation becoming effective, the authorised share capital of the Company became HK$8,000,000 divided into 40,000,000,000 ordinary shares of HK$0.0002 each. Based on a total of 10,168,112,744 ordinary shares of HK$0.0001 each in issue immediately prior to the Share Consolidation, the issued and fully-paid share capital of the Company became approximately HK$1,017,000 divided into 5,084,056,372 ordinary shares of HK$0.0002 each.

(b) During the year ended 31 March 2017, prior to the Share Consolidation, the Company issued 72,674,000 new ordinary shares at a subscription price of HK$0.092 per share for share options exercised for a total cash consideration of approximately HK$6,686,000.

(c) On 26 August 2016, prior to the Share Consolidation, the Company issued 48,000,000 new ordinary shares at a subscription price of HK$0.076 per share for a total cash consideration of HK$3,648,000. The premium on the issue of shares amounted to approximately HK$3,570,000, net of share issue expenses.

(d) On 9 December 2016, after the Share Consolidation, the Company issued 200,000,000 new ordinary shares at a subscription price of HK$0.101 per share for a total cash consideration of HK$20,200,000. The premium on the issue of shares amounted to approximately HK$19,352,000, net of share issue expenses.

(e) 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.

(f) 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.

34. 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 of Directors, but may not be less than the highest of (i) the Stock Exchange closing price of the Company's shares on the date of the offer of the share options; (ii) the average Stock Exchange closing price of the Company's shares for the five trading days immediately preceding the date of the offer; and (iii) the nominal value of the Company's shares on the date of the offer.

Share options do not confer rights on the holder to dividends or to vote at shareholders' meetings.

34. 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 *(Note)* HK$
Directors, employees and consultants	17.9.2013	17.9.2013 to 16.9.2023	0.436
	10.10.2013	10.10.2013 to 9.10.2023	0.392
	13.1.2014	13.1.2014 to 12.1.2024	0.314
	14.7.2014	14.7.2014 to 13.7.2024	0.256
	21.8.2014	21.8.2014 to 20.8.2024	0.226
	23.9.2014	23.9.2014 to 22.9.2024	0.310
	16.2.2015	16.2.2015 to 15.2.2025	0.164
	17.3.2015	17.3.2015 to 16.3.2025	0.184
	21.4.2017	21.4.2017 to 20.4.2020	0.126

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.

34. SHARE-BASED PAYMENTS (Continued)

Equity-settled share option scheme (Continued)

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

	2018		2017	
	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	**342,098,000**	**0.08**	811,870,000	0.10
Granted during the year	**264,000,000**	**0.126**	–	–
Lapsed during the year	**(27,500,000)**	**0.31**	(55,000,000)	0.44
Exercised during the year	**(158,400,000)**	**0.126**	(72,674,000)	0.09
Consolidation of shares *(Note 33(b))*	**–**	**N/A**	(342,098,000)	N/A
Outstanding at the end of the year	**420,198,000**	**0.26**	342,098,000	0.08
Exercisable at the end of the year	**420,198,000**	**0.26**	342,098,000	0.08

The options outstanding at the end of the year have a weighted average remaining contractual life of 5.31 years (2017: 7.41 years) and the exercise prices range from HK$0.126 to HK$0.391 (2017: from HK$0.164 to HK$0.436).

34. 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 were as follows:

Date of grant	Fair value	Exercise price	Expected volatility *(Note b)*	Risk free rate	Expected life
17 September 2013 *(Note a)*	HK$0.10	HK$0.436	98.26%	2.27%	10 years
10 October 2013 *(Note a)*	HK$0.07	HK$0.392	97.84%	2.09%	10 years
13 January 2013 *(Note a)*	HK$0.06	HK$0.314	65.25%	2.40%	10 years
14 July 2014 *(Note a)*	HK$0.08	HK$0.256	50.25%	2.00%	10 years
21 August 2014 *(Note a)*	HK$0.07	HK$0.226	50.06%	1.90%	10 years
23 September 2014 *(Note a)*	HK$0.08	HK$0.310	50.04%	2.00%	10 years
16 February 2015 *(Note a)*	HK$0.05	HK$0.164	69.14%	1.55%	10 years
17 March 2015 *(Note a)*	HK$0.05	HK$0.184	70.02%	1.58%	10 years
21 April 2017	HK$0.06	HK$0.126	91.41%	0.92%	3 years

Note:

(a) The fair value and 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 share becoming effective on 25 March 2014 and 30 September 2016 respectively.

