Great Harvest Maeta Group Holdings Limited
榮豐聯合控股有限公司

(incorporated in the Cayman Islands with limited liability)
Stock code: 3683

ANNUAL REPORT
2019

CONTENTS

GLOSSARY

"Ablaze Rich"	Ablaze Rich Investments Limited (耀豐投資有限公司), a company incorporated in the BVI on 1 July 2008 and the holding company of the Company
"Acquisition"	the acquisition of the entire issued share capital of Top Build by the Company from Mr. Yan, Ms. Lam and Mr. Yin Hai pursuant to the Sale and Purchase Agreement
"Articles"	the articles of association of the Company
"Audit Committee"	the audit committee of the Board
"Baltic Dry Index"	an index of the daily average of international shipping prices of various dry bulk cargoes made up of 20 key dry bulk routes published by the Baltic Exchange in London
"Baltic Panamax Index"	an index of the shipping prices of panamax vessels made up of four daily panamax vessel assessments of time charter rates published by the Baltic Exchange in London
"Board"	the board of Directors
"Bryance Group"	Bryance Group Limited, a company incorporated in the BVI on 28 September 2006 and a wholly-owned subsidiary of the Company
"BVI"	the British Virgin Islands
"CG Code"	Corporate Governance Code and Corporate Governance Report contained in Appendix 14 to the Listing Rules
"Company"	Great Harvest Maeta Group Holdings Limited (榮豐聯合控股有限公司), an exempted company incorporated in the Cayman Islands on 21 April 2010 under the Companies Laws, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands with limited liability
"Daily TCE"	an acronym for daily time charter equivalent, a standard industry measurement of the average daily revenue performance of a vessel. Daily TCE is calculated by dividing the voyage revenues (net of expenses such as port, canal and bunker costs) by the available days (being the number of days that the vessel was operated by the Group during the charter period minus days without charter hire due to repair and maintenance and between two charter periods and days agreed with the charterers due to the speed claims or any other reasonable claims arising from the under-performance of the vessel) for the relevant time period
"Director(s)"	director(s) of the Company
"dwt"	an acronym for deadweight tonnage, a measure expressed in metric tons or long tons of a ship's carrying capacity, including cargoes, bunker, fresh water, crew and provisions
"EBITDA"	earnings before finance costs, tax, depreciation, amortisation and impairment loss on property, plant and equipment
"First Convertible Bonds"	the first tranche of convertible bonds in the principal amount of US$3,000,000 due 2018 issued by the Company for subscription by Ablaze Rich pursuant to the terms and conditions of the Subscription Agreement
"GH FORTUNE/GH PROSPERITY Loan"	a term loan for the aggregate principal amount of US$16 million in two tranches for the purpose of financing or refinancing the acquisition costs of GH FORTUNE and GH PROSPERITY. US$10.4 million of the principal amount of such term loan shall be repaid by 20 quarterly instalments, and US$5.6 million thereof shall be repaid by 12 quarterly instalments, commencing three months from 5 December 2013. The GH FORTUNE/GH PROSPERITY Loan has been fully repaid

GLOSSARY

"GH FORTUNE/GLORY/ HARMONY Loan"	a term loan for the principal amount of US$20 million for refinancing the three vessels owned by the Group, namely, GH FORTUNE, GH GLORY and GH HARMONY. The principal amount of the bank loan shall be repayable by 20 consecutive quarterly instalments commencing three months from 24 November 2017
"GH GLORY Loan"	a term loan for the principal amount of US$26 million for financing the acquisition costs of GH GLORY. 70% of the principal amount of the bank loan shall be repayable by 28 consecutive quarterly instalments of US$650,000 commencing three months from the drawdown date, and the remaining 30% of the principal amount of the loan to be repaid together with the last quarterly instalment. The GH GLORY Loan has been fully repaid
"GH HARMONY Loan"	a term loan for the principal amount of US$16 million for financing the acquisition costs of GH HARMONY. The principal amount of the bank loan shall be repayable by 28 consecutive quarterly instalments commencing three months from 14 July 2014. The GH HARMONY Loan has been fully repaid
"GH POWER Loan"	a term loan for the principal amount of US$39 million for financing the acquisition costs of GH POWER. The principal amount shall be repaid by 43 consecutive quarterly instalments commencing three months from 11 February 2008 with the final repayment date on 18 April 2019. The GH POWER Loan has been fully repaid
"Group"	the Company and its subsidiaries
"HK$" and "HK cents"	Hong Kong dollars and cents, respectively, the lawful currency of Hong Kong
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"Lands"	two parcels of land located at Meidian Slope, Hongqi Town, Qiongshan District, Haikou, Hainan Province, the PRC
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange, as amended, supplemented or otherwise modified from time to time
"Main Board"	the stock market operated by the Stock Exchange, which excludes the GEM of the Stock Exchange and the options market
"Model Code"	the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules
"Mr. Yan"	Mr. YAN Kim Po (殷劍波先生), the chairman of the Board, an executive Director and the husband of Ms. Lam
"Ms. Lam"	Ms. LAM Kwan (林群女士), the chief executive officer of the Company, an executive Director and the wife of Mr. Yan
"New GH POWER Loan"	a term loan for the principal amount of US$4.27 million for refinancing a vessel owned by the Group, namely, GH POWER. The principal amount shall be repaid by 14 quarterly instalments commencing three months from 11 April 2019
"Nomination Committee"	the nomination committee of the Board
"PRC" or "China"	the People's Republic of China which, for the purposes of this annual report only, excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan

GLOSSARY

"Remuneration Committee"	the remuneration committee of the Board
"RMB"	Renminbi, the lawful currency of the PRC
"Sale and Purchase Agreement"	the agreement dated 23 December 2015 entered into between the Company, Mr. Yan, Ms. Lam and Mr. Yin Hai in relation to, among other matters, the Acquisition
"SFC"	the Securities and Futures Commission of Hong Kong
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) as amended, supplemented or otherwise modified from time to time
"Sfund"	Sfund International Investment Fund Management Limited (廣州基金國際股權投資基金管理有限公司), a company incorporated in Hong Kong on 11 August 2015, which was the holder of Top Build Convertible Bonds in the principal amount of US$54,000,000 as at 31 March 2019
"Share(s)"	ordinary share(s) of HK$0.01 each in the share capital of the Company
"Share Option Scheme"	the share option scheme of the Company approved and adopted by an ordinary resolution of the shareholders at the annual general meeting of the Company held on 19 August 2011
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Subscription"	the subscription of the First Convertible Bonds by Ablaze Rich pursuant to the terms and conditions of the Subscription Agreement
"Subscription Agreement"	the agreement dated 5 July 2013 and entered into between the Company and Ablaze Rich in respect of the Subscription
"Top Build"	Top Build Group Ltd. (高建集團有限公司), a company incorporated in the BVI on 24 October 2014 and a wholly-owned subsidiary of the Company
"Top Build Convertible Bonds"	the convertible bonds in the total principal amount of US$54,000,000 due 2021 issued by the Company to Mr. Yan, Ms. Lam and Mr. Yin Hai pursuant to the terms and conditions of the Sale and Purchase Agreement
"Union Apex"	Union Apex Mega Shipping Limited (聯合佳成船務有限公司), a company incorporated in Hong Kong on 2 December 2009 and a wholly-owned subsidiary of the Company
"US$" and "US cents"	United States dollars and cents, respectively, the lawful currency of the United States

CORPORATE INFORMATION

Board of Directors

Executive Directors

Mr. YAN Kim Po (殷劍波) *(Chairman)*
Ms. LAM Kwan (林群) *(Chief Executive Officer)*
Mr. CAO Jiancheng (曹建成)

Independent non-executive Directors

Mr. CHEUNG Kwan Hung (張鈞鴻)
Dr. CHAN Chung Bun, Bunny (陳振彬)
Mr. WAI Kwok Hung (韋國洪)

Audit Committee

Mr. CHEUNG Kwan Hung (張鈞鴻)
(Chairman of Audit Committee)
Dr. CHAN Chung Bun, Bunny (陳振彬)
Mr. WAI Kwok Hung (韋國洪)

Remuneration Committee

Dr. CHAN Chung Bun, Bunny (陳振彬)
(Chairman of Remuneration Committee)
Mr. YAN Kim Po (殷劍波)
Mr. CHEUNG Kwan Hung (張鈞鴻)

Nomination Committee

Mr. YAN Kim Po (殷劍波)
(Chairman of Nomination Committee)
Dr. CHAN Chung Bun, Bunny (陳振彬)
Mr. WAI Kwok Hung (韋國洪)

Company secretary

Mr. Chan Wai Shing (陳偉盛)
(resigned on 31 January 2019)
Mr. Wong Kwok Keung (黃國強)
(with effect from 31 January 2019)

Authorised representatives

Mr. CAO Jiancheng (曹建成)
Mr. Chan Wai Shing (陳偉盛)
(resigned on 31 January 2019)
Mr. Wong Kwok Keung (黃國強)
(with effect from 31 January 2019)
Ms. LAM Kwan (林群)
(alternate to the authorised representatives)

Registered office

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

Headquarters and principal place of business in Hong Kong

12th Floor
200 Gloucester Road
Wanchai
Hong Kong

Principal share registrar and transfer office in the Cayman Islands

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

Hong Kong share registrar and transfer office

Tricor Investor Services Limited
Level 54, Hopewell Centre
183 Queen's Road East
Hong Kong

Independent auditor

PricewaterhouseCoopers

Legal adviser as to Hong Kong law

Chiu & Partners

Principal bankers

DVB Bank SE
HSH Nordbank AG
DBS Bank (Hong Kong) Limited
Citibank (Hong Kong) Limited

Stock code

3683

Website address

www.greatharvestmg.com

The English and Chinese version of this Report can be downloaded from the Company's website and can be obtained from the Hong Kong share registrar, Tricor Investor Services Limited. In the event of any difference, the English version prevails.

FIVE YEAR FINANCIAL SUMMARY

	2019 US$'000	2018 US$'000	2017 US$'000	2016 US$'000 (Restated)	2015 US$'000 (Note)
Results					
Profit/(loss) attributable to owners of the Company	**10,090**	(2,771)	(21,882)	(41,070)	(37,406)
EBITDA	**6,161**	5,843	2,445	(3,996)	(1,787)
Assets and liabilities					
Total assets	**134,007**	127,250	117,274	143,932	116,505
Total liabilities	**96,906**	(103,628)	(96,472)	(65,104)	(63,156)
Net assets	**37,101**	23,622	20,802	78,828	53,349

Note:

The comparative amounts for the years ended 31 March 2015 in the financial summary have not been restated using merger accounting for common control business combinations.

CHAIRMAN'S STATEMENT

Dear shareholders,

In the year of 2018, under the uncertain and fast-changing global economic environment, the freight rate of the dry bulk marine transportation market remained relatively high, relieving the oversupply of vessels in the shipping market. Given a rather enormous import volume of major dry bulk cargoes, such as iron ore, coal, soybean and grains, in China, the dry bulk marine transportation remained with a growing demand. Meanwhile, the number of newly built vessels in the dry bulk fleet delivered decreased. However, the dry bulk fleet remained in a net increase position due to the growing size of the fleet caused by the decreasing scrapping volume. Despite having the oversupply of the dry bulk fleet relieved, the condition did not show a fundamental change. For vessels owners, the spot market remained in an unsteady position with substantial fluctuations.

During the past year, the Group's fleet remained unchanged. The average age of our existing fleet was 13 years and the fleet size was 319,923 dwt. Under the volatile market, the Group still maintained proactive and prudent operating strategies, with a fleet occupancy rate of approximately 99.85% and a total of 1,457 days of occupancy throughout the year, achieving an average daily charter rate per vessel of approximately US$11,556, with a recovery rate of close to 100% for receipt of charter hire.

Looking forward to the coming year, under the influence of a significant drop in the freight rate of capesize vessels at the beginning of the year, the dry bulk marine transportation market would witness more difficulties and challenges than last year coupled with the freight rate being affected in 2019. The market revealed a relatively conservative expectation for the spot dry bulk freight rate. The imbalance of supply and demand of vessels in the dry bulk freight market would continue to exist and the oversupply of vessels would remain a factor contributing to the freight rate market this year. According to the forecast of the International Monetary Fund, this year's overall economy and international trade volume are predicted to grow at an annual rate of approximately 3.3%, which is lower than that of last year, yet, the growth rate is expected to recover in the second half of the year. Therefore, we expect that the demand for marine transportation of dry bulk cargoes will grow accordingly. The freight market will likely be in a depressed state and subject to substantial fluctuations until the recovery of balance between supply and demand of shipping capacity.

With the difficult market condition and challenging operating environment ahead, the Group will maintain its prudent operating strategies of enhancing daily management of vessels, providing better transportation service to customers, enhancing efforts in expanding the operational revenue of the Group and also strictly controlling operating cost.

Driven by the PRC's strong economic growth and development, the land premium and prices of real estates in Haikou, the PRC, had increased substantially during the year. To capture the opportunity prompted by the residential demands, the Group seeks the possibility to develop its property development project into "cultural and tourism real estate" project to construct villas, high/low density apartment, retail and SOHO. The Group is well positioned to further invest in this market to diversify its business and improve its cash flow and financial performance.

Lastly, on behalf of the Board, I would like to express my gratitude to all the shareholders for their support to the Group, and to all the staff for their dedication and commitment to the Group. On behalf of the Group, I would also like to express my sincere thanks to our customers, business partners, suppliers and bankers for their confidence and trust in the Group.

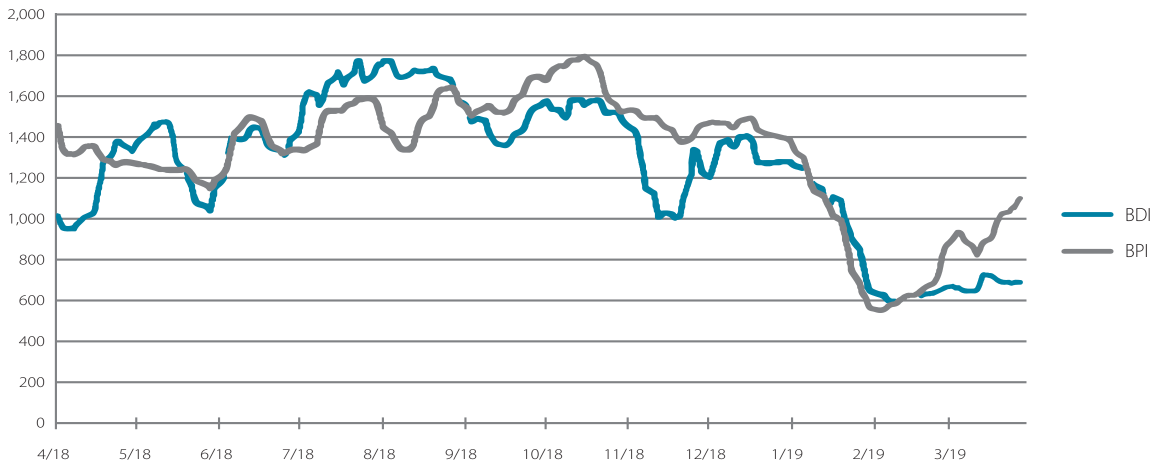
YAN Kim Po
Chairman

28 June 2019

MANAGEMENT DISCUSSION AND ANALYSIS

Market Review

Daily Variation Chart of Baltic Dry Index (BDI) and Baltic Panamax Index (BPI)
1 April 2018 – 31 March 2019



BDI high at 1,774 in July 2018, low at 595 in February 2019, average at 1,257.40.

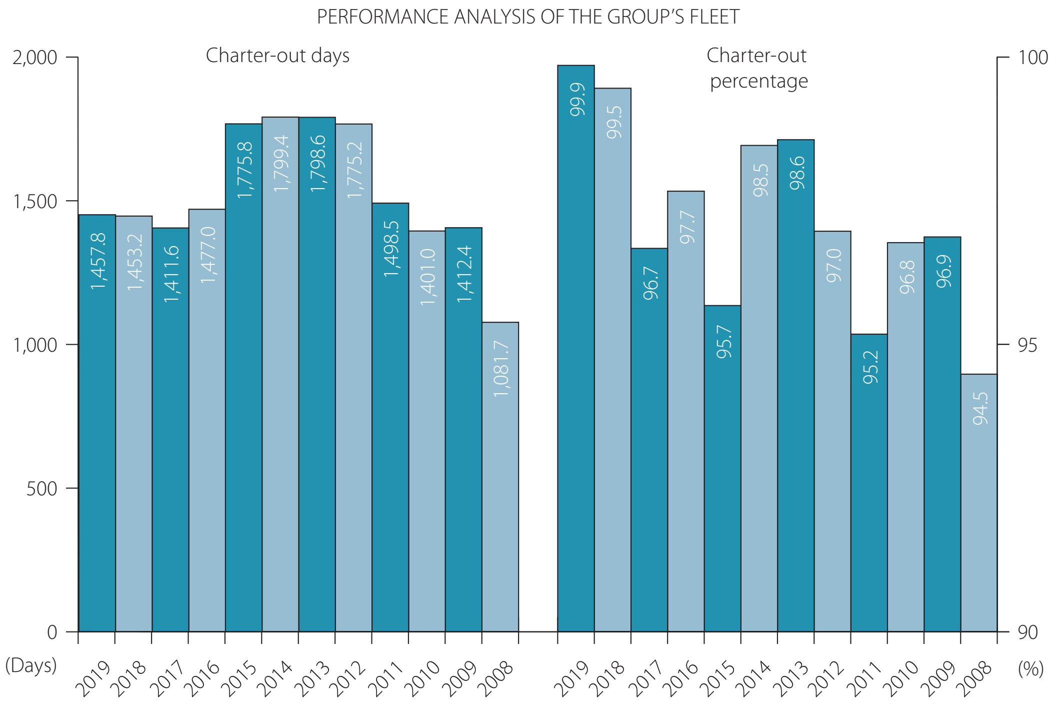
BPI high at 1,796 in October 2018, low at 552 in February 2019, average at 1,310.47.

In succession of the level from last year, the spot freight rate for dry bulk marine transportation market remains at a higher level in 2018. The rising demand for marine transportation of bulk grains in South America and the maintenance and growth of China's imports of iron ore and coal supported and contributed to the maintenance and growth of the spot freight rate. The Baltic Panamax Index average remained flat at 1,310 points during the period from 1 April 2018 to 31 March 2019, as compared to 1,321 points for the corresponding period of last year. Problems of oversupply of the dry bulk fleet and sluggish demand growth of marine transportation still exist and affect the trend of market freight rates, resulting in a noticeable change, that is the demand for marine transportation of dry bulk cargoes growing slower than the growth rate of international trade has become a norm. While the vessel chartering market resumed operation, cargo owners and charterers had to pay for vessels with longer terms at a rate higher than the spot freight rate in an effort to balance the risks of and pressure from cargo transportation caused by the volatility of freight rates in the market. As such, vessel owners were provided with another business option that they might set the charter period for one year or more. Among different kinds of vessels, panamax vessels remained relatively stable in the freight market due to factors such as an increase in shipment of bulk grains from South America and overstock at loading ports, while capesize vessels witnessed relatively significant fluctuation. While the freight market rebounded, the supply of the fleet also increased and the dismantlement of old vessels dropped dramatically under the high freight rate, leading to a greater actual growth in the fleet size as compared to that of last year. There is still oversupply in the shipping market. According to the market statistics from shipbroking companies, the demand for dry bulk marine transportation increased approximately 2.3% this year, as compared to the growth of fleet size of approximately 2.9%, the oversupply of vessels would continue to exist and intensify.

Given the slow global economic growth, although the estimated economic growth for 2019 by the International Monetary Fund (IMF) was 3.3%, the estimated annual growth of demand for the dry bulk marine transportation by shipbroking companies was a mere 2%, which could not truly alleviate the existing oversupply of vessels in the shipping market. The favourable factor in the spot freight market is that China's relatively large import volume of dry bulk cargoes remained flat in 2018 as compared to that of last year. In 2018, China's import volume of iron ore/coal/grains/soybean already exceeded 1.45 billion tons. This would make significant contribution to the stability of dry bulk marine transportation market as well as maintain and promote the stability and rebound of the spot freight rate.

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review



The Group's vessels were under sound operation from 1 April 2018 to 31 March 2019. Currently, the fleet size is 319,923 dwt and the average age of the fleet is 13 years. The fleet maintained a relatively high operational level with an occupancy rate of approximately 99.85% throughout the year. The average daily charter hire income of the vessels was approximately US$11,556, representing an increase of US$1,586 per day as compared to the corresponding period last year, with a growth rate of approximately 16%, which is basically in line with the market index level of the same type of vessel. For the year, the fleet maintained a relatively high operational level since no vessel underwent dock repair, and the fleet achieved a sound record of safe operation with no adverse incident or downtime caused by various reasons during the year. All freight rate and charter hire were basically received in full with no receivables of significant amount. The Group was able to exert stringent control over costs and expenses in the course of vessel management and strove to minimise voyage expenses, so the management expenses of vessels were also basically within budget.

In order to reduce operational risks and achieve better operational efficiency, the Group will continue to uphold its proactive and prudent operating strategies and seek to charter out its vessels to reputable charterers while endeavouring to provide the best services to charterers, so as to maintain a favourable market image for the fleet.

MANAGEMENT DISCUSSION AND ANALYSIS

Market Outlook

In the year of 2019, under substantial fluctuations and a downward trend in the first quarter, the freight rate in the spot dry bulk market is expected to be lower than that of last year. Meanwhile, the freight rate market is expected to witness considerable fluctuations under the influence of China-US trade negotiations. China's import of iron ore is expected to remain high, and China's coal import is expected to increase further, all of which will support and contribute to the maintenance and further promotion of the spot freight rate. It is hoped that the spot freight rate will remain as high as that of last year and such momentum will last for a longer period. Although the oversupply condition in the vessel market is alleviated, no fundamental change occurs. The number of newly built vessels in the dry bulk fleet delivered this year is expected to reach 4% of the existing fleet size, yet, this year's estimated growth of dry bulk marine transportation is a mere 2%. Therefore, the existing oversupply of dry bulk vessels will remain and the spot freight market will continue to operate under the pressure of vessel oversupply. According to the IMF, the global economy and world trade volume are predicted to grow at a rate of 3.3% in 2019, which is lower than that of last year. Under such an economic environment with a lower growth rate, we hope that the adverse impacts on the demand for dry bulk marine transportation will be minimal. Given the slow global economic growth, the ability to maintain a stable growth in the demand for dry bulk marine transportation is highly important to the operation of the shipping market, the stability of the spot freight rate as well as the change in the oversupply of vessels.

According to the statistics and forecast from shipbroking companies, among the major dry bulk cargoes, the marine transportation demand for iron ore and coal is forecasted to increase by 1% and 2% respectively this year, which is expected to support the stability of the spot freight rate this year. Meanwhile, China will import more bulk grains from South America, which provides a better support to the marine transportation demand for panamax vessels.

Given the fluctuation in the spot freight market, the Group will maintain its prudent operating strategies by enhancing the daily management of vessels, providing better transportation services to customers and chartering out its vessels to more reputable and reliable charterers at higher rates, thus generating more operational income for the Company. Meanwhile, the Group will strictly control operating costs and reduce all unnecessary expenses.

Since May 2016, Top Build Group Ltd. ("Top Build") has held, indirectly through its subsidiaries, 91% equity interest in a company in the PRC which holds two parcels of land located at Meidian Slope, Hongqi Town, Qiongshan District, Haikou, Hainan Province, the PRC (the "Lands"). Driven by the strong economic growth and development in the PRC, the increase in population in Hainan and the limited supply of residential property due to government policy, the land premium and prices of real estates in Hainan had increased substantially in recent years. To capture the opportunities prompted by the increase in demand of residential property, the Group plans to develop its property development project into a "cultural and tourism real estate" project (the "Project") for the development of villas, high/low density apartment, retail and SOHO with approximately 130,000 square meters.

In line with the Belt and Road Initiative, during the Boao Forum in April 2018, President Xi Jinping has announced Hainan as a free trade port, and the local government will strongly support the development of the related industries including tourism and finance in Hainan. In the past year, the Hainan provincial government had conducted technical research and devised implementation plans for the said free trade port opening and the supports for the related industries. The Project will be commenced when the Government's implementation plans are launched.

In light of the growth potential in Hainan, on 11 October 2018, the Company entered into a memorandum of understanding (the "MOU") with two individuals in relation to the proposed investment by the Group in the online hospitality services, online travel transaction services and real estate agency services business in Hainan, the PRC. Up to the date of this report, the proposed investment is still at its feasibility study and negotiation stage.

Financial Review

Revenue

Marine transportation demand was stable during the year from 1 April 2018 to 31 March 2019. The revenue of the Group followed the growth trend in the market increased from about US$14.2 million for the year ended 31 March 2018 to about US$16.4 million for the year ended 31 March 2019, represented an increase of about US$2.2 million, or about 15.7%. The average Daily TCE of the Group's fleet increased from approximately US$9,970 for the year ended 31 March 2018 to approximately US$11,556 for the year ended 31 March 2019, approximately increased by 15.9% as compared to last year.

Cost of services

Cost of services of the Group increased from about US$8.6 million for the year ended 31 March 2018 to about US$9.7 million for the year ended 31 March 2019, representing an increase of approximately US$1.1 million. The main reasons for the changes were (i) in the year ended 31 March 2018, there is a net return of US$0.5 million excess budgeted funds from ship manager due to the Group's cost control strategy; (ii) with the reversal of the impairment losses of the Group's vessels amounted to US$13.0 million recognized at 30 September 2018, the depreciation expenses of vessels of the second half year has increased correspondingly by about US$0.5 million.

Gross profit

Gross profit further improved from about US$5.6 million for the year ended 31 March 2018 to about US$6.7 million for the year ended 31 March 2019 which is in line with the increase of revenue, representing an increase of approximately US$1.1 million, while the gross profit margin improved from approximately 39.5% for the year ended 31 March 2018 to approximately 40.9% for the year ended 31 March 2019.

General and administrative expenses

General and administrative expenses of the Group decreased from approximately US$3.3 million for the year ended 31 March 2018 to approximately US$3.0 million for the year ended 31 March 2019, representing a decrease of approximately US$0.3 million or approximately 8.8%. The office rental decreased by US$0.1 million compared to last year after the new tenancy agreement became effective. Legal and professional fee decreased by US$0.2 million as some professional fee related to bank loan arrangements were incurred in the year ended 31 March 2018.

Finance expenses

Finance expenses of the Group increased from approximately US$5.6 million for the year ended 31 March 2018 to approximately US$5.9 million for the year ended 31 March 2019, representing an increase of approximately US$0.3 million or approximately 5.0%. Such increase was mainly attributable to the increase in the interest of the Top Build Convertible Bonds.

MANAGEMENT DISCUSSION AND ANALYSIS

Profit/(Loss) for the year

The Group turned to a profit of approximately US$10.1 million for the year ended 31 March 2019 as compared with a loss of approximately US$2.7 million for the year ended 31 March 2018. Such turn around was mainly due to (i) the recovery of the operating environment of the global bulker shipping market contributed to the growth and stability of the turnover; (ii) the reversal of the impairment losses of the Group's vessels as a result of the recovery in the marine transportation industry; and (iii) the fair value gain of valuation of investment property were US$1.5 million for the year ended 31 March 2018 and was slowdown to US$0.7 million for the year ended 31 March 2019.

Liquidity, financial resources, capital structure and gearing ratio

As at 31 March 2019, the Group's cash and cash equivalent amounted to approximately US$2.6 million (as at 31 March 2018: approximately US$1.0 million), of which approximately 97.1% was denominated in US$, approximately 2.8% in HK$ and approximately 0.1% was denominated in RMB. Outstanding bank loans amounted to approximately US$23.2 million (as at 31 March 2018: approximately US$28.8 million) and other borrowings amounted to approximately US$51.6 million (as at 31 March 2018: approximately US$52.5 million), which were denominated in US$.

As at 31 March 2019 and 31 March 2018, the Group had a gearing ratio (being the bank loans and other borrowings of the Group divided by the total assets of the Group) of about 55.8% and 63.8% respectively. The decrease in gearing ratio as at 31 March 2019 was mainly due to the appreciation of investment property, the reversal of impairment loss of the Group's vessels, the repayment of bank loans and the conversion of entire principle amount of First Convertible Bonds into shares.

The Group recorded net current liabilities of about US$10.0 million as at 31 March 2019 and approximately US$18.8 million as at 31 March 2018. It was mainly due to the entire principle amount of First Convertible Bonds due in the year ended 31 March 2019 amounted to US$3.0 million (at 31 March 2018: approximately US$3.0 million) was being converted into shares. The repayment of bank borrowings amounted US$5.6 million and the increase in cash and cash equivalent attained by steady growth in gross profit during the year ended 31 March 2019 also contributed to the improvement in net current liabilities position.

On 17 November 2017, certain members of the Group has entered into a new bank borrowing agreement of US$20.0 million (i.e. the GH FORTUNE/GLORY/HARMONY Loan) to refinance the Group's bank borrowings of three vessels, namely, GH FORTUNE, GH GLORY and GH HARMONY. After the drawdown of GH FORTUNE/GLORY/HARMONY Loan, the GH FORTUNE/GH PROSPERITY Loan, the GH GLORY Loan and the GH HARMONY Loan was fully repaid. The principal amount of the GH FORTUNE/GLORY/HARMONY Loan shall be repaid in five years. The GH FORTUNE/GLORY/HARMONY Loan is also subject to compliance of certain restrictive financial undertakings for which the Group will continue to monitor.

On 29 March 2019, Bryance Group has entered into a new borrowing agreement of US$4.27 million for refinancing the GH POWER loan under an existing facility agreement dated 25 January 2008. After the drawdown of this New GH POWER Loan, the then GH POWER Loan was fully repaid. The principal amount of the New GH POWER Loan shall be repaid by 14 quarterly instalments commencing three months from the drawdown date. The New GH POWER Loan is also subject to compliance of certain restrictive financial undertakings for which the Group will continue to monitor.

The management maintains continuous relationship with the banks and the Directors are of the opinion that bank borrowings will continue to be available to the Group for the next twelve months from 31 March 2019.

The Group monitors the current and expected liquidity requirements regularly to mitigate the effects of fluctuations in cash flows. The Company has entered into four loan facility agreements with Ablaze Rich on 28 April 2015, 19 January 2017, 12 April 2017 and 15 January 2018 for loan facilities in the total amount of US$2.0 million (the "First Facility"), US$3.0 million (the "Second Facility"), US$3.0 million (the "Third Facility") and US$1.5 million (the "Fourth Facility") respectively. The Second Facility and Third Facility were extended on 18 January 2019 and 29 March 2019 respectively. The full loan amount had been drawn down by the Company under the First Facility, the Second Facility, the Third Facility and the Fourth Facility. The First Facility was repayable on or before 27 April 2017, the Second Facility will be repayable on an extended repayment date which is on or before 18 January 2021, the Third Facility will be repayable on an extended repayment date which is on or before 28 March 2021 and the Fourth Facility will be repayable on or before 16 January 2020 respectively. These loan facilities were unsecured and carried an interest of 4% per annum. As at 31 March 2019, the drawn amount under the First Facility had been fully repaid by the Company. The drawn amount under Second Facility, Third Facility and Fourth Facility had not been repaid yet. The disinterested members of the Board (including the independent non-executive directors) consider that as the First Facility, the Second Facility, the Third Facility and the Fourth Facility are all on normal commercial terms or better and are not secured by the assets of the Group, the receipt of financial assistance by the Group thereunder are fully exempt under Rule 14A.90 of the Listing Rules.

On 30 March 2018, the Company entered into a deed of funding undertakings. Ablaze Rich, Mr. Yan and Ms. Lam have undertaken to provide funding to the Group when funding notice shall be issued by the Company within fifteen months of the date of the deed. The undertakings shall cease to have effect after fifteen months from the date of the deed or upon the Company or any member of the Group having obtained long-term external bank borrowings or other sources of long-term financing with a principal amount of not less than US$30 million, whichever is the earlier. The other terms included in the deed dated 29 September 2017 were included in this deed and remained the same. The deed entered on 29 September 2017 were superseded by this deed, and had ceased to be effective from 30 March 2018.

On 30 September 2018, the Company entered into a deed of funding undertakings. Ablaze Rich, Mr. Yan and Ms. Lam have undertaken to provide funding to the Group when funding notice shall be issued by the Company within fifteen months of the date of the deed. The undertakings shall cease to have effect after fifteen months from the date of the deed or upon the Company or any member of the Group having obtained long-term external bank borrowings or other sources of long-term financing with a principal amount of not less than US$30 million, whichever is the earlier. The above deed entered on 30 March 2018 was superseded by this deed, and had ceased to be effective from 30 September 2018.

MANAGEMENT DISCUSSION AND ANALYSIS

On 31 March 2019, the Company entered into a deed of funding undertakings. Ablaze Rich, Mr. Yan and Ms. Lam have undertaken to provide funding to the Group when funding notice shall be issued by the Company within twenty four months of the date of the deed. The undertakings shall cease to have effect after twenty four months from the date of the deed or upon the Company or any member of the Group having obtained long-term external bank borrowings or other sources of long-term financing with a principal amount of not less than US$30 million, whichever is the earlier. The above deed entered on 30 September 2018 was superseded by this deed, and had ceased to be effective from 31 March 2019.

The Directors are of the opinion that, taking into account the above-mentioned plans and measures, the Group will have sufficient working capital to finance its operations and to meet its financial obligations.

The Group's liquidity requirements will be satisfied by a combination of cash flow generated from working capital arising from operating activities, bank loans and other financing means which the Company may from time to time consider appropriate.

Convertible Bonds

On 5 July 2013, the Company entered into a subscription agreement with Ablaze Rich in respect of, amongst others the issue and subscription of the First Convertible Bonds in an aggregate principal amount of US$3.0 million, which may be converted into 19,763,513 shares of the Company ("Shares") at the conversion price of HK$1.184 per conversion share at the exchange rate of HK$7.8 to US$1.0.

The completion of the issue and subscription of the First Convertible Bonds took place on 2 September 2013. The net proceeds from the issue of the First Convertible Bonds had been fully utilised as general working capital of the Group.

Further details of the issue of the First Convertible Bonds are set out in the announcements of the Company dated 5 July 2013 and 2 September 2013, and the circular of the Company dated 23 July 2013.

On 31 August 2018, the entire principal amount of the First Convertible Bonds was converted into 19,763,513 shares at the conversion price of HK$1.184 per conversion share at the exchange rate of HK$7.8 to US$1.0.

As announced by the Company on 10 May 2016, completion of the acquisition of the entire issued share capital of Top Build took place on 10 May 2016 and the Top Build Convertible Bonds were issued.

As at 31 March 2019, the entire principal amount of the Top Build Convertible Bonds remained outstanding.

Exposure to fluctuations in exchange rate risk and related hedges

The Group's transactions and monetary assets were primarily denominated in US$. Operating expenses of the Group's Hong Kong subsidiary were primarily denominated in HK$ and that of the Group's PRC subsidiary was primarily denominated in RMB and the bank loans of the Group were denominated in US$. As the Group does not have significant foreign currency transactions or balances, the Directors consider that the level of foreign currency exposure for the Group is relatively minimal.

The Group has not entered into any arrangements to hedge for the future fluctuations of London Interbank Offered Rate or cost of fund arising from the Group's variable-rate borrowings.

Bank loans and disclosure under Rules 13.13 to 13.19 of the Listing Rules

Pursuant to Rule 13.18 of the Listing Rules, a general disclosure obligation will arise where an issuer or any of its subsidiaries enters into a loan agreement that includes a condition imposing specific performance obligations on any controlling shareholders, such as a requirement to maintain a specified minimum holding in the share capital of the issuer. As at 31 March 2019, the Group recorded outstanding bank loans of about US$23.2 million and all the bank loans carried interest at floating rate. The New GH POWER loan agreement was entered into on 29 March 2019. These loans, namely the GH POWER Loan, the New GH POWER Loan and the GH FORTUNE/GLORY/HARMONY Loan, were for financing the acquisition costs of vessels of the Group and were secured by, inter alia, the following:

- corporate guarantee from the Company;
- first preferred mortgages over the vessels held by the Group;
- assignment of the charter-hire income and insurance and/or requisition compensation in respect of the vessels held by the Group;
- charges over shares of each of the Group companies holding those vessels.

The above bank loans were provided to the Group on the conditions that, inter alia, Mr. Yan, Ms. Lam and/or any company controlled by them shall hold at least 51% shareholding interests in the Company.

In relation to the GH POWER Loan, it would be an event of default if any two of Mr. Yan, Ms. Lam and Mr. Cao Jiancheng cease to be the executive Directors of the Company without the lender's prior consent.

The Directors have confirmed that, save as disclosed above, as at the date of this annual report, there are no other matters that would require disclosure under Rules 13.13 to 13.19 of the Listing Rules.

Charges on assets

As at 31 March 2019, the Group had pledged the following assets to banks as securities against banking facilities granted to the Group:

	31 March 2019 US$'000	31 March 2018 US$'000
Property, plant and equipment	**57,798**	47,755
Pledged bank deposits	**6,140**	6,782
	63,938	54,537

MANAGEMENT DISCUSSION AND ANALYSIS

Contingent liabilities

For the year ended 31 March 2019, the Inland Revenue Department ("IRD") of Hong Kong is in the process of tax review of a subsidiary of the Group for the year of assessments 2010/2011 and 2011/2012.

After taking into account the recent developments of IRD's review, the Directors consider that the Group's taxation charges as at 31 March 2019 are adequate and fairly presented. If the final outcome of IRD's review is different from the Directors' expectation, further provision for tax and any related surcharges may be required. The Group has been closely monitoring the status of IRD's review and will revise their expectations when preparing future financial statements in the future periods if necessary.

Save as disclosed above, the Group had no other material contingent liabilities as at 31 March 2019.

Employees' remuneration and retirement scheme arrangements

As at 31 March 2019, the Group had a total of 105 employees (as at 31 March 2018: 107 employees). For the year ended 31 March 2019, the total salaries and related costs (including Directors' fees) amounted to approximately US$4.6 million (as at 31 March 2018: US$4.6 million). It is the Group's policy to remunerate its employees with reference to the relevant market situation, and accordingly the remuneration level of the Group's employees remains at a competitive level and is adjusted in accordance with the employees' performance. Other benefits offered by the Group include mandatory provident fund scheme and medical insurance.

BOARD OF DIRECTORS AND SENIOR MANAGEMENT

The updated biographies of the Directors and senior management of the Company are set out as below:

Board of Directors

Executive Directors

Mr. YAN Kim Po (殷劍波), aged 57, is the chairman of the Company, an executive Director and the co-founder of the Group. Mr. Yan is the spouse of Ms. Lam. Mr. Yan is primarily responsible for the operation of the Board and is the key decision-maker of the Group. He is responsible for the Group's overall strategic planning and the management and development of the Group's businesses. Mr. Yan is also a director of each of the subsidiaries of the Company. Mr. Yan is an experienced entrepreneur and has extensive experience in the marine transportation industry and in the investment, development, production, processing, operation and trading of the mining and steel industry. Mr. Yan was appointed as Justice of Peace and was granted a Doctor of Philosophy Honoris Causa from Lansbridge University, Canada. He was also honoured as World Outstanding Chinese in 2010. He is currently a director of Adex Mining Inc. (TSXV Stock code: ADE), a company listed on the TSX Venture Exchange in Canada. He is a fellow of the Hong Kong Institute of Directors and the Life Honorary President of the Hong Kong Energy and Minerals United Associations (International) Limited. He is also active in social affairs and was appointed as the Honorary Chairman of Hong Kong Association of Youth Development, the Honorary President of Sha Tin District Junior Police Call, the Honorary President of the Fire Safety Ambassador Club and Shatin Sports Association. Mr. Yan is currently a director of Ablaze Rich, which has an interest in such number of Shares under Part XV of the SFO as disclosed in the section headed "Directors' Report — Directors' interests in Shares, underlying Shares and debentures of the Company and its associated corporation" of this annual report.

Ms. LAM Kwan (林群), aged 51, is the chief executive officer of the Company, an executive Director and the co-founder of the Group. Ms. Lam is the spouse of Mr. Yan. Ms. Lam is primarily responsible for the Group's day-to-day management and overall business operations as well as its finance and administrative management. She is also a director of each of the subsidiaries of the Company. Ms. Lam has extensive experience in the marine transportation industry. Ms. Lam is currently a director of Adex Mining Inc. (TSXV Stock code: ADE), a company listed on the TSX Venture Exchange in Canada and a director of KLW Holdings Limited (SGX Stock Code: 504), a company listed on Singapore Exchange Securities Trading Limited. She is also a vice-chairman of Pok Oi Hospital, an honorary director of Hong Kong Baptist University Foundation, a director of the Hong Kong Energy and Minerals United Associations (International) Limited and a fellow of the Hong Kong Institute of Directors. She graduated from Dongbei University of Finance and Economics in 1990 with a bachelor's degree in English for Finance in the Department of Foreign Language for Finance. Ms. Lam is currently a director of Ablaze Rich, which and Ms. Lam herself have an interest in such number of Shares under Part XV of the SFO as disclosed in the section headed "Directors' Report — Directors' interests in Shares, underlying Shares and debentures of the Company and its associated corporation" of this annual report.

BOARD OF DIRECTORS AND SENIOR MANAGEMENT

Mr. CAO Jiancheng (曹建成), aged 62, has been serving as an executive Director of the Company since June 2010. Mr. Cao is responsible for the operational management of the Group's shipping business. Mr. Cao has more than 36 years of experience in the marine transportation industry. Mr. Cao has been a captain of ocean-going cargo ships since around 1982. Before joining the Group, he had worked for 廣州海順船務有限公司 (Guangzhou Hai Shun Shipping Corporation) as a captain from 1985 to 1989. Mr. Cao also worked for Hong Kong Ming Wah Shipping Company Limited as an operator, chartering member, deputy manager, manager and vice-president from 1989 to 2000. He had also held management position as a manager at Valles Steamship Company Limited from 2001 to 2002. Mr. Cao completed the training course for international shipping professional education and obtained a certificate of completion from 上海海運學院 (Shanghai Maritime Institute) in December 1991 through long distance learning, and graduated from Murdoch University with a Master degree of Business Administration in March 1999. Mr. Cao had also been a captain as recognised by the Maritime Affairs Inspection Bureau of the PRC, the Directorate General of Consular and Maritime Affairs of The Republic of Panama and the Bureau of Maritime Affairs of the Ministry of Transport of The Republic of Liberia. Mr. Cao has an interest in such number of Shares under Part XV of the SFO as disclosed in the section headed "Directors' Report — Directors' interests in Shares, underlying Shares and debentures of the Company and its associated corporation" of this annual report.