(b) 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 2018, the Company granted 264,000,000 share options with exercise price of HK$0.126 per share under the share option scheme.

35. RELATED PARTY TRANSACTIONS

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

(a) Name and relationship with a related party

Name of a related company	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 and Dr. Ho Chun Kit, Gregory are common directors of the Company

(b) Balances 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 HK$'000	**2018** **HK$'000**	2017 HK$'000
Amounts due from a director			
– Zhang Xueming	12,570	**2,370**	12,570
Amounts due to a director			
– Zheng Jian Peng	3,200	**–**	3,200
Amounts due from related companies			
– Zhongyou Yingtai	9,773	**9,773**	–
– Gang Xin	120	**120**	–
		9,893	–
Amounts due to related company			
– Zhongyou Yingtai	3,387	**–**	3,387

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

36. OPERATING LEASE COMMITMENTS

At 31 March 2018, the total future minimum lease payments under non-cancellable operating leases are as follows:

	2018 HK$'000	2017 HK$'000
Within one year	**12,075**	8,831
In the second to fifth years inclusive	**34,017**	29,716
After five years	**11,830**	15,165
	57,922	53,712

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

37. 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.

38. DISPOSAL OF SUBSIDIARIES

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 were 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	–
	–

39. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY

	2018 HK$'000	2017 HK$'000
Non-current assets		
Investments in subsidiaries	**9,291**	9,291
Property, plant and equipment	**2,407**	498
	11,698	9,789
Current assets		
Loan receivables	**–**	–
Prepayment, deposits and other receivables	**34,255**	51,006
Amounts due from a director	**2,370**	12,570
Amounts due from subsidiaries	**144,271**	62,639
Amounts due from a related company	**120**	–
Bank and cash balances	**211**	1,496
	181,227	127,711
Current liabilities		
Accruals and other payables	**10,061**	5,016
Amounts due to a director	**–**	3,200
Amounts due to subsidiaries	**794**	2,090
Promissory notes payable	**26,842**	31,775
	37,697	42,081
Net current assets	**143,530**	85,630
Total assets less current liabilities	**155,228**	95,419
Non-current liabilities		
Promissory notes payable	**54,802**	66,214
Borrowings	**29,743**	–
	84,545	66,214
Net assets	**70,683**	29,205
Capital and reserves		
Share capital	**1,228**	1,057
Reserves	**69,455**	28,148
Total equity	**70,683**	29,205

Approved and authorised for issue by the Board of Directors on 29 June 2018.

Zou Donghai	**Zheng Jian Peng**
Chairman and Executive Director	*Executive Director*

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

	Share premium HK$'000	Share-based payment reserve HK$'000	Foreign currency translation reserve HK$'000	Accumulated losses HK$'000	Total HK$'000
At 1 April 2016	523,826	52,050	–	(268,407)	307,469
Total comprehensive expenses for the year	–	–	–	(308,922)	(308,922)
Placement of shares	23,823	–	–	–	23,823
Share issue expenses	(901)	–	–	–	(901)
Exercise of share options	10,589	(3,910)	–	–	6,679
Share options lapsed	–	(6,710)	–	6,710	–
At 31 March 2017 and 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	**657,343**	**45,754**	**(74)**	**(633,568)**	**69,455**

Nature and purpose of reserves

(i) Share premium account

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) Statutory reserve

The statutory reserve, which is non-distributable, is appropriated from the profit after taxation of the Group's PRC subsidiaries under the applicable laws and regulations in the PRC.