Independent non-executive Directors

Mr. CHEUNG Kwan Hung (張鈞鴻), aged 67, has been serving as an independent non-executive Director of the Company since September 2010. Mr. Cheung graduated from Hong Kong Polytechnic with a Higher Diploma in Accountancy in 1978 and is a member of the Association of Chartered Certified Accountants and the Hong Kong Institute of Certified Public Accountants. Mr. Cheung has extensive experience in accounting, finance, corporate management and investment banking, specializing in equity/debt fund raising, mergers and acquisitions and corporate and debt restructuring, as well as private financial consultancy work. Mr. Cheung is currently also an independent non-executive director of two companies listed on the Main Board of the Stock Exchange, namely Tou Rong Chang Fu Group Limited (formerly known as PetroAsian Energy Holdings Limited) (Stock Code: 850) and NewOcean Energy Holdings Limited (Stock Code: 342), and an independent non-executive director of a company listed on the GEM of the Stock Exchange, namely Zhuoxin International Holdings Limited (formerly known as Gold Tat Group International Limited) (Stock Code: 8266). Mr. Cheung has an interest in such number of Shares under Part XV of the SFO as disclosed in the section headed "Directors' Report — Directors' interests in Shares, underlying Shares and debentures of the Company and its associated corporation" of this annual report.

Dr. CHAN Chung Bun, Bunny (陳振彬), *GBS, JP*, aged 61, has been serving as an independent non-executive Director of the Company since September 2010. Dr. Chan has extensive experience in commerce and is currently the chairman of Prospectful Holdings Limited. Dr. Chan is active in community affairs in Hong Kong. Dr. Chan has been chairman of the Kwun Tong District Council since 2004. He has been appointed as a member of the Council for Sustainable Development from 1 March 2015. Dr. Chan was appointed as Justice of Peace in 2002 and was awarded the Bronze Bauhinia Star medal in 2004, the Silver Bauhinia Star medal in 2009 and the Gold Bauhinia Star medal in 2014 by the government of Hong Kong. Dr. Chan was conferred Doctor of Business Administration, honoris causa, in December 2013 by the Open University of Hong Kong. Dr. Chan is currently also an independent non-executive director of three companies listed on the Main Board of the Stock Exchange, namely Li Ning Company Limited (Stock Code: 2331), Speedy Global Holdings Limited (Stock Code: 540) and Glorious Sun Enterprises Limited (Stock Code: 393). Dr. Chan has an interest in such number of Shares under Part XV of the SFO as disclosed in the section headed "Directors' Report — Directors' interests in Shares, underlying Shares and debentures of the Company and its associated corporation" of this annual report.

Mr. WAI Kwok Hung (韋國洪), aged 64, has been serving as an independent non-executive Director of the Company since September 2010. Mr. Wai was appointed as Justice of Peace in July 2002 and was awarded the Silver Bauhinia Star medal in 2008 by the government of Hong Kong. Mr. Wai had been an independent non-executive director of Town Health International Medical Group Limited (formerly known as Town Health International Investments Limited) (Stock Code: 3886), a company listed on the Main Board of the Stock Exchange, from July 2002 to September 2015. Mr. Wai has an interest in such number of Shares under Part XV of the SFO as disclosed in the section headed "Directors' Report — Directors' interests in Shares, underlying Shares and debentures of the Company and its associated corporation" of this annual report.

Senior management

Mr. SUNG Lik Man (宋力文), aged 47, the vice general manager of the Group. Mr. Sung is responsible for the operational management of the Group's shipping business. He obtained his bachelor's degree in Maritime Management from Dalian Maritime University (大連海事大學) in July 1995. Mr. Sung has extensive experiences in the marine transportation industry and he joined the Group in June 2010 as the vice general manager of Union Apex. Before joining Union Apex, Mr. Sung was the chartering manager of Million Miles Shipping (Hong Kong) Limited from March 2003 to June 2010. Before joining Million Miles Shipping (Hong Kong) Limited, Mr. Sung also worked for COSCO (Hong Kong) Shipping Co., Ltd., a subsidiary of China COSCO Holdings Company Limited, a company listed on the Main Board of the Stock Exchange (Stock Code: 1919), from February 2000 to February 2003.

Mr. WONG Kwok Keung (黃國強), aged 44, has been the chief financial officer and company secretary of the Company since 31 January 2019. Mr. Wong is responsible for the corporate finance, investor relations, financial management and company secretarial matters of the Company. Mr. Wong obtained a master's degree of Science in Finance Analysis from Hong Kong University of Science and Technology in 2010 and a master's degree of Corporate Governance from The Hong Kong Polytechnic University in 2014. He is a certified public accountant of the Hong Kong Institute of Certified Public Accountants and the Association of Chartered Certified Accountants. He is also an associate member of Hong Kong Institute of Chartered Secretaries and The Institute of Chartered Secretaries and administrators. Mr. Wong has over 21 years of working experience in several listed companies in Hong Kong and well-known organisations across jewellery trading, property leasing and development, garment and electronics manufacturing in the Greater China and Asia Pacific regions. Prior to joining the Company, he served as the senior management of several listed companies in Hong Kong and worked for a global audit and consulting firm for over 15 years. He has been appointed as a director of Adex Mining Inc. (TSXV stock code: ADE), a company listed on TSX Venture Exchange since October 2017.

CORPORATE GOVERNANCE REPORT

The Board and the management of the Company are committed to a high standard of corporate governance. The Company considers that such commitment is essential for effective management, healthy corporate culture, successful business growth, balance of business risk and enhancement of shareholders' value.

The CG Code

The Company has adopted the principles and code provisions set out in the CG Code contained in Appendix 14 to the Listing Rules as the Company's code on corporate governance practices. Throughout the year ended 31 March 2019 and up to the date of this annual report, the Company had been in compliance with the code provisions set out in the CG Code.

The Board

The Board assumes responsibility for leadership and control of the Company, and is responsible and has general powers for management and conduct of the business of the Company. The Directors, individually and collectively, are committed to acting in good faith in the best interests of the Company and its shareholders. To assist in the discharge of their duties, the Directors have free and direct access to both the Company's external auditors and procedures are in place to allow the Directors to obtain independent professional advice at the Company's expense.

Board composition

As at the date of this annual report, the Board is composed of three executive Directors and three independent non-executive Directors:

Executive Directors

Mr. YAN Kim Po (殷劍波) *(Chairman)*
Ms. LAM Kwan (林群) *(Chief Executive Officer)*
Mr. CAO Jiancheng (曹建成)

Independent non-executive Directors

Mr. CHEUNG Kwan Hung (張鈞鴻)
Dr. CHAN Chung Bun, Bunny (陳振彬)
Mr. WAI Kwok Hung (韋國洪)

The biographies of the Directors are set out under the section headed "Board of Directors and Senior Management" of this annual report.

Save for the spousal relationship between Mr. Yan and Ms. Lam, both being executive Directors, there is no other family relationship between any of the Directors, nor is there any financial, business or other material or relevant relationships among the members of the Board.

Roles and responsibilities of the Board

The position of the Chairman and Chief Executive Officer are held by two different persons in order to maintain an effective segregation of duties and a balanced judgment of views.

Mr. Yan is the Chairman of the Company. The Chairman provides leadership and is responsible for effective functioning of the Board in accordance with good corporate governance practice. With the support of the senior management, the Chairman is also responsible for ensuring that the Directors receive adequate, complete and reliable information in a timely manner and appropriate briefing on issues arising at Board meetings, and that all key and appropriate issues are discussed by the Board in a timely manner.

Ms. Lam is the Chief Executive Officer of the Company. The Chief Executive Officer is responsible for managing the Group's business, including the development and implementation of major strategies and initiatives adopted by the Board with the support from other executive Directors and senior management, and within those authorities delegated by the Board.

The experience and views of our independent non-executive Directors are held in high regard and contribute to the effective direction of the Group.

The Board has reserved for its decision or consideration matters covering mainly the Group's overall strategy, investment plans, annual and interim results, recommendations on Directors' appointment or reappointment, material contracts and transactions as well as other significant policies and financial matters. The Board has delegated the day-to-day responsibility to the senior management under the supervision of the Board.

Appointment and election of Directors

The Board is empowered under the Articles to appoint any person as a Director either to fill a casual vacancy on the Board or as an addition to the existing Board. The Board has delegated to the Nomination Committee the duty to identify and recommend individuals suitably qualified to become Board members when necessary. The Nomination Committee is also responsible for reviewing the structure, size and composition (including the skills, knowledge and experience) of the Board on a regular basis and to assess the independence of the independent non-executive Directors, having regard to the requirements under the Listing Rules.

Each of the executive Directors has entered into a service contract with the Company for a term of three years. Also, each of the independent non-executive Directors has entered into a letter of appointment for a term of three years. Each of the Directors is subject to retirement by rotation in accordance with the Articles. According to article 84 of the Articles, one-third of the Directors for the time being (or, if their number is not a multiple of three, the number nearest to but not less than one-third) shall retire from office by rotation provided that every Director shall be subject to retirement at the annual general meeting at least once every three years.

In accordance with the Articles, Ms. Lam Kwan and Dr. Chan Chung Bun, Bunny will retire by rotation at the forthcoming annual general meeting of the Company and being eligible, offer themselves for re-election.

The Company's circular containing, among others, detailed information of the Directors standing for re-election at the forthcoming annual general meeting of the Company will be dispatched to the shareholders in due course.

Board Diversity Policy

The Board has adopted a board diversity policy since August 2013. The policy sets out the approach to achieve and maintain diversity on the Board in order to enhance the effectiveness of the Board. The Company considered that diversity of board members can be achieved through consideration of a number of aspects, including but not limited to gender, age, cultural and educational background, professional experience, skills, knowledge and length of service.

Based on the business needs of the Group, the Nomination Committee has recommended and the Board has adopted the following measurable objectives:

(i) a prescribed proportion of Board members shall be non-executive Directors or independent non-executive Directors;

(ii) a prescribed proportion of Board members shall have obtained accounting or other professional qualifications; and

(iii) a prescribed proportion of Board members shall have more than seven years of experience in the industry he is specialised in.

The Nomination Committee shall monitor the implementation of the board diversity policy and review the progress of its measurable objectives from time to time. Based on its review, the Nomination Committee considers that the current Board is well-balanced and of a diverse mix appropriate for the business development of the Company.

Director Nomination Policy

The Company has adopted a director nomination policy ("Director Nomination Policy") since December 2018 which sets out the selection criteria and process and the Board succession planning considerations in relation to nomination and appointment of Directors and aims to ensure that the Board has a balance of skills, experience and diversity of perspectives appropriate to the Company and the continuity of the Board and appropriate leadership at Board level.

The Director Nomination Policy sets out the factors for assessing the suitability and the potential contribution to the Board of a proposed candidate, including but not limited to the following:

- character and integrity;
- qualifications including professional qualifications, skills, knowledge and experience that are relevant to the Company's business and corporate strategy;
- diversity in all aspects, including but not limited to gender, age (18 years or above), cultural and educational, background, ethnicity, professional experience, skills, knowledge and length of service;
- requirements of independent non-executive Directors on the Board and independence of the proposed independent non-executive Directors in accordance with the Listing Rules; and
- commitment in respect of available time and relevant interest to discharge duties as a member of the Board and/or Board committee(s) of the Company.

The Director Nomination Policy also sets out the procedures and process for the selection and appointment of new Directors and re-election of Directors at general meetings. During the year ended 31 March 2019, the Nomination Committee adhered to the following nomination procedures and the process set out in the Director Nomination Policy to select and recommend candidates for directorship:

(a) Appointment of new Director

i. Upon receipt of the proposal on appointment of new Director and the biographical information (or relevant details) of the candidate, the Nomination Committee should, evaluate such candidate based on the criteria as set out above to determine whether such candidate is qualified for directorship.

ii. If the process yields one or more desirable candidates, the Nomination Committee should rank them by order of preference based on the needs of the Company and reference check of each candidate (where applicable).

iii. The Nomination Committee should then recommend to the Board to appoint the appropriate candidate for directorship, as applicable.

iv. For any person that is nominated by a shareholder for election as a Director at the general meeting of the Company, the Nomination Committee should evaluate such candidate based on the criteria as set out above to determine whether such candidate is qualified for directorship.

Where appropriate, the Nomination Committee and/or the Board should make recommendation to shareholders in respect of the proposed election of Director at the general meeting.

(b) Re-election of Director at General Meeting

i. The Nomination Committee should review the overall contribution and service to the Company of the retiring Director and the level of participation and performance on the Board.

ii. The Nomination Committee should also review and determine whether the retiring Director continues to meet the criteria as set out above.

iii. The Nomination Committee and/or the Board should then make recommendation to shareholders in respect of the proposed re-election of Director at the general meeting.

The Nomination Committee will review the Director Nomination Policy, as appropriate, to ensure its effectiveness.

CORPORATE GOVERNANCE REPORT

Independent non-executive Directors

In compliance with Rule 3.10(1) of the Listing Rules, there are three independent non-executive Directors on the Board. Among the three independent non-executive Directors, Mr. Cheung Kwan Hung has appropriate professional qualification in accounting or related financial management expertise as required by Rule 3.10(2) of the Listing Rules. The Company has received from each of its independent non-executive Directors the written confirmation of his independence with reference to Rule 3.13 of the Listing Rules. The Company, based on such confirmation, considers all three independent non-executive Directors, namely Mr. Cheung Kwan Hung, Dr. Chan Chung Bun, Bunny and Mr. Wai Kwok Hung to be independent.

Induction, development and training of Directors

Every Board member has received a director's handbook upon joining the Group, which lays down the guidelines on conduct for the Board and Board committee members and other key governance issues, including but not limited to Board procedures and all applicable laws, rules and regulations that they are required to observe during their service in the Board. The director's handbook will be updated from time to time as and when appropriate.

A formal and tailored induction programme will be arranged for each new Director, which includes a briefing on the Group's structure, businesses and governance practices by the senior management. To seek continuous improvement, the Directors are encouraged to attend relevant training sessions, particularly on corporate ethics and integrity matters, risk management, and relevant new laws and regulations, from time to time.

To ensure the Directors' contribution to the Board remains informed and relevant and in compliance with code provision A.6.5 of the CG Code, the Company shall arrange and fund suitable training for Directors to develop and refresh their knowledge and skills. During the year under review, the Directors participated in the kinds of training as follows:

Name of Director	**Kind of Training**
Executive Directors	
Mr. YAN	A, B
Ms. LAM	A, B
Mr. CAO Jiancheng	A, B
Independent non-executive Directors	
Mr. CHEUNG Kwan Hung	A, B
Dr. CHAN Chung Bun, Bunny	A, B
Mr. WAI Kwok Hung	A, B

A: Reading materials on legal and regulatory updates

B: Attending seminar, training and/or conference relevant to the Group's business or Directors' duties

Corporate governance functions

The Board is responsible for performing the corporate governance duties and has adopted a written guideline on corporate governance functions in compliance with the CG code.

The duties of the Board in respect of corporate governance functions are summarized as follows:

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

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

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

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

(v) to review the Company's compliance with the code provisions as set out in the CG Code and its disclosure requirements in the Corporate Governance Report.

During the year, the Board reviewed and monitored the training of the Directors, and the Company's policies and practices on compliance with legal and regulatory requirements.

Board committees

The Board has established the following Board committees with defined terms of reference, which are on no less exacting terms than those set out in the CG Code:

- Audit Committee
- Nomination Committee
- Remuneration Committee

Each committee has authority to engage outside consultants or experts as it considers necessary to discharge the committee's responsibilities. The Board and each Director also have separate and independent access to the management whenever necessary. The company secretary of the Company is responsible to take and keep minutes of all Board and Board committee meetings. Minutes of all Board and Board committee meetings are circulated to all Board members. The Board committees' member list is set out in the section "Corporate Information" of this annual report.

CORPORATE GOVERNANCE REPORT

Audit Committee

The Audit Committee was established to review the Group's financial and other reporting, risk management, internal control systems, external and internal audits and such other matters as the Board determines and as required by the Listing Rules as amended from time to time. The Audit Committee shall assist the Board in fulfilling its responsibilities by providing independent review and supervision of financial reporting, and by satisfying themselves as to the effectiveness of the risk management and internal control systems of the Group. The written terms of reference of the Audit Committee were adopted by the Board on 13 September 2010 and revised on 30 March 2016 and 31 December 2018 and have been posted on the websites of the Stock Exchange and the Company.

The Audit Committee currently consists of three independent non-executive Directors, namely Mr. Cheung Kwan Hung, Dr. Chan Chung Bun, Bunny and Mr. Wai Kwok Hung. Mr. Cheung Kwan Hung is the chairman of the Audit Committee. Meetings of the Audit Committee shall be held at least two times a year.

The Audit Committee held two meetings during the year ended 31 March 2019 to review, with the management and the Company's external auditors, the financial results and reports, financial reporting (including cash flow forecast), the Group's significant internal control and financial matters as set out in the Audit Committee's written terms of reference and make relevant recommendations to the Board. The Company's annual results for the year ended 31 March 2019 have been reviewed by the Audit Committee.

Nomination Committee

The Nomination Committee was established to recommend to the Board on the appointment of Directors, evaluate the structure, size, composition and diversity (including but not limited to gender, age, cultural and educational background, professional experience, skills, knowledge and length of service) of the Board at least annually, agree on measurable objectives for achieving diversity on the Board, assess the independence of the independent non-executive Directors and the management of board succession, having regard to the requirements under the Listing Rules. The written terms of reference of the Nomination Committee were adopted by the Board on 13 September 2010 and revised on 30 August 2013 and have been posted on the websites of the Stock Exchange and the Company.

The Nomination Committee has adopted written nomination procedures for selection of candidates for directorship of the Company. The Nomination Committee shall, based on criteria such as skills, experience, professional knowledge, personal integrity and time commitments of such individuals, the Company's needs and other relevant statutory requirements and regulations, identify and recommend the proposed candidate to the Board for approval of appointment. Please refer to the section headed "Director Nomination Policy" above for further details.

The Nomination Committee consists of an executive Director and two independent non-executive Directors, namely Mr. Yan, Dr. Chan Chung Bun, Bunny and Mr. Wai Kwok Hung. Mr. Yan is the chairman of the Nomination Committee. Meetings of the Nomination Committee shall be held at least once a year and as and when required or as requested by the responsible Director or the Chairman.

The Nomination Committee held one meeting during the year ended 31 March 2019 to review the structure, size and composition of the Board, the independence of the independent non-executive Directors and the measurable objectives of the board diversity policy and to consider the qualifications of the retiring Directors standing for election at the annual general meeting of the Company.

Remuneration Committee

The Remuneration Committee was established to recommend to the Board from time to time on the Company's remuneration policy and structure for all remuneration of the Directors and the senior management of the Company, and to ensure that the Directors and the senior management of the Company are fairly rewarded in light of their contribution to the Company and their performance and that they receive appropriate incentives to maintain high standards of performance and to improve their performance and the Company's performance. The written terms of reference of the Remuneration Committee were adopted by the Board on 13 September 2010 and revised on 29 March 2012 and have been posted on the websites of the Stock Exchange and the Company.

The Remuneration Committee consists of an executive Director and two independent non-executive Directors, namely Mr. Yan, Mr. Cheung Kwan Hung and Dr. Chan Chung Bun, Bunny. Dr. Chan Chung Bun, Bunny is the chairman of the Remuneration Committee. Meetings of the Remuneration Committee shall be held not less than once a year.

The Remuneration Committee held one meeting during the year ended 31 March 2019 to review and make recommendation to the Board on the remuneration policy and structure of the Company, the remuneration packages of the Directors and senior management and other related matters.

Pursuant to code provision B.1.5 of the CG Code, the annual remuneration of the members of the senior management by band for the year ended 31 March 2019 is set out below:

Remuneration band (HK$)	**Number of individuals** *(Note)*
1,000,000–1,499,999	1
500,000–999,999	1
1–499,999	1

Note: The above included the annual remuneration of a member of the senior management who resigned on 31 January 2019.

Remuneration of Directors

The remuneration of the Directors is determined by the Remuneration Committee with reference to the duties, responsibilities, performance of the Directors and the results of the Group.

Board and Board committee meetings

The Board aims to meet in person or by means of electronic communication as appropriate. With respect to regular meetings of the Board and the Board committees, the Directors usually receive at least 14 days prior written notice of the meeting. Meeting agenda with relevant supporting documents are sent to all Directors before each Board meeting or Board committee meeting.

Senior management is invited to join all Board meetings to enhance the Board and management communication.

CORPORATE GOVERNANCE REPORT

The individual attendance record of each Director at the meetings of the Board and the Board committees during the year ended 31 March 2019 is set out below.

Name of Directors	Board Meeting	Audit Committee Meeting	Remuneration Committee Meeting	Nomination Committee Meeting
Mr. YAN	10/10	—	1/1	1/1
Ms. LAM	9/10 *(note 1)*	—	—	—
Mr. CAO Jiancheng	9/10 *(note 1)*	—	—	—
Mr. CHEUNG Kwan Hung	10/10	2/2	1/1	—
Dr. CHAN Chung Bun, Bunny	10/10	2/2	1/1	1/1
Mr. WAI Kwok Hung	10/10	2/2	—	1/1

Note:

1. During the year ended 31 March 2019, one meeting was held between the Chairman and independent non-executive Directors without the executive Directors present in compliance with the code provision A2.7 of the CG Code.

Auditor's remuneration

During the year ended 31 March 2019, the remuneration payable/paid to PricewaterhouseCoopers, the external auditor of the Company, is set out as follows:

Services rendered	Year ended 31 March 2019 US$'000
Audit services	180

The Model Code

The Company has adopted the Model Code as its code of conduct regarding Directors' securities transactions.

The Directors have confirmed that, following specific enquiry by the Company, they have complied with the required standards as set out in the Model Code for the year ended 31 March 2019 and up to the date of this annual report.

Company secretary

Mr. Chan Wai Shing had been appointed as the company secretary since November 2017. Mr. Chan resigned as the company secretary and chief financial officer of the Company with effect from 31 January 2019. Mr. Wong Kwok Keung has been appointed as the company secretary with effect from 31 January 2019. Mr. Wong is also the chief financial officer of the Company, a certified public accountant of the Hong Kong Institute of Certified Public Accountants and the Association of Chartered Certified Accountants, and is also an associate member of Hong Kong Institute of Chartered Secretaries and The Institute of Chartered Secretaries and administrators. Mr. Wong has complied with rule 3.29 of the Listing Rules for taking not less than 15 hours of relevant professional training during the year.

Risk management and internal control

The Group recognized that risks are inherent in the business and markets in which we operate. The challenge is to identify and manage these risks so that they can be understood, minimized, avoided or transferred. This demands a proactive approach to risk management and an effective group-wide risk management framework.

The Board acknowledges that it is responsible for the risk management and internal control systems of the Group on an ongoing basis and reviewing their effectiveness at least annually. Risk management is effected by our people at every level within the Group. We integrate the risk management into our business processes including strategy development, business planning, capital allocation, investment decisions, internal control and day-to-day operations.

During the year ended 31 March 2019, the Board, through the Audit Committee, conducted a review of the effectiveness of the risk management and internal control systems of the Group, including the adequacy of resources, staff qualifications and experience, training programmes and budget of the Group's accounting, internal audit and financial reporting functions. The Group considers the review of the internal control systems are effective and adequate. Our systems are designed to manage the risk of failure to achieve corporate objectives and aim to provide reasonable assurance against material misstatement, loss or fraud. The Board delegates to the management to design, implement and ongoing assess our internal control systems, while the Board through its Audit Committee oversees and reviews the effectiveness of the risk management and internal control systems of the Group. Qualified professionals within the business maintain and monitor these systems of control on an ongoing basis.

Described below are the main characteristics of our risk management and internal control framework.

Control Environment

The scope of internal control relates to three major areas:

— effectiveness and efficiency of operations;

— reliability of financial reporting; and

— compliance with Listing Rules and other applicable laws and regulations.

The Group operates within an established control environment, which is consistent with the principles outlined in Internal Control and Risk Management — A Basic Framework issued by the Hong Kong Institute of Certified Public Accountants.

CORPORATE GOVERNANCE REPORT

Risk Governance Structure

Our governance structure facilitates risk identification and escalation whilst providing assurance to the Board. We assign clear roles and responsibilities and facilitate the implementation of policies and guidelines. Our governance structure consists of three layers of roles and responsibilities to manage risk and internal control as below:

Role	Accountability	Responsibilities
Oversight	Audit Committee of the Board	— Oversees of material risks, corporate governance, financial reporting, risk management and internal control systems
Risk reporting and communication	Chief Financial Officer ("CFO") and supporting team	— communicate and assess the Group's risk profile and material risks — identify areas for improvement of risk management and internal control systems — track progress of mitigation plans and activities of material risks and report to the Board
Risk and control ownership	Business Units, Support Functions and Individuals	— Day-to-day monitoring and execution of internal control systems — Reporting to Chief Financial Officer according to our risk management framework

Our Risk Management Process

Our risk management process is embedded in our strategy development, business planning, capital allocation, investment decisions, internal controls and day-to-day operations. This includes risk identification, exposure evaluation, risk level, control gaps and priorities evaluation, control development and execution and mitigation planning. There is also a continual process with periodic monitoring, review and reporting in place.

Quarterly risk review process at group level	— Our business units are required to report quarterly their material risks identification through their risk management process to the CFO. — The CFO reviews the risks identification reports, scrutinizes the material risks and ensures the controls and mitigation measures are in place or in progress. — For material and having a longer term effect's emerging risks, CEO will discuss with the directors for the monitoring measures and mitigation plans.
Risk review process for investment decisions	— All new investments must be reviewed on the risk of the investment by the CFO. CFO and his supporting team will provide suggestions to the Board regarding to the risks of the new investment, and any actions that can be done to control and mitigate the risks.

Risk management integrated with internal control systems	—	Risk Management is closely linked to the Group's internal control framework. Key controls are subject to testing in order to assess their effectiveness.
Risk Management in the business planning process	—	Our business units are required to identify all material risks that may impact their achievement of business objectives. The business units are also required to develop plans to mitigate the identified risks and for implementation and budget purpose. Our material risks are set our below.

Risk Management Monitoring

Our CFO and his supporting team regularly monitor and update the Group's risk profile and exposure and review the effectiveness of the internal control systems in mitigating risks.

Inside Information

The Group regulates the handling and dissemination of inside information as set out in the Group's corporate governance policy and various subsidiary procedures to ensure inside information remains confidential until the disclosure of such information is appropriately approved, and the dissemination of such information is efficiently and consistently made.

Internal and External Audit Function

Internal Audit Function

The internal audit function is carried out by the internal audit team. Under the supervision of the Audit Committee, it independently reviews compliance with Group's policies and guidelines, legal and regulatory requirements, risk management and internal control systems and evaluates their adequacy and effectiveness.

The internal audit team reports all major findings and recommendations to the Audit Committee on a regular basis. The internal audit plan is linked to the Group's day-to-day operation and is reviewed and endorsed by the Audit Committee.

The principal tasks of the internal audit team include:

— Preparation of an internal audit plan using a risk-based assessment methodology that covers the Group's all operations

— Review of all operations, controls and compliance with the Group's policies, procedures, rules and regulations. The audit scope covers significant controls including financial, operational and compliance controls, and risk management policies and procedures

— Review of special areas of concerns or risks as raised by the Audit Committee and senior management

CORPORATE GOVERNANCE REPORT

Major audit findings and recommendations from the internal audit team, and management's response to these findings and recommendations, are presented to the Audit Committee. The implementation of all recommendations is followed up on an annual basis and the status is reported to the Audit Committee at its meetings.

External Audit Function

Our external auditor, PricewaterhouseCoopers, performs independent statutory audits of the Group's financial statements. To facilitate the audit, the external auditor attended all meetings of the Audit Committee. PricewaterhouseCoopers noted that there is no significant internal control weaknesses in its audit for 2019.

Management function

The management team of the Company meets regularly to review and discuss with the executive Directors on day-to-day operational issues, financial and operating performance as well as to monitor and ensure that the management is carrying out the directions and strategies set by the Board properly.

Responsibilities in respect of the consolidated financial statements

The Board is responsible for presenting a balanced, clear and comprehensible assessment of the Group's annual and interim reports, inside information announcements and other disclosures required under the Listing Rules and other regulatory requirements. To discharge this responsibility, the Board regularly reviews the reports prepared by the management on the Group's financial and operational performance as well as the development of major initiatives.

The Directors acknowledge their responsibilities for preparing the financial statements of the Company for the year ended 31 March 2019.

The statement of the external auditor of the Company about their reporting responsibilities on the consolidated financial statements is set out in the "Independent Auditor's Report" on page 76.

The Group reported its current liabilities exceeded its current assets by US$10,043,000 as at 31 March 2019. These conditions, as set forth in Note 2.1.1 to the consolidated financial statements, indicate the existence of a material uncertainty which may cast significant doubt over the Group's ability to continue as a going concern. The directors of the Company have reviewed the Group's cash flow projections, which cover a period of twelve months from 31 March 2019. The directors are of the opinion that, after taking into account both the plans and measures mentioned in Note 2.1.1 to the consolidated financial statements, the Group will have sufficient working capital to meet its financial obligations as and when they fall due within the next twelve months from 31 March 2019. The opinion in the "Independent Auditor's Report" is not modified in respect of this matter.

The Directors acknowledge their responsibilities for preparing the financial statements of the Company on the going concern basis.

Shareholders' communication and rights

A shareholder's communication policy was established by the Company to promote effective communication with shareholders of the Company and encourage effective participation by shareholders at general meetings of the Company.

During the year ended 31 March 2019, one general meeting of the Company was held, i.e. the annual general meeting of the Company held on 21 September 2018, and the attendance of each Director at the annual general meeting of the Company is set out as follows:

Name of Directors	General meeting of the Company
Mr. YAN	1/1
Ms. LAM	1/1
Mr. CAO Jiancheng	1/1
Mr. CHEUNG Kwan Hung	1/1
Dr. CHAN Chung Bun, Bunny	1/1
Mr. WAI Kwok Hung	1/1

The rights of shareholders are contained in the Articles. A resolution put to the vote of a general meeting of the Company shall be decided by way of a poll. Poll results are published on the websites of the Stock Exchange and the Company within specified time following the meeting in accordance with the Listing Rules.

The general meetings of the Company provide an opportunity for communication between the shareholders and the Board. Any enquiries by shareholders requiring the Board's attention can be sent in writing to the company secretary at the Company's principal place of business in Hong Kong. Shareholders are also welcome to discuss matters of business substance with the Board and the management and to give us valuable advice on both operational and governance matters.

External auditor of the Company will be invited to attend the forthcoming annual general meeting of the Company to answer any questions from the shareholders on the audit of the Company.

In accordance with article 58 of the Articles, any one or more members of the Company holding at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company shall at all times have the right, by written requisition to the Board or the company secretary of the Company, to require an extraordinary general meeting to be called by the Board for the transaction of any business specified in such requisition; and such meeting shall be held within two (2) months after the deposit of such requisition. If within twenty-one (21) days of such deposit the Board fails to proceed to convene such meeting the requisitionist(s) himself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to the requisitionist(s) by the Company.

CORPORATE GOVERNANCE REPORT

If a shareholder wishes to make proposals at a shareholders' meeting, the requisition must state the purpose of the meeting, and must be signed by the requisitionist(s) and deposited at the Company's principal place of business in Hong Kong attention to the company secretary of the Company. In compliance with Rule 13.51D of the Listing Rules, the Company has also published the procedures for shareholders to propose a person for election as a Director on the Company's website.

Investor relations

The Company maintains a website at www.greatharvestmg.com where information and updates on the list of Directors and their roles and functions, constitutional documents, terms of reference of the Board committees, procedure for shareholders to propose candidate(s) for election as Directors, and other corporate communications of the Company are posted. Information on the Company's website will be updated from time to time.

There was no change to the Company's constitutional documents during the year ended 31 March 2019.

AUDIT COMMITTEE REPORT

For the year ended 31 March 2019, the Audit Committee's review covered the audit plans and findings of the external auditor and internal control team, external auditor's independence and performance, the Group's accounting principles and practices, Listing Rules and statutory compliance, connected transactions, internal control systems, risk management, treasury, financial reporting matters (including the interim and annual reports for the Board's approval) and the adequacy of resources, qualifications and experience of staff of the Company's accounting and financial reporting function as well as their training programmes and budget.

The Audit Committee has reviewed with the management the accounting principles and practices adopted by the Group and discussed financial reporting matters including a review of the audited consolidated financial information for the year ended 31 March 2019. In carrying out this review, the Audit Committee has relied on the audit conducted by the Group's external auditor in accordance with the Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Based on this review and discussions with the management, the Audit Committee is satisfied that the consolidated financial statements have been prepared in accordance with applicable accounting standards and fairly present the Group's financial position and results for the year ended 31 March 2019. The Audit Committee therefore recommended the consolidated financial statements for the year ended 31 March 2019 to be approved by the Board.

The Audit Committee has also reviewed the internal control systems to ensure compliance with relevant legislations and regulations. An internal audit review has been conducted which covered the Group's internal control systems, risk management, adequacy of resources, qualifications and experience of staff of the Company's accounting and financial reporting function as well as their training programmes and budget.

The consolidated financial statements of the Company for the year ended 31 March 2019 have been audited by PricewaterhouseCoopers.

Members of the Audit Committee
Mr. CHEUNG Kwan Hung *(Chairman of Audit Committee)*
Dr. CHAN Chung Bun, Bunny
Mr. WAI Kwok Hung

Hong Kong, 28 June 2019

DIRECTORS' REPORT

The Directors are pleased to present this annual report together with the audited consolidated financial statements for the year ended 31 March 2019.

Principal activities

The principal activity of the Company is investment holding. The principal business of the Group is chartering out of the Group's own dry bulk vessels and property investment and development.

The principal activities and other particulars of the subsidiaries of the Company are set out in Note 15 to the consolidated financial statements.

Business review

Further discussion and review on the business activities of the Group as required by Schedule 5 to the Hong Kong Companies Ordinance (Cap. 622), including a description of the principal risks and uncertainties facing the Group and an indication of likely future development in the Group's business are contained in the section headed "Management Discussion and Analysis" of this annual report. This discussion forms part of this Directors' Report. In addition, details of the Group's financial risk management are disclosed in Note 3 to the consolidated financial statements.

Results and dividends

The results of the Group for the year are set out in the consolidated statement of comprehensive income on page 82. The Directors did not recommend payment of any final dividend for the year ended 31 March 2019 (2018: Nil).

Environmental, society and governance

The Group is determined to become a responsible enterprise, and is committed to perfecting its business. At the same time, the Group has been actively improving the local community environment and taking part in community activities. The Group seeks to perform corporate citizenship, including the commitment of attaining the highest ethical standards, the provision of a safe and healthy workplace, and pay attention to the environment, resources utilisation and emissions in every aspect of its business as well as the contribution of resources to facilitate staff development training and the active involvement in charity. The Board is of the opinion that a good environmental, social and governance framework is of great importance to the development of the Group. Apart from the pursuit of business growth, the Group is also constantly perfecting in sectors such as environmental protection, social responsibilities and corporate governance. Meanwhile, the Group also hopes to achieve and improve its social responsibilities by enhancing corporate transparency. The Environmental, Social and Governance Report is set out at page 49 of this annual report.

As far as the Board and management are aware, the Group has complied in material respects with the relevant laws and regulations that have a significant impact on the business and operation of the Group. During the year ended 31 March 2019, there was no material breach of or non-compliance with the applicable laws and regulations by the Group.

The Group understands the importance of maintaining a good relationship with its employees, customers and suppliers to meet its immediate and long-term business goals. During the year ended 31 March 2019, there was no material and significant dispute between the Group and its employees, customers and suppliers.

Reserves

Movements in the reserves of the Group and of the Company during the year are set out in Note 20 and Note 29 to the consolidated financial statements respectively.

Property, plant and equipment

Details of the movements in property, plant and equipment of the Group are set out in Note 13 to the consolidated financial statements.

Distributable reserves

At 31 March 2019, distributable reserves of the Company amounted to US$4,591,000 (2018: US$45,031,000).

Pre-emptive rights

There are no provisions for pre-emptive rights under the Articles or the laws of the Cayman Islands, being the jurisdiction in which the Company was incorporated, which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders of the Company.

Five year financial summary

A summary of the Group's results and assets and liabilities for the preceding five financial years is set out on page 6 of this annual report.

Share capital

Details of the movements in the share capital of the Company during the year ended 31 March 2019 are set out in Note 18 to the consolidated financial statements.

Equity-linked agreements

Save for the Top Build Convertible Bonds and the grant of options under the Share Option Scheme of the Company as referred to in the paragraph headed "Share Option Scheme" below, no equity-linked agreements (as defined under the Companies (Directors' Report) Regulation, Chapter 622D of the Laws of Hong Kong) that will or may result in the Company issuing Shares or that require the Company to enter into any such agreement that will or may result in the Company issuing shares were entered into by the Company during the year or subsisting at the end of the year. Please refer to the section headed "Share Option Scheme" below and Note 19 to the consolidated financial statements for further information about the Share Option Scheme; and the section headed "Management Discussion and Analysis — Financial Review — Convertible Bonds" and Note 23 to the consolidated financial statements for further information about the Top Build Convertible Bonds.

DIRECTORS' REPORT

Purchase, sale or redemption of listed securities

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Shares for the year ended 31 March 2019.

Directors

The Directors of the Company during the year and up to the date of this annual report:

Executive Directors

Mr. YAN Kim Po (殷劍波) *(Chairman)*
Ms. LAM Kwan (林群) *(Chief Executive Officer)*
Mr. CAO Jiancheng (曹建成)

Independent non-executive Directors

Mr. CHEUNG Kwan Hung (張鈞鴻)
Dr. CHAN Chung Bun, Bunny (陳振彬)
Mr. WAI Kwok Hung (韋國洪)

In accordance with the Articles, Ms. LAM Kwan and Dr. CHAN Chung Bun, Bunny will retire by rotation at the forthcoming annual general meeting of the Company and being eligible, offer themselves for re-election.

Biographical details of Directors and senior management

The biographical details of the Directors and the senior management of the Group are set out in the section headed "Board of Directors and Senior Management" of this annual report.

Directors' service contracts

Each of the executive Directors of the Company has entered into a service contract with the Company. No Director or senior management of the Company has entered into any service contract with the Company, which is not determinable by the Company within one year without payment of compensation (other than statutory compensation).

Permitted indemnity provisions

The Articles, which are currently in force and were in force during the year ended 31 March 2019, contain indemnity provisions which are permitted indemnity provisions under the Companies Ordinance (Chapter 622 of the Laws of Hong Kong) subject to the limitations specified in sections 468 and 469 thereof, for the benefit of the Directors. Pursuant to such provisions, the Company shall indemnify and hold harmless out of its assets and profits any Directors from and against all actions, costs, charges, losses, damages and expenses which they shall or may incur or sustain by or by reason of any act done, concurred in or omitted in or about the execution of their duty in their offices provided that this indemnity shall not extend to any matter in respect of any fraud or dishonesty which may attach to any of them. The Company has also taken out and maintained appropriate insurance cover to indemnify the Directors for liabilities that may arise out of corporate activities. The insurance coverage is reviewed on an annual basis. During the year ended 31 March 2019, no claims were made against the Directors.

Directors' and Chief Executive interests in Shares, underlying Shares and debentures of the Company and its associated corporation

As at 31 March 2019, the interests and short positions of the Directors and/or the chief executives 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 SFO) which were required to be (i) notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he or she was taken or deemed to have under such provisions of the SFO); or (ii) recorded in the register required to be kept by the Company under section 352 of the SFO; or (iii) notified to the Company and the Stock Exchange pursuant to the Model Code, were as follows:

Interest in Shares, underlying Shares and debentures of the Company:

Name of Director	Capacity/Nature of interest	Number of Shares held *(Note 1)*	Number of underlying Shares held *(Note 1)*	Approximate percentage of interest (%) *(Note 10)*
Mr. Yan	Interest of controlled corporation *(Note 2)*	675,013,513 (L)	—	70.87%
	Beneficial owner *(Note 3)*	—	2,100,000 (L)	0.22%
	Family interest *(Note 3)*	—	2,100,000 (L)	0.22%
	Family interest *(Note 4)*	727,500 (L)	—	0.08%
	Beneficial owner and interest of spouse *(Note 5)*	—	381,843,064 (S)	40.09%
Ms. Lam	Interest of controlled corporation *(Note 2)*	675,013,513 (L)	—	70.87%
	Beneficial owner *(Note 3)*	—	2,100,000 (L)	0.22%
	Beneficial owner *(Note 4)*	727,500 (L)	—	0.08%
	Family interest *(Note 3)*	—	2,100,000 (L)	0.22%
	Beneficial owner and interest of spouse *(Note 5)*	—	381,843,064 (S)	40.09%
Mr. Cao Jiancheng	Beneficial owner *(Note 6)*	—	4,300,000 (L)	0.45%
Mr. Cheung Kwan Hung	Beneficial owner *(Note 7)*	—	800,000 (L)	0.08%
Dr. Chan Chung Bun, Bunny	Beneficial owner *(Note 8)*	—	800,000 (L)	0.08%
Mr. Wai Kwok Hung	Beneficial owner *(Note 9)*	—	300,000 (L)	0.03%

Note(s):

(1) The letter "L" denotes the person's long position and "S" denotes the person's short position in the Shares and underlying Shares of the Company.

(2) These 675,013,513 Shares were held by Ablaze Rich, of which 19,763,513 Shares represented the conversion shares which have been allotted and issued to Ablaze Rich upon the exercise of the conversion rights attached to the First Convertible Bonds in the principal amount of US$3,000,000 on 31 August 2018, at a conversion price of HK$1.184 per Conversion Share, at the exchange rate of HK$7.8 to US$1.0. As the entire issued share capital of Ablaze Rich was owned as to 51% by Mr. Yan and 49% by Ms. Lam, who were also directors of Ablaze Rich. Each of Mr. Yan and Ms. Lam was deemed to be interested in the Shares held by Ablaze Rich by virtue of the SFO.

(3) On 21 October 2011, each of Mr. Yan and Ms. Lam was granted share options of the Company in respect of 2,100,000 Shares pursuant to the Share Option Scheme. All these share options remained outstanding as at 31 March 2019. As they have a spousal relationship, each of Mr. Yan and Ms. Lam was deemed to be interested in such number of Shares beneficially held by each other by virtue of the SFO.

(4) These 727,500 Shares were held by Ms. Lam. As Mr. Yan and Ms. Lam have a spousal relationship, Mr. Yan was deemed to be interested in the Shares in which Ms. Lam was interested by virtue of the SFO.

(5) These 381,843,064 Shares represented the total number of Shares which may be allotted and issued to Sfund upon the exercise of the conversion rights attaching to the Top Build Convertible Bonds for the aggregate principal amount of US$54,000,000 at the initial conversion price of HK$1.096 per Share and the exchange rate of HK$7.75 to US$1.00. Mr. Yan and Ms. Lam have granted the put option in favor of Sfund pursuant to which Sfund may request Mr. Yan and Ms. Lam to purchase these Top Build Convertible Bonds. The exercise of the conversion rights attaching to the Top Build Convertible Bonds is subject to the terms and conditions thereof, including the restriction against conversion which would cause the Company to be in breach of the minimum public float requirement under the Listing Rules. As they have a spousal relationship, each of Mr. Yan and Ms. Lam was deemed to be interested in the Shares in which the other was interested by virtue of the SFO.