(iii) 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 financial statements.

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

Nature and purpose of reserves (Continued)

(iv) Share-based payment capital reserve

The share-based payment capital 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 financial statements.

(v) Convertible bonds equity reserve

The convertible bonds 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 bonds in note 4 to the financial statements.

40. SUBSIDIARIES

Particulars of the subsidiaries as at 31 March 2018 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

40. 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
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
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(「江西中油」)港燃能源科技有限公司 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
江西港燃貿易有限公司 Jiangxi Gangran Trading Company Limited ("Gangran Trading")	The PRC/PRC	RMB50,000,000	–	100%	Development and trading of refined oil and chemicals

40. 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
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
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
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
Capital Convoy Limited	BVI/Hong Kong	1 ordinary share of US$1 each	–	100%	Investment holding
Sun Fair Electric Wire & Cable Industrial Company Limited	Hong Kong/ Hong Kong	HK$10,000	–	100%	Manufacturing and trading of raw cables for power and data Cords

40. 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
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.

Jiangxi China Oil and Zhoushan China Oil are a sino-foreign equity joint ventures established in the PRC.

41. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

	Interest payables from financing activities HK$'000	Borrowings HK$'000 *Note 31*	Obligations under finance leases HK$'000 *Note 28*	Promissory note HK$'000 *Note 30*	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)
Other changes:					
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	3,760	65,143	–	81,644	150,547

42. EVENTS AFTER THE REPORTING PERIOD

On 22 June 2018, the Company entered into a placing agreement with a placing agent ("Placing Agent") pursuant to which the Company has agreed to place up to 1,000,000,000 new ordinary shares of the Company of HK$0.0002 each through the Placing Agent at HK$0.041 per share ("Placing") raising a net proceed of approximately HK$39,650,000. On 28 June 2018, the Company and Placing Agent further entered into a supplement agreement that the Placing shall be on a fully underwritten basis. As at the date of this report, the placing has not yet been completed.

43. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform to current year's presentation.

44. APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the Board of Directors on 29 June 2018.

Financial Summary

The results, assets, equity and liabilities of the Group for each of the last five financial years are as follows:

RESULTS

	For the year ended 31 March				
	2018	2017	2016	2015	2014
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Revenue	**395,281**	331,804	194,790	79,627	128,261
Loss before tax	**(93,580)**	(173,925)	(121,679)	(225,327)	(90,872)
Income tax credit	**3,015**	3,596	9,514	5,538	2,002
Loss for the year	**(90,565)**	(170,329)	(112,165)	(219,789)	(88,870)
Attributable to:					
Owners of the Company	**(88,168)**	(166,789)	(109,552)	(217,075)	(88,678)
Non-controlling interests	**(2,397)**	(3,540)	(2,613)	(2,714)	(192)
	(90,565)	(170,329)	(112,165)	(219,789)	(88,870)

ASSETS, EQUITY AND LIABILITIES

	As at 31 March				
	2018	2017	2016	2015	2014
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
ASSETS					
Non-current assets	**21,524**	61,057	168,853	230,455	229,975
Current assets	**326,386**	232,135	257,024	219,491	170,521
Total assets	**347,910**	293,192	425,877	449,946	400,496
EQUITY AND LIABILITIES					
Total equity	**101,657**	70,695	215,998	262,443	222,443
Non-current liabilities	**85,518**	70,817	105,221	102,644	63,429
Current liabilities	**160,735**	151,680	104,658	84,859	114,624
Total liabilities	**246,253**	222,497	209,879	187,503	178,053
Total equity and liabilities	**347,910**	293,192	425,877	449,946	400,496
Attributable to:					
Owners of the Company	**112,693**	81,367	221,630	265,456	222,515
Non-controlling interests	**(11,036)**	(10,672)	(5,632)	(3,013)	(72)
	101,657	70,695	215,998	262,443	222,443