(6) On 21 October 2011 and 30 April 2015, Mr. Cao Jiancheng was granted share options of the Company in respect of 6,000,000 Shares and 2,300,000 Shares respectively pursuant to the Share Option Scheme. 4,300,000 share options remained outstanding as at 31 March 2019.

(7) On 30 April 2015, Mr. Cheung Kwan Hung was granted share options of the Company in respect of 800,000 Shares pursuant to the Share Option Scheme. All these share options remained outstanding as at 31 March 2019.

(8) On 30 April 2015, Dr. Chan Chung Bun, Bunny was granted share options of the Company in respect of 800,000 Shares pursuant to the Share Option Scheme. All these share options remained outstanding as at 31 March 2019.

(9) On 30 April 2015, Mr. Wai Kwok Hung was granted share options of the Company in respect of 800,000 Shares pursuant to the Share Option Scheme. 300,000 share options remained outstanding as at 31 March 2019.

(10) The percentage is calculated on the basis of 952,513,513 Shares in issue as at 31 March 2019.

Interest in shares and underlying shares of an associated corporation:

Name of Director	Name of associated corporation	Capacity/ Nature of interest	Number of shares held *(Note)*	Approximate percentage of interest (%)
Mr. Yan	Ablaze Rich	Beneficial owner	10,200 (L)	51.00%
Ms. Lam	Ablaze Rich	Beneficial owner	9,800 (L)	49.00%

Note: The letter "L" denotes the person's long position in the shares and underlying shares of an associated corporation.

Save as disclosed above, as at 31 March 2019, none of the Directors and chief executives of the Company had any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to 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 were required pursuant to the Model Code to be notified to the Company and the Stock Exchange.

Substantial shareholders' interests in Shares and underlying Shares of the Company

As at 31 March 2019, the interests and short positions of each person, other than a Director or chief executive of the Company, in the Shares or underlying Shares of the Company as recorded in the register kept by the Company under Section 336 of the SFO were as follows:

Name of shareholder	Capacity/ nature of interest	Number of Shares held *(Note 1)*	Number of underlying Shares held *(Note 1)*	Approximate percentage of interest (%) *(Note 6)*
Ablaze Rich	Beneficial owner *(Note 2)*	675,013,513 (L)	—	70.87%
廣州匯垠發展投資合夥企業（有限合夥）(for identification purpose only, Guangzhou Huiyin Development Investment Partnership Enterprise (Limited Partnership))	Investment manager *(Note 3)*	75,560,000	—	7.93%
Sfund	Beneficial owner *(Note 4)*	—	381,843,064 (L)	40.09%
China Shandong Hi-Speed Financial Group Limited ("CSFG")	Interest of controlled corporation *(Note 5)*	70,000,000 (L)	—	7.35%

DIRECTORS' REPORT

Notes:

(1) The letter "L" denotes the person's long position in the Shares of the Company.

(2) These 675,013,513 Shares were held by Ablaze Rich, of which 19,763,513 Shares represented the conversion shares which have been allotted and issued to Ablaze Rich upon the exercise of the conversion rights attached to the First Convertible Bonds in the principal amount of US$3,000,000 on 31 August 2018, at a conversion price of HK$1.184 per Conversion Share, at the exchange rate of HK$7.8 to US$1.0.

(3) Based on the disclosure of interests form submitted by this substantial shareholder as at 31 March 2019.

(4) These 381,843,064 Shares represented the total number of Shares which may be allotted and issued to Sfund upon the exercise of the conversion rights attaching to the Top Build Convertible Bonds for the aggregate principal amount of US$54,000,000 at the initial conversion price of HK$1.096 per Share and the exchange rate of HK$7.75 to US$1.00. The exercise of the conversion rights attaching to the Top Build Convertible Bonds is subject to the terms and conditions thereof, including the restriction against conversion which would cause the Company to be in breach of the minimum public float requirement under the Listing Rules.

These Shares were held by Sfund, which was wholly owned by Guangzhou Huiyin Tianye Equity Investment Fund Management Co., Ltd (廣州匯垠天粵股權投資基金管理有限公司) ("Guangzhou Huiyin"), which was owned as to 5% by Guangzhou Industry Investment Fund Management Co., Ltd (廣州產業投資基金管理有限公司) ("Guangzhou Industry Investment") and as to 95% owned by Guangzhou Technology Financial Innovation Investment Holdings Limited (廣州科技金融創新投資控股有限公司) ("Guanzhou Technology Financial Holdings"). Guangzhou Technology Financial Holdings was wholly owned by Guangzhou Industry Investment, which was wholly owned by Guangzhou City Construction Investment Group Company Limited (廣州市城市建設投資集團有限公司) ("Guangzhou City Construction Investment"). Each of Guangzhou Huiyin, Guangzhou Industry Investment, Guangzhou Technology Financial Holdings and Guangzhou City Construction Investment was deemed to be interested in all the Shares in which Sfund is interested by virtue of the SFO.

(5) Based on the disclosure of interests form submitted by CSFG, the long positions are held through certain corporations controlled by CSFG.

(6) The percentage is calculated on the basis of 952,513,513 Shares in issue as at 31 March 2019.

Save as disclosed above, as at 31 March 2019, no person (other than a Director or chief executive of the Company) had an interest or short position in the Shares or the underlying Shares of the Company that were recorded in the register kept by the Company under Section 336 of the SFO.

Directors' rights to acquire shares or debentures

Save as disclosed in the section headed "Share Option Scheme" below and the put options granted in favour of Sfund pursuant to which Sfund may request Mr. Yan and Ms. Lam to purchase the Top Build Convertible Bonds, at no time during the year ended 31 March 2019 were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any of the Directors or their respective spouses or minor children, or were any such rights exercised by them; or was the Company, its holding companies, or any of its subsidiaries a party to any arrangement to enable the Directors to acquire such rights in any other body corporate.

Share Option Scheme

The Company has adopted the Share Option Scheme on 19 August 2011 to enable the Group to grant share options to eligible participants as incentives or rewards for their contribution to the Group. Eligible participants of the Share Option Scheme includes: (a) any employee (whether full time or part time, including any executive director but excluding any non-executive director) of the Company, any subsidiary of the Company or any entity in which any member of the Group holds any equity interests ("Invested Entity"); (b) any non-executive directors (including independent non-executive directors) of the Company, any subsidiary of the Company or any Invested Entity; (c) any supplier of goods or services to any member of the Group or any Invested Entity; (d) any customer of any member of the Group or any Invested Entity; (e) any person or entity that provides research, development or other technological support to any member of the Group or any Invested Entity; (f) any shareholder of any member of the Group or any Invested Entity or any holder of any securities issued by any member of the Group or any Invested Entity; (g) any adviser (professional or otherwise) or consultant to any area of business or business development of any member of the Group or any Invested Entity; (h) any other group or classes of participants who have contributed or may contribute by way of joint venture, business alliance or other business arrangement to the development and growth of the Group; and (i) any company wholly owned by one or more eligible participants as referred to in (a) to (h) above.

The terms of the Share Option Scheme are in accordance with the provisions of Chapter 17 of the Listing Rules. Subject to the early termination of the Share Option Scheme in accordance with the rules thereof, the Share Option Scheme shall remain in force for a period of ten years commencing on 19 August 2011.

The maximum number of Shares which may be allotted and issued upon exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other share option scheme of the Group shall not exceed 30% of the share capital of the Company in issue from time to time (the "Overriding Limit"). No share options may be granted under the Share Option Scheme or any other share option scheme adopted by the Group if the grant of such share options will result in the Overriding Limit being exceeded.

The total number of Shares which may be allotted and issued upon exercise of all options (excluding for this purpose options which have lapsed in accordance with the terms of the Share Option Scheme and any other share option scheme of the Group) to be granted under the Share Option Scheme and any share option scheme of the Group must not in aggregate exceed 83,000,000 Shares, representing 10% of the Shares in issue as at 19 August 2011 (i.e. the date on which the Share Option Scheme was adopted by the Company) and 8.71% of the Shares in issue as at the date of this annual report (the "General Scheme Limit"). The General Scheme Limit is also subject to the Overriding Limit, the refreshment of the General Scheme Limit (as described below) and the grant of share options beyond the General Scheme Limit (as described below).

Subject to the Overriding Limit and the grant of share options beyond the General Scheme Limit (as described below), the Company may refresh the General Scheme Limit at any time subject to shareholders' approval by ordinary resolution at a general meeting, and the General Scheme Limit as "refreshed" must not exceed 10% of the Shares in issue as at the date of the aforesaid shareholders' approval and for the purpose of calculating the "refreshed" limit, options (including those outstanding, cancelled, lapsed or exercised in accordance with the Share Option Scheme and any other share option scheme of the Group) previously granted under the Share Option Scheme and any other share option scheme of the Group will not be counted.

DIRECTORS' REPORT

Subject to the Overriding Limit, the Company may also seek shareholders' approval by ordinary resolution at a general meeting to grant share options under the Share Option Scheme beyond the General Scheme Limit, or, if applicable, the General Scheme Limit as "refreshed", to eligible participants specifically identified by the Company before such approval is sought.

The total number of Shares issued and which may fall to be issued upon the exercise of options granted under the Share Option Scheme and any other share option scheme adopted by the Group (including both exercised or outstanding options) to each grantee within 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 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 (as defined under the Listing Rules), are subject to approval in advance by the independent non-executive Directors of the Company.

In addition, where any grant of share options to a substantial shareholder or an independent non-executive Director of the Company or any of their respective associates (as defined under the Listing Rules) would result in the Shares issued or to be issued upon exercise of all share options already granted and to be granted (including share options exercised, cancelled and outstanding) to such person in the 12-month period up to and including the date of such grant (a) representing in aggregate over 0.1% of the Shares in issue and (b) having an aggregate value (based on the closing price of the Shares at the date of the grant) in excess of HK$5 million, such further grant of share options must be approved by shareholders' in general meeting.

The offer of a grant of share options may be accepted within 21 days from the date of 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, which period may commence from the date of the offer of the share options, and ends on a date which is not later than ten years from the date of grant of the share options subject to the provisions for early termination thereof. The Directors will determine the minimum period, if any, for which share options must be held before such share options can be exercised.

The exercise price of the share options is determinable by the Directors, but shall not be less than the highest of (i) the closing price of the Shares as stated in the Stock Exchange's daily quotations sheet for trade in one or more board lots of the Shares on the date of the offer for the grant, which must be a business day; (ii) the average closing price of the Shares as stated in the Stock Exchange's daily quotations sheet for the five business days immediately preceding the date of offer; and (iii) the nominal value of a Share. Share options do not confer rights on the holders to dividends or to vote at shareholders' meetings of the Company.

DIRECTORS' REPORT

During the year ended 31 March 2019, movements of the share options granted under the Share option scheme are summarized as follows and in Note 19 to the consolidated financial statements:

List of grantees	Date of grant	Exercisable period	Closing price per Share immediately before the date of grant HK$	Exercisable price per share HK$	Number of share options: Outstanding as at 1 April 2018	Granted during the year	Exercised during the year	Lapsed during the year	Cancelled during the year	Outstanding as at 31 March 2019
Directors										
Mr. Yan	21 October 2011	21 October 2012– 20 October 2021	$1.15	$1.15	700,000	—	—	—	—	700,000
	21 October 2011	21 October 2013– 20 October 2021	$1.15	$1.15	700,000	—	—	—	—	700,000
	21 October 2011	21 October 2014– 20 October 2021	$1.15	$1.15	700,000	—	—	—	—	700,000
					2,100,000	—	—	—	—	2,100,000
Ms. Lam	21 October 2011	21 October 2012– 20 October 2021	$1.15	$1.15	700,000	—	—	—	—	700,000
	21 October 2011	21 October 2013– 20 October 2021	$1.15	$1.15	700,000	—	—	—	—	700,000
	21 October 2011	21 October 2014– 20 October 2021	$1.15	$1.15	700,000	—	—	—	—	700,000
					2,100,000	—	—	—	—	2,100,000
Mr. CAO Jiancheng	21 October 2011	21 October 2012– 20 October 2021	$1.15	$1.15	1,000,000	—	(1,000,000)	—	—	—
	21 October 2011	21 October 2013– 20 October 2021	$1.15	$1.15	2,000,000	—	(2,000,000)	—	—	—
	21 October 2011	21 October 2014– 20 October 2021	$1.15	$1.15	2,000,000	—	—	—	—	2,000,000
	30 April 2015	30 April 2015– 29 April 2025	$1.15	$1.20	2,300,000	—	—	—	—	2,300,000
					7,300,000	—	(3,000,000)	—	—	4,300,000
Mr. CHEUNG Kwan Hung	30 April 2015	30 April 2015– 29 April 2025	$1.15	$1.20	800,000	—	—	—	—	800,000
					800,000	—	—	—	—	800,000
Dr. CHAN Chung Bun, Bunny	30 April 2015	30 April 2015– 29 April 2025	$1.15	$1.20	800,000	—	—	—	—	800,000
					800,000	—	—	—	—	800,000
Mr. WAI Kwok Hung	30 April 2015	30 April 2015– 29 April 2025	$1.15	$1.20	300,000	—	—	—	—	300,000
					300,000	—	—	—	—	300,000
Sub-total					13,400,000	—	(3,000,000)	—	—	10,400,000

List of grantees	Date of grant	Exercisable period	Closing price per Share immediately before the date of grant HK$	Exercisable price per share HK$	Number of share options: Outstanding as at 1 April 2018	Granted during the year	Exercised during the year	Lapsed during the year	Cancelled during the year	Outstanding as at 31 March 2019
Employees	21 October 2011	21 October 2012–20 October 2021	$1.15	$1.15	—	—	—	—	—	—
	21 October 2011	21 October 2013–20 October 2021	$1.15	$1.15	400,000	—	(400,000)	—	—	—
	21 October 2011	21 October 2014–20 October 2021	$1.15	$1.15	500,000	—	(500,000)	—	—	—
	30 April 2015	30 April 2015–29 April 2025	$1.15	$1.20	1,000,000	—	(500,000)	—	—	500,000
Sub-total					1,900,000	—	(1,400,000)	—	—	500,000
Others	30 April 2015	30 April 2015–29 April 2025	$1.15	$1.20	2,230,000	—	(1,980,000)	—	—	250,000
Sub-total					2,230,000	—	(1,980,000)	—	—	250,000
Total					17,530,000	—	(6,380,000)	—	—	11,150,000

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 this annual report, there is sufficient public float of more than 25% of the Company's issued Shares as required under the Listing Rules.

Contracts of significance

Save for the loan facility agreements enter into between Ablaze Rich and the Company dated 19 January 2017, 12 April 2017 and 15 January 2018 and the deeds of funding undertakings entered into between Ablaze Rich, Mr. Yan and Ms. Lam and the Company dated 30 March 2018, 30 September 2018 and 31 March 2019, no transaction, arrangement or contract of significance in relation to the Group's business to which the Company or its subsidiaries was a party and in which a Director or an entity connected with a Director (as defined under the Companies Ordinance) or a controlling shareholder of the Company (as defined under the Listing Rules) or any of its subsidiaries is or was materially interested, whether directly or indirectly, subsisted during the year ended, or at, 31 March 2019. Please refer to the section headed "Management Discussion and Analysis — Financial Review — Liquidity, financial resources, capital structure and gearing ratio" of this annual report for further information about the loan facility agreements and the deeds of funding undertakings.

Management contracts

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company which were not contracts of service with any Director or any person engaged in full time employment of the Company were entered into or subsisted during the year ended 31 March 2019.

Related party transactions

Details of significant related party transactions of the Group for the year ended 31 March 2019 are set out in note 28(a) to the consolidated financial statements. All of such transactions fall under definition of "connected transaction" in Chapter 14A of the Listing Rules. In respect of each of such transactions, the Company has complied with the disclosure requirements in accordance with Chapter 14A of the Listing Rules (where applicable).

Major customers and suppliers

For the year ended 31 March 2019, the Group's five largest customers together accounted for about 96.1% of the Group's total chartering revenue and the largest customer accounted for about 40.8% of the Group's total chartering revenue. The relatively high concentration of revenue attributable to a few customers during the year was due to the relatively small fleet size of the Group. Each of the five largest customers had established 2 to 5 years of business relationship with the Group.

For the year ended 31 March 2019, the Group's five largest suppliers together accounted for about 92.7% of the Group's costs of services, and the largest supplier accounted for about 75.4% of the Group's total costs of services. The Group's key suppliers include insurance underwriters, ship managers, shipbrokers, bunker fuel providers and shipyards. Each of the five largest suppliers had established 2 to 14 years of business relationship with the Group.

None of the Directors or their respective close associates, and, to the best knowledge of the Directors, none of the existing shareholders who owns more than 5% of the number of issued shares of the Company, had any interest in any of the five largest customers or suppliers of the Group during the year.

Directors and controlling shareholders' interests in competing business

For the year ended 31 March 2019 and up to the date of this annual report, none of the Directors and controlling shareholders of the Company (i.e. Mr. Yan, Ms. Lam and Ablaze Rich) (the "Controlling Shareholders") was interested in any business which competes or is likely to compete with the businesses of the Group.

We have received annual written confirmation from the Controlling Shareholders in respect of the compliance with the provisions of the deed of non-competition (the "Deed of Non-competition") entered into between the Company and the Controlling Shareholders as set out in the section headed "Relationship with the Controlling Shareholders — Deed of Non-competition" of the prospectus of the Company dated 27 September 2010.

Our independent non-executive Directors have reviewed the compliance with the Deed of Non-competition during the year ended 31 March 2019 and up to the date of this annual report based on information and confirmation provided by the Controlling Shareholders, and they were satisfied that the Controlling Shareholders have duly complied with the Deed of Non-competition.

DIRECTORS' REPORT

Change in Directors' biographical details

Change in Director's biographical details for the year ended 31 March 2019 and up to the date of this annual report, which are required to be disclosed pursuant to rule 13.51B(1) of the Listing Rules are set out below:

Name of Director	Details of change
Dr. Chan Chung Bun, Bunny	Dr. Chan Chung Bun, Bunny was appointed as an independent non-executive director of Glorious Enterprises Limited, a company listed on the Main Board of the Stock Exchange (stock code: 393) on 8 June 2019.

Save as disclosed above, the Company is not aware of other changes in the Directors' information which are required to be disclosed pursuant to rule 13.51B(1) of the Listing Rules.

Closure of register of members

The register of members of the Company will be closed from Wednesday, 21 August 2019 to Monday, 26 August 2019 (both days inclusive) for the purpose of determining the right to attend and vote at the forthcoming annual general meeting of the Company. In order to be qualified for attending and voting at the forthcoming annual general meeting of the Company, unregistered holders of shares of the Company should ensure that all share transfer documents accompanied by the corresponding share certificates are lodged with the Company's share registrar and transfer office in Hong Kong, Tricor Investor Services Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong, for registration not later than 4:30 p.m. on Tuesday, 20 August 2019.

Corporate governance

The Company's principal corporate governance practices are set out in the Corporate Governance Report and Audit Committee Report of this annual report.

Auditor

The consolidated financial statements of the Group for the year ended 31 March 2019 have been audited by PricewaterhouseCoopers. PricewaterhouseCoopers will retire at the conclusion the forthcoming annual general meeting of the Company and, being eligible offer themselves for re-appointment. A resolution to re-appoint PricewaterhouseCoopers as the auditor of the Company in the following year will be proposed at the forthcoming annual general meeting of the Company.

On behalf of the Board

YAN Kim Po
Chairman

Hong Kong, 28 June 2019

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

1. About the Report

Great Harvest Maeta Group Holdings Limited and its subsidiaries (together, the "Group" or "we") are pleased to present our Environmental, Social and Governance Report (the "ESG Report"). The report concerns environmental and social impacts, policies and initiatives of the Group to demonstrate our long-term commitment to ensure that our activities, at all levels, are economically, socially and environmentally sustainable. Additional information in relation to the Group's corporate governance and financial performance can be referred to our annual report for the year ended 31 March 2019.

The "Environmental, Social and Governance Reporting Guide" (the "ESG Reporting Guide") which is set out in Appendix 27 to the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "Stock Exchange") is the reporting framework of this ESG Report.

The scope of the ESG Report covers the environmental and social performances of the principal operating activities of the Group, which were principally engaged in the chartering out of the Group's own dry bulk vessels, property investment and development, spanning over the period from 1 April 2018 to 31 March 2019 (the "Reporting Period" or "FY2018–2019").

With reference to the ESG Reporting Guide and the Group's business operation, the presentation of our ESG Report divides the relevant aspects and Key Performance Indicators ("KPI"), which are considered to be relevant and material to the Group, into four subject areas: Environmental Protection, Employment and Labour Practices, Operating Practices and Community Investments.

A complete index in compliance with the ESG Reporting Guide is also available at the end of this report for reference. Except for provisions that the Group considers are inapplicable to its operations, for which explanations have been given on the rightmost column in the said index, this report has complied with all the "comply or explain" provisions set out in the ESG Reporting Guide.

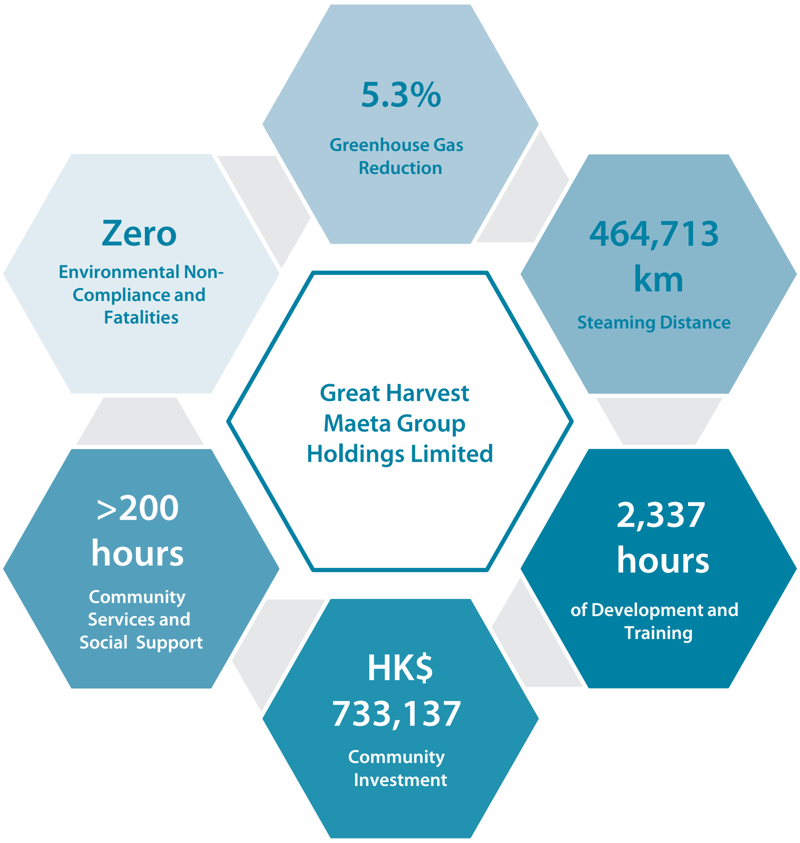
The Group is determined to be a responsible enterprise and is committed to perfecting its business and improving the local community. In order to determine what issues are relevant and material to our business with respect to sustainability, the Group is aware that the key is to understand what issues that our stakeholders concerned most.

We define our stakeholders as people who affect our business or who are affected by our business. In our daily business, we actively exchange information with our stakeholders through our transparent platform while we are devoted to continuous improvement of our communication system. In addition, we are committed to maintaining a long-term partnership with our stakeholders and are actively engaged in addressing their concerns with timely follow-up actions. Throughout this report, we focus on the aspects that are material to stakeholders including clients, communities, employees, institutions, governments, non-governmental organizations, shareholders, subcontractors, suppliers and industry associations. The Group is working to create a sustainable growth for the benefit of all our stakeholders.

We welcome comments and suggestions from our stakeholders. You may provide your comments or views with respect to this ESG Report or our sustainability initiatives via email to info@greatharvestmg.com.

2. Our key achievement in corporate social responsibility

The Group has been spending remarkable efforts on various aspects of the Corporate Social Responsibility (CSR), including greenhouse gas reduction, development and training opportunities for employees, environmental compliance, health and safe work environment for employees.



3. Laws and regulations relating to vessel operation

One of the principal businesses of the Group is provision of chartered vessels for the transportation of dry bulk cargoes as well as operation of international voyages. Our vessels are required to comply with the law of the countries while in the territorial waters of the respective countries. These laws, regulations and rules generally govern the legal requirements, technical standards, Health-Safety-Environmental (HSE) procedures and measures of vessel operation and are outlined below.

3.1. International Convention for the Prevention of Pollution from Ships ("MARPOL")

MARPOL concerns the prevention of marine environment pollution by vessels from operational or accidental causes. It regulates the emission of all forms of pollutants by vessels including oil, sewage, garbage and gas.

3.2. International Convention on Standards of Training, Certification and Watchkeeping for Seafarers ("STCW Convention")

STCW Convention sets out standards for training, certification and watchkeeping for seafarers working on board of the vessels which operates on international voyages. In accordance with this convention, vessels owned by the Group are required to be manned by sufficient officers and crew possessing sufficient sea time. Each of them must be trained and qualified accordingly to perform their respective duties on board.

3.3. Convention on the International Regulations for Preventing Collisions at Sea ("COLREGS")

COLREGS sets out the rules of the road for vessels engaged on voyages on the high sea. It contains rules for steering and sailing, conduct of vessels in limited visibility etc.

3.4. International Convention on Load Lines

It sets out the limit to the draught to which a ship may be loaded, in addition to setting provisions to prevent water from entering a ship through doors, hatches, windows, ventilators etc.

3.5. International Safety Management Code for Safe Operation of Ships and for Pollution Prevention ("ISM Code")

ISM Code was designed to extend greater responsibility to onshore management in respect of safe operation of ships as well as prevention of pollution. The ISM code requires every ship should carry the Safety Management Certificate (SMC), a document issued to a ship which signifies that a company and its shipboard management operate in accordance with the approved safety management system. All vessels owned, operated and managed by the Group have to comply with the ISM Code.

Apart from the abovementioned international conventions, the vessels registered in Hong Kong, are also required to be compliant with the applicable laws, regulations and requirements of Hong Kong, which include Merchant Shipping (Safety) Ordinance (Chapter 369) that is relevant to the ESG Reporting Guide.

The Group has established a set of policies and procedures in place with respect to the shipboard operation for each of the Group's vessels, including (1) safety and environmental protection policy; (2) instructions and procedures to ensure safe operation of ships and protection of environment in compliance with relevant international and flag state legislation; (3) procedures for reporting accidents and non-conformities with the provisions of the ISM Code; and (4) procedures of preparation for and response to emergency.

The Group's safety and environmental policies are implemented through its safety management system in place in compliance with the requirements of the ISM Code. Each of the Group's vessels have been awarded with and have maintained the relevant certificates issued by the American Bureau of Shipping and Lloyd's Register of Shipping pursuant to the ISM Code and MARPOL for compliance with various requirements relating to prevention of air pollution, oil pollution and other kinds of marine pollution.

During the Reporting Period, the Group has not committed to any material breaches of the relevant laws, rules and regulations concerning environmental protection.

4. Environmental protection

4.1. Corporate Environmental Policy and Compliance

The Earth, our precious planet, is the most valuable asset for us. The Group endeavours to protect this planet and to build a sustainable future for our generations and their generations. The Group is committed to upholding high environmental standards to fulfil relevant requirements throughout our operation, and will continue to devote human and financial resources for environmental conservation, reduction of carbon footprint and environmental compliance as required under applicable laws and regulations.

During the Reporting Period, the Group was principally engaged in the chartering out of the Group's own dry bulk vessels and property investment and development. The Group is committed to actively minimizing the impact on our environment and implementing different measures to optimize the workplace, continuing to address the environmental issues in relation to global warming, pollution, and biodiversity of the environment.

With the goal to reduce energy consumption and carbon emissions, the Group has formulated relevant rules and regulations for a sound and effective management of energy consumption, greenhouse gas ("GHG") emission, as well as discharge of domestic waste and sewage and other pollutants. We strictly comply with the environmental protection laws and regulation that are applicable to our business operations. Our Group's legal team have been working closely with our business units to assess the impact of those promulgated environmental protection laws and regulations such as the "Environmental Protection Law of the PRC"《中華人民共和國環境保護法》, "Prevention and Control of Atmospheric Pollution of the PRC"《中華人民共和國大氣污染防治法》, "Prevention and Control of Water Pollution of the PRC"《中華人民共和國水污染防治法》, "Prevention and Control of Environmental Pollution by Solid Waste"《中華人民共和國固體廢物防治法》 and "National Environmental Emergency Response Plan".

The Group considers that a healthy environment is the most valuable asset for the well-being of human beings and every one of our society, through providing the foundation of a sustainable economy. As such, we believe we are accountable for protecting this planet and building a sustainable future for our generations and their generations through better thinking and smarter investment.

During the Reporting Period, the Group complied with relevant laws and regulations relating to air and GHG emissions, discharge into water and land, and generation of hazardous and non-hazardous waste. The Group did not violate any environmental protection laws or regulations of the region where we operate, nor was it subject to significant fines, non-monetary penalties and litigation relating to environmental protection.

4.2. Exhaust Gas and GHG Emissions

The Group is well aware of the impact of global warming on the planet Earth and all human. Our operations, through consumption of various kinds of fossil fuel, inevitably release Nitrogen Oxides (NOx), Sulphur Oxides (SOx), and Carbon Dioxide (CO_2) into the air, which are considered to be one of the major sources of global warming. As such, the Group has been paying close attention to our emissions to ensure that they comply with the industry standards, and that transparent data are communicated effectively throughout the Group to implement applicable changes, including reduction measures.

With respect to the vessels operation, we observe the applicable laws and regulations in relation to shipping in the regions where we operated. All of the vessel engines, including both main and auxiliary installed on self-owned vessels, comply with the applicable emissions limit, in accordance with the revised NOx Technical Code 2008. The vessels' rated power and speed have been recorded to ensure to minimize the emission of nitrogen oxides. In addition, to monitor the emissions of sulphur oxides and particulate matter, the ship consumes low-sulphur fuel oil with a sulphur content lower than 3.50% m/m (before 1 January 2020) or 0.50% m/m when operating outside of an Emission Control Area; and no more than 1% m/m (before 1 January 2015) or 0.10% m/m when operating inside an Emission Control Area, as specified in regulation 14.3 of Annex VI to the MARPOL Convention.

During daily operation, the Group generates GHG emissions directly or indirectly through energy consumption. To properly manage our GHG emissions, the Group actively adopts electricity conservation and energy saving measures as well as other measures, including:

- maintaining indoor temperature at an optimal level for comfort;
- providing on-off and zoning control of lighting and ventilation system in the workplace according to the operation schedule;
- encouraging employees to switch off machines and devices, such as computers and monitors when not in use;
- procuring energy efficient electrical appliances (such as those with Grade 1 energy labels, fridge with door) and systems;
- encouraging employees to make the best use of modern telecommunication system to avoid unnecessary travel arrangement;
- placing "Green Message" reminders on office equipment and workplace to further enhance employees' environmental awareness;
- retrofitting lights to more energy efficient lights, such as LED and T5 fluorescent lamp in our offices;
- continuous replacement of aged air handling unit by more energy efficient ones with variable frequent drive control; and
- to engage staff to adopt the above energy saving practices together.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

In accordance with the ESG Reporting Guide set out by HKEX, our environmental performance of "Emissions" during the Reporting Period is tabulated below.

Table 1 — Emissions

	Unit	FY2018–2019	Intensity
GHG Emissions	CO_2e (kg)	87,934,093	837,468
Nitrogen Oxides	g	2,001,841,600	19,065,158
Sulphur Oxides	g	1,122,528,000	10,690,743
Particulate Matter	g	159,024,800	1,514,522

4.3. Waste Management

Waste Management Policy (Green Operation)

Our principal waste management policy endeavours to achieve a green and paperless operation and a minimal generation of waste during our operation wherever possible and practical. While educating our employees the significance of sustainable development to enhance their skills and knowledge in sustainable development, we constantly encourage all employees to reduce paper usage by duplex printing, paper recycle and frequent use of electronic information systems for material sharing or internal administrative documents.

We maintain 100% recycling of used toner cartridges by collecting and returning all used cartridge to recycling agents. We encourage minimal consumption of paper towels in the workplaces. The Group adheres to the principles of waste management and is committed to a sound and proper management of all waste generated during our operation.

Hazardous Waste

The Group's business, by nature, does not directly produce hazardous waste throughout any part of our activities.

Non-hazardous Waste

During our operation, the non-hazardous wastes generated are mainly domestic waste, among which, recyclable wastes, such as paper, will be recycled for reuse. Our waste management practice is compliant with laws and regulations relating to environmental protection. The Group has also implemented policies to reduce waste generation through environmental education, aiming at waste management from the source.

Wastewater Discharge

With respect to the wastewater management, the Group ensures all domestic sewage is discharged into the urban sewage pipe network for the proper sewage treatment.

	Unit	FY2018–2019
Domestic Waste	kg	23,751

The Group strives to maintain a high standard of requirement of waste reduction, actively encouraging our employees to appreciate the significance of sustainable development through continuous development in skills and knowledge.

4.4. Use of Resources

The Group considers the conservation of natural resources as an indispensable component of our sustainable business. Through actively promoting various environmentally friendly measures, we encourage an efficient use of resources, including energy, paper, water and other raw materials. As such, the Group has initiated policies to raise the awareness of electricity conservation and taken energy saving measures throughout our daily operation as elaborated in the section of Exhaust and GHG Emissions.

Water Consumption

With respect to water conservation, we encourage all employees and customers to develop the habit of conserving water consciously. Pantry and washrooms are posted with environmental messages to remind employee the importance and urgency of water conservation. Apart from education, the utility facilities are maintained regularly for service, to ensure that water seepage or leaking pipelines are replaced or repaired on a timely basis.

Packaging Material

Due to our business nature, the Group does not have manufacturing facilities and does not consume a significant amount of packaging materials.

Environmental Performance

In accordance with the ESG Reporting Guide set out by HKEX, our environmental performance of "Energy and Resources Use" during the Reporting Period are tabulated below.

Table 3 — Energy and Resources Use

	Unit	FY2018–2019	Intensity
Electricity	kWh	13,480[1]	n/a
Purchased Gas	kg	n/a	n/a
Unleaded Petrol	L	n/a	n/a
Fuel Oil	MT	26,192	249
Paper	kg	225	2
Water	m^3	n/a	n/a

1 The information of electricity consumption of the Group's operation in Hong Kong was not available because the office was not charged for the electricity during the Reporting Period. As such, a representative estimation of intensity for electricity was absent.

The Group is committed to instilling the consciousness of resources conservation and environmental protection into the work and life of every employee. We seek business partners who also share with our philosophy and commitment of environment conservation and compliance with the applicable environmental laws and regulations. We believe that these initiatives are capable to reflect our commitment to offering the best quality of services while maintaining the least adverse environmental impact on our planet.

4.5. Prevention Measures and Planned Maintenance System

Shipping businesses drives global trade, nevertheless, the industry inevitably generates negative impacts on the marine environment. The Group is highly aware of on our adverse impact on the environment and natural resources, and thus taking steps to minimise those negative footprints by our operation. In addition to compliance with relevant environmental laws and regulations, the Group has integrated the concept of environmental protection into its internal management and daily operation with an objective of achieving environmental sustainability including prevention measures and Planned Maintenance System (PMS).

4.5.1. Prevention Measures

Our shipping business adversely impacts the marine environment, through the form of, such as, air pollution, greenhouse gas emissions, releases of ballast water containing aquatic invasive species, historical use of antifoulants, oil and chemical spills, dry bulk cargo releases, garbage, underwater noise pollution, ship-strikes on marine megafauna, risk of ship grounding or sinking and widespread sediment contamination of ports during trans-shipment or ship breaking activities.

We require our vessels to meet the requirements of oil pollution prevention certificates which provide assurance to the structure, equipment, systems, fittings, arrangement and materials of the vessels we operate. Our awarded certificates are summarized as below.

Certificate(s)	Vessel
International Oil Pollution Prevention Certificate under the provisions of the International Convention for the Prevention of Pollution from Ships (IOPPC)	GH Power GH Harmony GH Glory GH Fortune

The Group requires all crews to perform regular assessment of pollution prevention measures. Further technical support will be sought if necessary. Operators are professionally trained to handle various emergency situations with due care.

4.5.2. Planned Maintenance System (PMS)

The Group carried out the Planned Maintenance System for all our vessels which allows operators to plan, perform and document vessel maintenance at intervals complying with Class and manufacturer requirements. With such a systematic approach to maintenance in place, the Group believes that we not only ensure safe and reliable vessel operations, including compliance with all applicable regulations, safety and environmental objectives set out in the ISM Code but also effectively provide protection to the Group's assets.

In the future, we will continue our commitment in environmental protection and strive to build a greener and healthier environment to fulfil our responsibilities as a member of the community we all live in.

5. Employment and labour practices

5.1. Recruitment and Promotion

The Group fully understands that our business development is largely driven by the continued quality services delivered by our experienced and competent workforce. As such, it is therefore of paramount importance to proactively manage our talent pipeline and career development for employees. The Group is determined to set itself in a good position to maintain a robust business performance and growth together with our employees.

With an objective to uphold an open, fair, just and reasonable human resource policy, the Group has formulated the recruitment policy with respect to equal opportunities, diversity and anti-discrimination.

We encourage differences and individuality in employees, with the philosophy that diversity can bring new ideas, dynamics and challenges to our operations. We discourage all forms of discrimination on gender, age, family status, sexual orientation, disability, race and religion. Our employment policy encourages hiring of talented people with physical or mental disabilities. We are committed to supporting our employees to maintain a family-friendly work environment because we respect their roles and responsibilities in their families. We strive to make sure employees and business partners comply with laws and regulations, follow ethical business practices and respect equal opportunity in employment. We bring in new recruits and equip them with necessary skill sets to develop a long-term rewarding career with us.

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During the Reporting Period, we continue to strictly observe the applicable laws and regulations and follow our employment policies relating to recruitment and promotion, compensation and dismissal, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare, by providing competitive remuneration package, including internal promotion opportunities and performance-based bonus, so as to recruit and retain experienced employees.

5.2. Employment and Labour

As at 31 March 2019, the Group had 105 full-time employees, of which 90% was based in Hong Kong whereas 10% was based in the PRC. The Group decides the remunerations payable to its staff based on their duties, work experience and the prevailing market practices. Apart from basic remuneration, share options may be granted to eligible employees by reference to the performance of the Group and individual employees.

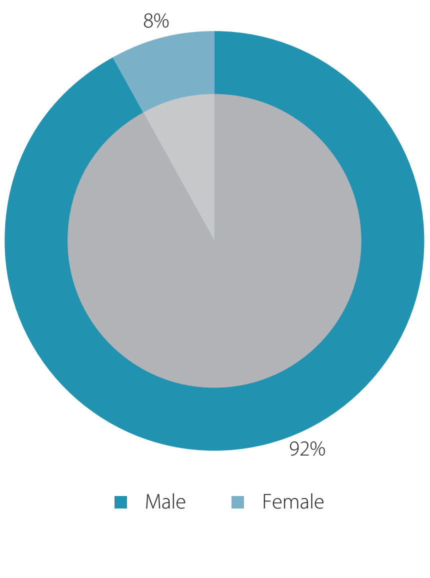
Hong Kong Region

In Hong Kong, the Group complied with the Labour Law of Hong Kong and relevant employment laws and regulations throughout the Reporting Period, including the Mandatory Provident Fund Schemes Ordinance (Chapter 485 of the Laws of Hong Kong) by participating in the Mandatory Provident Fund retirement benefit scheme (the "MPF Scheme") for our eligible employees, Minimum Wage Ordinance (Chapter 608 of the Laws of Hong Kong), Employment Ordinance (Chapter 57 of the Laws of Hong Kong) (the "EO") and Employees' Compensation Ordinance (Chapter 282 of the Laws of Hong Kong) (the "ECO") by offering competitive wages, medical insurance, disability and invalidity coverage, maternity leave and other compensation to our employees.

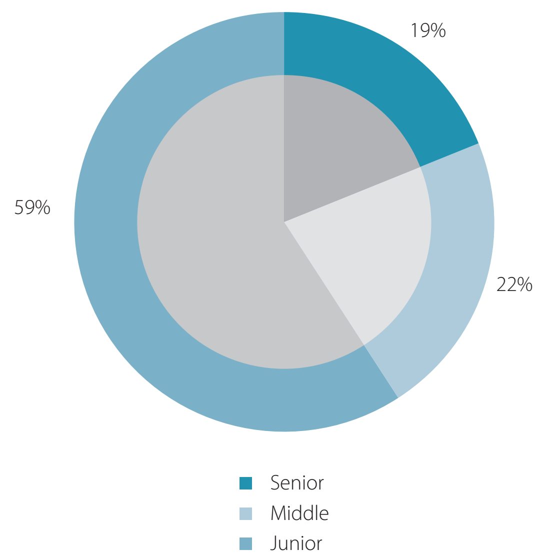
PRC Region

In the PRC, we participated in welfare schemes concerning pension insurance, unemployment insurance, maternity insurance, occupational injury insurance and medical insurance in accordance with the local regulations including the Regulations on the Administration of Housing Provident Funds and the Social Insurance Law of the PRC.

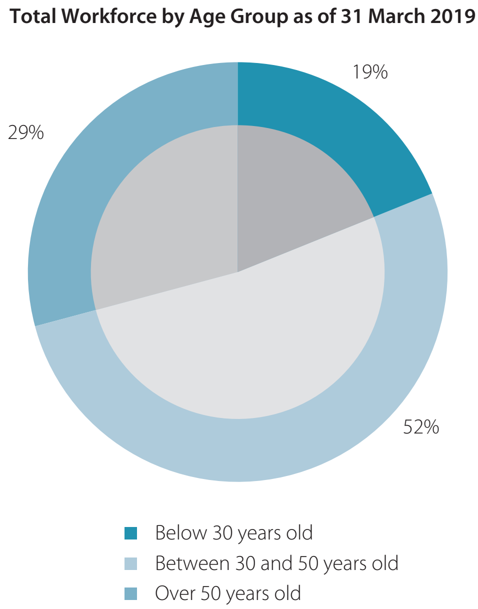
Total Workforce by Gender as of 31 March 2019



Total Workforce by Employment Level as of 31 March 2019



ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT



During the Reporting Period, the Group was not aware of any material non-compliance with laws and regulations in respect of human resources.

5.3. Health and Safety

Employees' health and safety is of paramount importance to our operation of the Group. As such the Group is determined to attaching great importance to a healthy, comfortable and safe working environment for our employees which protect them from potential occupational hazards and health and safety risks, in order to achieve zero tolerance of accidents and injuries. In connection with our Occupational Safety and Health ("OSH") Policy Statement, the Group maintains the risk management system including identification, prevention and management of risks and hazards throughout the workplaces as well as follow-up actions for accidents or personal injuries. We have taken the following measures:

- installing air purifiers in relatively crowded areas such as conference and meeting rooms;
- prohibiting smoking and abuse of alcohol and drugs in the workplace;
- providing clean and tidy rest area such as corridors and pantry;
- providing adjustable chairs and monitors for eye protection;
- setting up posters of proper working postures and lifting method accessible on the intranet and at appropriate locations in offices;

- conducting fire drills and emergency evacuation simulations to raise the employees' awareness of fire prevention and to equip employees with appropriate knowledge and skills in the event of emergency;
- improving the fire evacuation plans by providing first aid kits and fire extinguishers in workplace in response to emergencies;
- assigning competent and skilled staff to handle works with critical hazards or impacts related to OSH;
- promoting the safety culture through various communication channels such as safety campaigns, discussion and sharing sessions;
- require contractors or sub-contractors to assist in the implementation of policies, procedures and practices related to OSH at work;
- organizing induction programs and safety training programs to new employees such that they can be familiar with our corporate policies in relation to health and safety matters as quickly as they can; and
- conducting review on the performance of the OSH measures on a regular basis so that their effectiveness and reliability can be maintained.

During the Reporting Period, the Group complies with the Occupational Safety and Health Ordinance (Chapter 509 of the Laws of Hong Kong), by ensuring that the employees are working in a safe environment in respect of health, hygiene, ventilation, gas safety, building structure and means of escape. During the Reporting Period, the Group did not record any accidents that resulted in death or serious physical injury. No material non-compliance with laws and regulations relevant to health and safety of employees were identified during the Reporting Period. Summary of work-related fatalities and injuries are shown in the table below.

Table 4 — Health and Safety

	FY2018–2019
No. of Work-Related Fatalities	0
Rate of Work-Related Fatalities	0
No. of Injuries at Work	0
Lost Days due to Injury at Work	0

5.4. Development and Training

The Group envisions that empowering its people through development and training is the cornerstone of our success in the long-run. The Group listens and responds to our people. Our training programmes are designed not only to meet our business vision and to provide skillset required for the operation, but also for the benefit of society as a whole wherever possible.

Considering that each of the position is of unique professional and technical needs, the Group ensures that every new joiner receives proper orientation training and mentoring in order to help them adapt to the new working environment affirmatively and quickly. Continuous training is committed by the Group in different ways including internal training programs, comprehensive training for specific skill development, and courses for continuous professional development for relevant employees so as to ensure that they possess the appropriate qualities and skill-sets. Implementation of safety training and comprehensive risk assessments are also one of the most important tasks in the Group.

During the Reporting Period, employees at all levels can satisfy their needs of trainings through multiple training programs, including induction training, technical skills training and pre-post training. These training programs not only facilitate the career prospect of individual employee, but also further enhance the sustainable development of the Group. We organized professional training sessions and seminars for directors and senior management with topics generally including occupational safety, corporate governance, business development and strategy. We also provide the management with a series of courses relating to soft skill development. The goal is to strengthen and refresh their knowledge, leadership and management skills, which is expected to drive the team to grow for the best interest of the Group. Meanwhile, we organized training programs for our shipping staff and seafarers to enhance their technical skillset and awareness in occupational safety and health. During the Reporting Period, the Group provided, in total, 2,136 hours of training for the shipping staff and 201 hours of training for directors and senior management. Each employee of the shipping segment received on average 24 hours of training whereas each employee in Hong Kong received on average 18.3 hours of training during the Reporting Period.

Moreover, the Group is strongly convinced that sense of belonging and morale of the employees are always the key drivers to the Group's healthy and prosperous growth. The Group delivers festive foods, such as mooncakes, to employees during certain traditional festivals (such as Lunar New Year and Mid-Autumn Festival) in recognition of their contributions and dedicated work to the Group. Regular and festival gatherings are organised during the Reporting Period to enhance the harmonious sprit of different levels of staff members throughout the Group.

The Group believes that such a corporate culture and harmonic working environment will naturally achieve a synergistic result to facilitate employee retention and to improve productivity.

5.5. Labour Standards

Being fully aware that exploitation of child and forced labour violates human rights and international labour conventions, the Group strictly prohibits the employment of any child labour and forced labour. New employees are required to provide true and accurate personal data when they are onboard. Recruiters should strictly review the entry documents including medical examination certificates, academic certificates and identity cards. The Group constantly rejects to engage suppliers and contractors, that hire child labour or forced labour in their operations, to provide administrative supplies and services.

The Group strictly complies with the relevant laws and regulations, including the Labour Law, the Protection of Minors and the Prohibition of Using Child Labour of the PRC and the Employment Ordinance of Hong Kong (Chapter 57 of the Laws of Hong Kong). During the Reporting Period, no material non-compliance with the laws and regulations related to the prevention of child labour or forced labour have been found by the Group.

6. Operating practices

The Group is determined to disseminate the pursuit of sustainability into our core business which is regarded as part of the responsibility of an accountable corporate citizen. A series of management systems and procedures has been developed in alignment with the Corporate Governance required by the HKEX. Furthermore, the Group encourages all business partners to incorporate those sustainability practices and policies into their operation thoroughly in order to work together in our pursuit of sustainable development.

6.1. Supply Chain Management

The Group understands that supply chain management has always been one of the key aspects of the Group's operation. Our supply chain management team not only considers economic and commercial benefits during the tendering processes, but also evaluates the suppliers' and contractors' track record relating to legal and regulatory compliance which include safeguarding workers' health and safety, and mitigating environmental impacts.

The Group believes the value in ethics, honesty and integrity, operating in compliance with applicable laws and regulations. We encourage our business partners to adopt the best environmental and social practices and to disseminate the pursuit of sustainability into the core business. We collaborate closely with our suppliers through an improved market management and centralized procurement system. All our processes for procurement, price control, resource management are carefully monitored and documented. In order to guarantee the safety of our services, every single purchase is registered with the authority before being put to use.

In addition to purchasing products and services according to the specified standards, we have developed a vendor and supplier selection mechanism in which we require our potential contractors or suppliers to comply with all the applicable laws and regulations and confirm their compliance with safety, environment, and social aspects. Inspection and assessments may be conducted by the Group if deemed necessary. To maintain a good corporate control and governance, the Group has developed a series of management system as and procedures in alignment with the Corporate Governance required by the HKEX. We are obliged to terminate the cooperation contract with suppliers that may cause or have caused serious pollution or serious social accidents.

We believe that, through the above review process, we can minimize the potential environmental and social risks associated with the supply chain management. During the Reporting Period, the Group had in total 51 suppliers which were located in the region where we operated.

6.2. Product Responsibility

To be a successful business, we maintain continuous communication with our customers to ensure that we understand and fulfil their needs and expectations, so that we can improve the quality of our services in the long run. The Group is committed to the highest standards of service we deliver.

PRC Region

Our operation in the PRC complies with relevant laws and regulations in relation to advertising, labelling and consumer protection, such as "Consumer Protection Law of the People's Republic of China", the "Advertising Law of the People's Republic of China", and "PRC Product Quality Law", by ensuring that there are no false and misleading messages in our advertisements and promotion activities.

Hong Kong Region

In Hong Kong, the Group complies with relevant laws and regulations, for instances, the Trade Description Ordinance (Chapter 362 of the Laws of Hong Kong). The Group also carries out continuous and regular assessment of the product quality and review of opportunities for improvements and changes.

During the Reporting Period, the Group did not identify any material non-compliance of the laws and regulations related to the quality of products and services.

Feedback Management

Regular communication channels and feedback systems are in place to gather information on satisfaction and suggestions for improvement from our diverse portfolio of customers. The Group has set up various complaints and feedback channels, such as telephone hotline, emails and websites, to collect suggestions and advice from customers. There were no complaints received against our services due to health and safety issues during the Reporting Period.

6.3. Privacy Protection

The Group is committed to compliance with the privacy laws and regulations. The Group undertakes to strictly comply with the requirements of the Personal Data (Privacy) Ordinance (Chapter 486 of the Laws of Hong Kong), to ensure that all data are securely kept in our internal system with access control. The Group also set out data privacy requirements in our corporate policies, under which customer and supplier data would be used exclusively for matters relating to the Group's operation only. We strive to ensure all collected data kept is free of unauthorized or accidental access, processing, erasure or other use.

6.4. Anti-Corruption

Insisting on the honesty, integrity and fairness in all aspects of our business, and upholding a high standard of business ethics and prohibition of any forms of bribery and corrupt practices, the Group has developed a series of policies of anti-fraud and anti-bribery as part of the exercise of Corporate Governance.

The Group observed with related laws and regulations that have a significant impact on the Group relating to bribery, extortion, fraud and money laundering, such as the "Prevention of Bribery Ordinance of Hong Kong" (Chapter 201 of the laws of Hong Kong), the Criminal Law of the PRC (《中華人民共和國刑法》), and the Regulations of the PRC for Suppression of Corruption (《中華人民共和國懲治貪污條例》). During the Reporting Period, the Group complied with the relevant laws and regulations relating to bribery, extortion, fraud and money laundering mentioned above, as well as the corporate policy of anti-corruption, and no cases of anti-corruption have been concluded.

In addition to the anti-bribery and anti-corruption policies, the Group also encourages employees and all business-related parties, including customers and suppliers, to proactively report any suspected misconduct issues to the Group. Employees are encouraged to report any concern in relation to accounting controls and audit matters to the Audit Committee which will review each complaint and decide how the investigation should be conducted.

During the Reporting Period, the Group complied with the relevant laws and regulations relating to bribery, extortion, fraud and money laundering that have an impact on the Group, as well as the corporate policy of anti-corruption, and no cases of anti-corruption have been concluded. During the Reporting Period, the Audit Committee identified no complaint from employees.

7. Community investment

The Group actively strives to making a better society through our active involvement in the community, putting the best effort and resources in helping the local communities and people in needs through multiple channels including community services, social support and sponsorship programs.

7.1. Community Services

During the Reporting Period, we carried out a visit to North District Hospital in July 2018 to contribute to an assessment of the hospital's facilities and services offered to the community, as part of our community-care effort.

The Group took part in the event of "Pok Oi Cheering Golf Day 2018" organized by Pok Oi in the Annika Course of Mission Hills in October 2018 during the Reporting Period, serving as a Gold sponsor to the event. Our director delivered a closing remark for such a meaningful event.

The Group's involvement in the "Pok Oi Cheering Golf Day 2018"

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

The Group took part in the event of "Shanghai Commercial — Pok Oi Cycle for Millions 2019" organized by Pok Oi in March 2019 during the Reporting Period. Such event aimed to (1) raise funds for Pok Oi Hospital's development for the largest Nursing and Residential Care Home in Hong Kong, (2) to promote cycling in the community, (3) to advocate green living style and (4) to prevent illness through regular physical exercises.

The Group's involvement in the "Shanghai Commercial — Pok Oi Cycle for Millions 2019"

7.2. Social Support

Given that the Group's principal business is related to the shipping industry, we are determined to be actively involved with the development of Hong Kong Shipowners Association (HKSOA) so as to promote the environmental sustainability among and minimize the environmental impact caused by the shipping and logistics industry. During the Reporting Period, we participated in a delegation visit to Beijing, organized by HKSOA, to exchange the viewpoints in relation to maritime policy, regulatory, environmental and operational issues with the China Maritime Safety Administration and additionally to explore the roles of, and business opportunities for, the Hong Kong shipping industry in the Guangdong-Hong Kong-Macao Greater Bay Area Development. Meanwhile, the Group strives to provide more support to the younger generation of Hong Kong to enable them to actively take part in the growing shipping industry through different forums organized by HKSOA during the Reporting Period.

The Group's involvement in the delegation visit to Beijing organized by Hong Kong Shipowners Association

The Group's involvement in the 60th Anniversary Gala Dinner of Hong Kong Shipowners Association

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Given that the Group's principal business is closely related to the transportation of bulk commodities, we endeavor to participate in the development of Hong Kong Energy, Mining and Commodities Association (HKEMCA) so as to promote the environmental sustainability among and minimize the environmental impact caused by the mineral and energy industry. HKEMCA is actively involved in the development of a number of national strategic projects such as Belt and Road Initiative and Greater Bay Area Development.

The Group's involvement in the Hong Kong Energy, Mining and Commodities Association

"Belt and Road Friendly Basketball Tournament" organized by the Hong Kong Energy, Mining and Commodities Association

In order to further support the development of the Traditional Chinese Medicine in Hong Kong and strengthen the collaboration between the Chinese medicine management authorities in the mainland and Hong Kong, the Group participated in the event of "博愛醫院北京-山東拜訪團2018" in October 2018 during the Reporting Period, which was also beneficial to the ongoing project of the first Traditional Chinese Medicine hospital in the city.

The Group's participation in the event of "博愛醫院北京-山東拜訪團2018"

The Group's participation in the event of "博愛醫院北京-山東拜訪團2018"

7.3. Sponsorship Programs

During the Reporting Period, the Group participated in a number of meaningful charitable events and made a sponsorship totaling HK$733,137.60, including the events of "Pok Oi Cheering Golf Day 2018" and "Shanghai Commercial — Pok Oi Cycle for Millions 2019" and multiple programs organized by the Hong Kong Shipowners Association, anticipating the community will be benefited as a whole.

Going forward, the Group will continue to attach great importance to community services, and will encourage our staff members to be actively engaged in voluntary services and join hands together to disseminate the spirit of services in the community where we all depend on.

8. HKEX ESG Guide content index

Aspects, General Disclosures and KPIs	Description	Relevant sections in the ESG Report	Remarks
Aspect A1: Emissions			
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste	Environmental Protection	
KPI A1.1	Types of emissions and respective emissions data	Environmental Protection	
KPI A1.2	Greenhouse gas emissions in total and, where appropriate, intensity	Environmental Protection	
KPI A1.3	Total hazardous waste produced and, where appropriate, intensity	—	The Group has not identified any hazardous waste was produced in our core business
KPI A1.4	Total non-hazardous waste produced and intensity	Environmental Protection	
KPI A1.5	Description of measures to mitigate emissions and results achieved	Environmental Protection	
KPI A1.6	Description of how hazardous and non-hazardous waste are handled, reduction initiatives and results achieved	Environmental Protection	

Aspects, General Disclosures and KPIs	Description	Relevant sections in the ESG Report	Remarks
Aspect A2: Use of Resources			
General Disclosure	Policies on efficient use of resources including energy, water and other raw materials	Environmental Protection	
KPI A2.1	Direct and/or indirect energy consumption by type in total and intensity	Environmental Protection	
KPI A2.2	Water consumption in total and intensity	Environmental Protection	
KPI A2.3	Description of energy use efficiency initiatives and results achieved	Environmental Protection	
KPI A2.4	Description of whether there is any issue in sourcing water, water efficiency initiatives and results achieved	—	Defined to be irrelevant to the Group's operation
KPI A2.5	Total packaging material used for finished products, and if applicable, with reference to per unit produced	—	Use of packaging material is not applicable to the Group's core operation
Aspect A3: The Environment and Natural Resources			
General Disclosure	Policies on minimizing the issuer's significant impact on the environment and natural resources	Environmental Protection	
KPI A3.1	Description of the significant impacts of activities on the environment and natural resources and actions taken to manage them	Environmental Protection	

Aspects, General Disclosures and KPIs	Description	Relevant sections in the ESG Report	Remarks
Aspect B1: Employment			
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare	Employment and Labour Practices	
KPI B1.1	Total workforce by gender, employment type, age group and geographical region	Employment and Labour Practices	
KPI B1.2	Employee turnover rate by gender, age group and geographical region	—	Such data is not available
Aspect B2: Health and Safety			
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to providing a safe working environment and protecting employees from occupational hazards	Employment and Labour Practices	
KPI B2.1	Number and rate of work-related fatalities	Employment and Labour Practices	
KPI B2.2	Lost days due to work injury	Employment and Labour Practices	
KPI B2.3	Description of occupational health and safety measures adopted, how they are implemented and monitored	Employment and Labour Practices	

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Aspects, General Disclosures and KPIs	Description	Relevant sections in the ESG Report	Remarks
Aspect B3: Development and Training			
General Disclosure	Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities	Employment and Labour Practices	
KPI B3.1	The percentage of employees trained by gender and employee category	—	Such data is not available
KPI B3.2	The average training hours completed per employee by gender and employee category	Employment and Labour Practices	Only average training hours completed per employee is available
Aspect B4: Labour Standards			
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to preventing child and forced labour	Employment and Labour Practices	
KPI B4.1	Description of measures to review employment practices to avoid child and forced labour	Employment and Labour Practices	
KPI B4.2	Description of steps taken to eliminate child and forced labour practices when discovered	—	No such incidents were reported during the Reporting Period.
Aspect B5: Supply Chain Management			
General Disclosure	Policies on managing environmental and social risks of the supply chain	Operating Practices	
KPI B5.1	Number of suppliers by geographical region	Operating Practices	
KPI B5.2	Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, how they are implemented and monitored	Operating Practices	

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Aspects, General Disclosures and KPIs	Description	Relevant sections in the ESG Report	Remarks
Aspect B6: Product Responsibility			
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress	Operating Practices	
KPI B6.1	Percentage of total products sold or shipped subject to recalls for safety and health reasons	—	Not applicable to the Group's core operation
KPI B6.2	Number of products and service related complaints received and how they are dealt with	—	No products and service related complaints received during the Reporting Period.
KPI B6.3	Description of practices relating to observing and protecting intellectual property rights	—	Not applicable to the Group's core operation
KPI B6.4	Description of quality assurance process and recall procedures	Operating Practices	
KPI B6.5	Description of consumer data protection and privacy policies, how they are implemented and monitored	Operating Practices	

Aspects, General Disclosures and KPIs	Description	Relevant sections in the ESG Report	Remarks
Aspect B7: Anti-corruption			
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to bribery, extortion, fraud and money laundering	Operating Practices	
KPI B7.1	Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the reporting period and the outcomes of the cases	Operating Practices	No concluded legal cases regarding corrupt practices during the Reporting Period.
KPI B7.2	Description of preventive measures and whistle-blowing procedures, how they are implemented and monitored	—	The Group is working on this aspect.
Aspect B8: Community Investment			
General Disclosure	Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities takes into consideration communities' interests	Community Investment	
KPI B8.1	Focus areas of contribution	Community Investment	
KPI B8.2	Resources contributed to the focus areas	Community Investment	

INDEPENDENT AUDITOR'S REPORT

羅兵咸永道

To the Shareholders of GREAT HARVEST MAETA GROUP HOLDINGS LIMITED
(incorporated in the Cayman Islands with limited liability)

Opinion

What we have audited

The consolidated financial statements of Great Harvest Maeta Group Holdings Limited (the "Company") and its subsidiaries (the "Group") set out on pages 82 to 154, which comprise:

- the consolidated statement of financial position as at 31 March 2019;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include a summary of significant accounting policies.

Our opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 March 2019, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

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Basis for Opinion

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

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.

Material Uncertainty Related to Going Concern

We draw your attention to Note 2.1.1 to the consolidated financial statements, which states that the Group's current liabilities exceeded its current assets by US$10,043,000 as at 31 March 2019 which included borrowings and loans of US$11,928,000 repayable within one year, while the Group's cash and cash equivalent balance was US$2,597,000. These conditions, as set forth in Note 2.1.1 to the consolidated financial statements, indicate the existence of a material uncertainty which may cast significant doubt over the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In addition to the matter described in the Material Uncertainty Related to Going Concern section, we have determined the matters described below to be the key audit matters to be communicated in our report.

Key audit matters identified in our audit are summarised as follows:

- Impairment of vessels
- Valuation of investment properties

INDEPENDENT AUDITOR'S REPORT

Key Audit Matter	How our audit addressed the Key Audit Matter
Impairment of vessels	
Refer to Notes 4(c) and 13 to the consolidated financial statements.	
As at 31 March 2019, the Group had four dry bulk vessels, with carrying values totalling US$57.9 million and a reversal of impairment losses of US$13.0 million recognised for the year end 31 March 2019. Management regards each individual vessel as a separately identifiable cash-generating unit ("CGU"). In view of the recovery of the global shipping market, management performed a reassessment of the impairment previously made against the vessels. The reversal of impairment losses represents the amount by which the recoverable amounts of the vessels exceeded their carrying amounts based on the reassessment performed by management. The recoverable amounts of the vessels represent their "value-in-use" which are based on future discounted cash flows of each CGU. We focused on this area because significant estimations and judgement were involved in determining the recoverable amount of the vessels, including daily charter hire rates, forecast utilisation, inflation rates and discount rates applied to the future cash flows.	We evaluated management's assessment by assessing the valuation methodology, the future discounted cash flows used in the value-in-use calculations and the process by which they were prepared and assessing the reasonableness of the underlying key assumptions and judgements, including: • The daily charter hire rates were compared with historical actual results and published external industry forecasts; • The forecast utilisation rates were compared with historical actual results and management's business plan; • The inflation rates of operating expenses, administrative and general expenses were compared with economic forecasts; • The discount rate was assessed with our specialist knowledge of discount rates for the industry and with comparable organisations; We found the management's judgements and assumptions used in the impairment assessment to be reasonable based on the available evidence.

Key Audit Matter	How our audit addressed the Key Audit Matter
Valuation of investment properties	
Refer to Notes 4(d) and 14 to the consolidated financial statements.	
Management has estimated the fair value of the Group's investment properties to be US$65.7 million at 31 March 2019, with a fair value gain of US$0.7 million for the year ended 31 March 2019 recorded in the consolidated statement of comprehensive income. The Group's investment properties are carried at fair value based on the valuations performed by independent firm of qualified professional valuer. The valuations have been arrived at using direct comparison approach. The valuations are dependent on certain key assumptions that require significant management adjustment, including location adjustment, size adjustment, land use right adjustments and time adjustment. We focused on this area due to significance to the consolidated financial statements and its significant estimations involved in determining the valuation of the investment properties.	Our procedures in relation to management's valuation of investment properties included: • Evaluation of the independent external valuer's competence, capabilities and objectivity; • Assessing the methodologies used and the appropriateness of the key assumptions based on our knowledge of the property industry and using our in-house valuation experts; and • Checking on a sample basis the accuracy and relevance of the input data used. We found that the assumptions and estimates made by the management in relation to the valuation was supported by the available audit evidence.

Other Information

The directors of the Company are responsible for the other information. The other information comprises all of the information included in the annual report other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

INDEPENDENT AUDITOR'S REPORT

Responsibilities of Directors for the Consolidated Financial Statements

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

The Audit Committee is responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. We report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial statements of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Kong Ling Yin, Raymond.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 28 June 2019

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 March 2019

	Note	2019 US$'000	2018 US$'000
Revenue	5(a)	**16,402**	14,180
Cost of services	7	**(9,699)**	(8,582)
Gross profit		**6,703**	5,598
Other (losses)/gains — net	6	**(649)**	911
Other income		**107**	33
General and administrative expenses	7	**(3,007)**	(3,296)
Reversal of impairment losses on property, plant and equipment	13	**13,000**	—
Operating profit		**16,154**	3,246
Finance income	8	**5**	1
Finance expenses	8	**(5,905)**	(5,622)
Finance costs — net		**(5,900)**	(5,621)
Profit/(loss) before income tax		**10,254**	(2,375)
Income tax expense	10	**(182)**	(368)
Profit/(loss) for the year		**10,072**	(2,743)
Profit/(loss) attributable to			
— Owners of the Company		**10,090**	(2,771)
— Non-controlling interest		**(18)**	28
		10,072	(2,743)
Other comprehensive (loss)/income for the year			
Items that may be reclassified to profit or loss			
Currency translation differences		**(3,149)**	4,209
Total comprehensive income for the year		**6,923**	1,466
Total comprehensive income/(loss) attributable to:			
— Owners of the Company		**7,225**	1,059
— Non-controlling interest		**(302)**	407
		6,923	1,466
Earnings/(loss) per share attributable to owners of the Company			
— Basic earnings/(loss) per share	11(a)	**US 1.07 cents**	(US 0.30 cents)
— Diluted earnings/(loss) per share	11(b)	**US 1.06 cents**	(US 0.30 cents)

The accompanying notes are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2019

	Note	2019 US$'000	2018 US$'000
ASSETS			
Non-current assets			
Property, plant and equipment	13	57,895	47,906
Investment properties	14	65,701	69,528
Pledged bank deposits	17	2,031	2,048
		125,627	119,482
Current assets			
Trade and other receivables	16	1,674	1,980
Pledged bank deposits	17	4,109	4,734
Cash and cash equivalents	17	2,597	1,054
		8,380	7,768
Total assets		134,007	127,250
EQUITY			
Equity attributable to owners of the Company			
Share capital	18	1,221	1,188
Reserves	20	31,892	18,144
		33,113	19,332
Non-controlling interest		3,988	4,290
Total equity		37,101	23,622

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2019

	Note	2019 US$'000	2018 US$'000
LIABILITIES			
Non-current liabilities			
Borrowings and loans	21	**18,893**	20,581
Convertible bonds	23	**43,975**	39,998
Deferred income tax liabilities	22	**15,615**	16,526
		78,483	77,105
Current liabilities			
Other payables and accruals	24	**6,495**	5,856
Borrowings and loans	21	**11,928**	15,944
Convertible bonds	23	**—**	4,723
		18,423	26,523
Total liabilities		**96,906**	103,628
Total equity and liabilities		**134,007**	127,250

The accompanying notes are an integral part of these consolidated financial statements.

The consolidated financial statements on pages 82 to 87 were approved by the Board of Directors on 28 June 2019 and were signed on its behalf.

Yan Kim Po
Director

Lam Kwan
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March 2019

	Attributable to owners of the Company										
	Share capital US$'000	Share premium US$'000	Convertible bonds US$'000	Share option reserve US$'000	Merger reserve (Note 20(a)) US$'000	Other reserves (Note 20(b)) US$'000	Exchange reserve US$'000	Retained profits/ (Accumulated losses) US$'000	Total US$'000	Non-controlling interest US$'000	Total equity US$'000
Balance at 1 April 2017	1,176	45,922	38,954	1,636	(63,808)	13,636	(4,397)	(16,200)	16,919	3,883	20,802
Comprehensive (loss)/income											
(Loss)/profit for the year	—	—	—	—	—	—	—	(2,771)	(2,771)	28	(2,743)
Other comprehensive income											
Currency translation differences	—	—	—	—	—	—	3,830	—	3,830	379	4,209
Total comprehensive (loss)/income	—	—	—	—	—	—	3,830	(2,771)	1,059	407	1,466
Transactions with owners in their capacity as owners											
Employee share option scheme:											
— Exercise of share options	12	1,830	—	(488)	—	—	—	—	1,354	—	1,354
— Lapse of share options	—	—	—	(52)	—	—	—	52	—	—	—
Balance at 31 March 2018	1,188	47,752	38,954	1,096	(63,808)	13,636	(567)	(18,919)	19,332	4,290	23,622

The accompanying notes are an integral part of this consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March 2019

	Attributable to owners of the Company										
	Share capital US$'000	Share premium US$'000	Convertible bonds US$'000	Share option reserve US$'000	Merger reserve (Note 20(a)) US$'000	Other reserves (Note 20(b)) US$'000	Exchange reserve US$'000	Retained profits/ (Accumulated losses) US$'000	Total US$'000	Non-controlling interest US$'000	Total equity US$'000
Balance at 1 April 2018, as previously reported	1,188	47,752	38,954	1,096	(63,808)	13,636	(567)	(18,919)	19,332	4,290	23,622
Comprehensive income/(loss)											
Profit for the year	—	—	—	—	—	—	—	10,090	10,090	(18)	10,072
Other comprehensive loss											
Currency translation differences	—	—	—	—	—	—	(2,865)	—	(2,865)	(284)	(3,149)
Total comprehensive (loss)/income	—	—	—	—	—	—	(2,865)	10,090	7,225	(302)	6,923
Transactions with owners in their capacity as owners											
Employee share option scheme:											
— Exercise of share options	8	1,336	—	(388)	—	—	—	—	956	—	956
Conversion of convertible bond	25	5,575	—	—	—	—	—	—	5,600	—	5,600
Balance at 31 March 2019	1,221	54,663	38,954	708	(63,808)	13,636	(3,432)	(8,829)	33,113	3,988	37,101

The accompanying notes are an integral part of this consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 March 2019

	Note	2019 US$'000	2018 US$'000
Cash flows from operating activities			
Net cash generated from operating activities	25(a)	**8,117**	6,055
Cash flows from investing activities			
Addition of investment properties		**(42)**	(710)
Purchase of property, plant and equipment		**—**	(181)
Interest received		**5**	1
Net cash used in generated from investing activities		**(37)**	(890)
Cash flows from financing activities			
Exercise of share options	19(ii)	**956**	1,354
Proceeds from bank loan		**—**	19,740
Interest paid		**(2,534)**	(1,355)
Inception of loan from ultimate holding company		**—**	5,500
Repayment of loan from ultimate holding company		**—**	(1,000)
Repayments of bank borrowings		**(5,600)**	(24,867)
Decrease/(increase) in pledged bank deposits		**642**	(3,751)
Net cash used in financing activities		**(6,536)**	(4,379)
Net increase in cash and cash equivalents		**1,544**	786
Cash and cash equivalents at beginning of year		**1,054**	266
Exchange (losses)/gain on cash and cash equivalents		**(1)**	2
Cash and cash equivalents at end of year	17	**2,597**	1,054

The accompanying notes are an integral part of these consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1 General information

Great Harvest Maeta Group Holdings Limited (the "Company") and its subsidiaries (together, the "Group") are principally engaged in chartering of dry bulk vessels and property investment and development. The principal activity of the Company is investment holding.

The Company is a limited liability company incorporated in 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 shares of the Company are listed on the Main Board of The Stock Exchange of Hong Kong Limited.

These financial statements are presented in United States dollars ("US$"), unless otherwise stated.

2 Summary of significant accounting policies

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis of preparation

The consolidated financial statements of the Group have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") and the requirements of Hong Kong Companies Ordinance (Cap. 622). The consolidated financial statements have been prepared under the historical cost convention, as modified in relation to the revaluation of investment properties and certain financial liabilities (including derivative financial instruments) at fair value through profit or loss, which are carried at fair value.

The preparation of consolidated financial statements in conformity with HKFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 4 to the consolidated financial statements.

2.1.1 Going concern basis

As at 31 March 2019, the Group's current liabilities exceeded its current assets by US$10,043,000 which included borrowings and loans of US$11,928,000 repayable within one year, while the Group's cash and cash equivalents balance was US$2,597,000.

These conditions indicate the existence of a material uncertainty which may cast significant doubt over the Group's ability to continue as a going concern.

2 Summary of significant accounting policies (continued)

2.1 Basis of preparation (continued)

2.1.1 Going concern basis (continued)

The directors of the Company have reviewed the Group's cash flow projections in which the volatility of the shipping market has been considered, which cover a period of twelve months from 31 March 2019. The directors are of the opinion that, after taking into account the following plans and measures, the Group will have sufficient working capital to meet its financial obligations as and when they fall due within the next twelve months from 31 March 2019:

(i) On 30 September 2018, the ultimate holding company of the Group, together with the Company's two directors, Mr. Yan Kim Po and Ms. Lam Kwan, (collectively, the "Guarantors"), entered into a deed of funding undertakings to provide funding to the Group. The funding notice could be issued at the discretion of the Company to ultimate holding company and the Guarantors and the total amount of funding undertakings shall not exceed US$30,000,000. The deed was renewed on 31 March 2019 to extend the period of funding notice to 31 March 2021. The above deed entered on 30 September 2018 had ceased to be effective on 31 March 2019 was superseded by this renewal deed dated 31 March 2019.

The funding when provided shall be treated as an advance to the Company and be repayable by the Company at a suitable time to be agreed among the Company, the ultimate holding company and the Guarantors, but in any event shall only be repaid after at least twelve months from the funding draw down date.

The undertakings shall cease to have effect after twenty four months from the date of the deed or upon the Company or any member of the Group having obtained additional long-term external bank borrowings or other sources of long-term financing with a principal amount of not less than US$30,000,000, whichever is earlier.

As at 31 March 2019, the Group had obtained a total of US$4,500,000 of loan from the ultimate holding company under the terms of the deed, of which US$1,500,000 will be repayable by January 2020 and the remaining will be repayable by March 2021. The amount of available funding under the deed of funding undertakings was US$25,500,000 as at 31 March 2019.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 Summary of significant accounting policies (continued)

2.1 Basis of preparation (continued)

2.1.1 Going concern basis (continued)

(ii) In respect of bank borrowing of approximately US$7,250,000 which originally matures in February 2019, the directors have successfully negotiated with the bank to extend the maturity of bank borrowing until April 2019. In April, the Group has fully repaid the bank borrowing with its available funds and funds generated from the new non-current borrowings as detailed below.

On 29 March 2019, the Group entered into a loan agreement of US$4,270,000 with a financial institution, an independent third party. The Group drew down the loan from this financial institution on 11 April 2019. The loan bears interest based on London Interbank Offered Rate ("LIBOR") and matures in October 2022. The loan is secured by the property, plant and equipment of US$10,096,000 and a pledged deposit of US$500,000.

(iii) The Group does not have any significant capital or other commitment as at 31 March 2019. In respect of the Group's investment properties development in Hainan, the Group is in the process of applying for the land development approval. The Group does not have any significant commitment for capital expenditure of such developments at this stage and no significant expenditures in relation to such development will be committed by the Group before securing the necessary funding.

(iv) The Group will also continue to seek for other alternative financing and bank borrowings to finance the settlement of its existing financial obligations and future operating and capital expenditures.

The directors are of the opinion that, taking into account the above-mentioned plans and measures, the Group will have sufficient working capital to finance its operations and to meet its financial obligations as and when they fall due within the next twelve months from 31 March 2019. Accordingly, the directors are satisfied that it is appropriate to prepare the consolidated financial statements on a going concern basis.

Notwithstanding the above, significant uncertainty exists as to whether management of the Group is able to achieve its plans and measures as described above. Whether the Group will be able to continue as a going concern would depend upon the following:

(i) Whether the ultimate holding company and the Guarantors will be able to provide further funding for up to US$25,500,000 to the Group as and when needed which will be repayable beyond twelve months from 31 March 2019;

2 Summary of significant accounting policies (continued)

2.1 Basis of preparation (continued)

2.1.1 Going concern basis (continued)

(ii) Whether the Group can successfully apply for the land development approval for the Group's investment properties development in Hainan and successfully raise financing as and when required for the development of the investment properties;

(iii) Whether the Group can generate sufficient operating cash inflow from its shipping operations despite the volatile shipping market; and

(iv) Whether the Group can obtain additional sources of financing or bank borrowings as and when needed.

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

2.1.2 New and amended standards adopted by the Group

The following new and amendments to standards are mandatory for the first time for the financial year beginning 1 April 2018, but do not have significant financial impact to the Group:

Annual Improvements Project HKFRS 1 and HKAS 28	Annual Improvements 2014–2016 Cycle
HKFRS 2 (Amendments)	Classification and Measurement of Share-based Payment Transactions
HKFRS 4 (Amendments)	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts
HKFRS 9	Financial Instruments
HKFRS 15	Revenue from Contracts with Customers
HKFRS 15 (Amendments)	Clarifications to HKFRS 15
HKAS 40 (Amendments)	Transfers of Investment Property
HK(IFRIC)-Int 22	Foreign Currency Transactions and Advance Consideration

The adoption of the above new standards, amendments, improvement and interpretation to existing HKFRSs do not have a material impact on the Group, except for HKFRS 9 "Financial Instruments" and HKFRS 15 "Revenue from Contracts with Customers" as set out in note 2.1.4.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 Summary of significant accounting policies (continued)

2.1 Basis of preparation (continued)

2.1.3 New standards and interpretations not yet adopted

The following new standards and amendments to existing standards that have been issued, but are not effective for the financial year beginning on or after 1 April 2018 and have not been early adopted by the Group.

		Effective for accounting periods beginning on or after
Annual Improvements Project	Annual Improvements 2015–2017 Cycle (amendments)	1 April 2019
HKAS 19	Plan Amendment, Curtailment or Settlement (amendments)	1 April 2019
HKAS 28	Long-term Interests in Associates and Joint Ventures (amendments)	1 April 2019
HKFRS 3	Definition of a business (amendment)	1 April 2020
HKFRS 9	Prepayment Features with Negative Compensation (amendments)	1 April 2019
HKFRS 16	Leases (new standard)	1 April 2019
HKFRS 17	Insurance Contracts (new standard)	1 April 2021
HK(IFRIC)-Int 23	Uncertainty over Income Tax Treatments (new interpretation)	1 April 2019
Conceptual Framework for Financial Reporting 2018	Revised Conceptual Framework for Financial Reporting	1 April 2020
Amendment to HKAS 1 and HKAS 8	Definition of material (amendments)	1 April 2020
HKFRS 10 and HKAS 28	Sales or Contribution of Assets between an Investor and its Associate or Joint Venture (amendments)	To be determined

2 Summary of significant accounting policies (continued)

2.1 Basis of preparation (continued)

2.1.3 New standards and interpretations not yet adopted (continued)

HKFRS 16, Leases

Nature of change

HKFRS 16 was issued in January 2016. It will result in almost all leases being recognised on the balance sheet by lessees, 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 Group has reviewed all of the leasing arrangements over the last year in light of the new lease accounting rules in HKFRS 16. The standard will affect primarily the accounting for the Group's operating leases.

Under HKAS 17, lessees were required to make a distinction between a finance lease (on the consolidated statement of financial position) and an operating lease (off balance sheet). HKFRS 16 requires lessees to recognise a lease liability reflecting future lease payments and a right-of-use asset for virtually all lease contracts. The new standard will impact both the consolidated statement of financial position and related ratios (capital adequacy ratio and leverage ratio), but the impact will not be material. If the Group early adopts HKFRS 16, as at 31 March 2019, the amount of operating leasing commitment amounted to US$434,000 (31 March 2018: US$866,000) (Note 27) would be recognised on the consolidated statement of financial position as asset and liability. As such, the Group's total assets and liabilities would be affected by a similar magnitude and have consequential effects on the Group's capital adequacy ratio and leverage ratio.

Date of adoption by the Group

The Group will apply the standard from its mandatory adoption date of 1 April 2019. The Group intends to apply the simplified transition approach and will not restate comparative amounts for the year prior to first adoption. Right-of-use assets for property leases will be measured on transition as if the new rules had always been applied. All other right-of-use assets will be measured at the amount of the lease liability on adoption (adjusted for any prepaid or accrued lease expenses).

There are no other standards that are not yet effective and that would be expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 Summary of significant accounting policies (continued)

2.1 Basis of preparation (continued)

2.1.4 Changes in accounting policies

HKFRS 9, Financial Instruments

The adoption of HKFRS 9 has resulted in changes in accounting policies (Note 2.9). While the new policies are generally required to be applied retrospectively, the Group has taken transitional provisions in HKFRS 9 not to restate comparative information for prior periods with respect to classification and measurement (including impairment) requirements. Differences in the carrying amounts resulting from the adoption of HKFRS 9 are recognised as adjustments to the opening consolidated statement of financial position on 1 April 2018.

HKFRS 9 largely retains the requirements in HKAS 39 "Financial Instruments: Recognition and Measurement" for the classification and measurement of financial liabilities. The adoption of HKFRS 9 has not had a significant effect on the Group's accounting policies related to financial liabilities and financial assets through profit or loss. However, HKFRS 9 eliminates the HKAS 39 categories for financial assets of held to maturity, loans and receivables and available for sale ("AFS"). From 1 April 2018, the Group and, for the purpose of reporting for the Group's financial statements, are required to classify and measure financial assets in accordance with HKFRS 9 categories: as measured at amortised cost, at fair value either through other comprehensive income ("FVOCI") or through profit or loss ("FVPL").

The Group applies the simplified approach permitted by HKFRS 9 for trade and other receivables, which requires expected lifetime losses to be recognised from initial recognition of the receivables. The results of the revision at 1 April 2018 have not resulted in any material change in impairment provision or any material impact on the carrying amount of the Group's trade and other receivables.

HKFRS 15, Revenue from Contracts with Customers

The Group has adopted HKFRS 15 Revenue from Contracts with Customers from 1 April 2018. In accordance with the transition provisions in HKFRS 15, the comparative information for prior periods is not restated, the Group recognises the cumulative effect of initial applying the guidance as adjustments to the opening balance of accumulated losses on 1 April 2018, and the Group applies the new guidance only to contracts that are not yet completed on that date.

2 Summary of significant accounting policies (continued)

2.1 Basis of preparation (continued)

2.1.4 Changes in accounting policies (continued)

HKFRS 15, Revenue from Contracts with Customers (continued)

Presentation of contract assets and contract liabilities

Reclassifications were made as at 1 April 2018 to be consistent with the terminology used under HKFRS 15:

- Contract liabilities relating to advance from customers with contracts of US$15,000 were included in other payables and accruals.

Revenue for time-charter is one performance obligation per shipment, which is rendered on a period-related basis, i.e. for the duration of transport. Since revenue from time-charter is already recognised and categorized on a period-related basis, the first time application of HKFRS 15 has not had any significant effects in relation to the revenue recognition. A contract liability (included in other payables and accruals) is recognised for the advance from customers with contracts.

2.2 Consolidation

2.2.1 Subsidiaries

Subsidiaries are all entities (including structured entities) over which the group has control. The group controls an entity when the group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the group. They are deconsolidated from the date that control ceases.

The acquisition method of accounting is used to account for business combinations by the Group.

Intercompany transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the group.

Non-controlling interests in the results and equity of subsidiaries are shown separately in the consolidated income statement, statement of comprehensive income, statement of changes in equity and statement of financial position respectively.

2 Summary of significant accounting policies (continued)

2.2 Consolidation (continued)

2.2.1 Subsidiaries (continued)

Changes in ownership interests

The group treats transactions with non-controlling interests that do not result in a loss of control as transactions with equity owners of the group. A change in ownership interest results in an adjustment between the carrying amounts of the controlling and non-controlling interests to reflect their relative interests in the subsidiary. Any difference between the amount of the adjustment to non-controlling interests and any consideration paid or received is recognised in a separate reserve within equity attributable to owners of Company.

When the group ceases to consolidate or equity account for an investment because of a loss of control, joint control or significant influence, any retained interest in the entity is remeasured to its fair value with the change in carrying amount recognised in profit or loss. This fair value becomes the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable HKFRSs.

If the ownership interest in an associate is reduced but joint amounts previously recognised in other comprehensive income are reclassified to profit or loss where appropriate.

2 Summary of significant accounting policies (continued)

2.2 Consolidation (continued)

2.2.2 Acquisition method of accounting for non-common control combinations

Apart from the business combination under common control which has been accounted for using the principle of merger accounting prescribed in AG 5 (Note 2.2.3). The Group applies the acquisition method of accounting to account for non-common control business combinations, regardless of whether equity instruments or other assets are acquired. The consideration transferred for the acquisition of a subsidiary comprises the:

- fair values of the assets transferred
- liabilities incurred to the former owners of the acquired business
- equity interests issued by the Group
- fair value of any asset or liability resulting from a contingent consideration arrangement, and
- fair value of any pre-existing equity interest in the subsidiary.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date. The Group recognises any non-controlling interest in the acquired entity on an acquisition-by-acquisition basis either at fair value or at the non-controlling interest's proportionate share of the acquired entity's net identifiable assets.

Acquisition-related costs are expensed as incurred.

The excess of the consideration transferred, amount of any non-controlling interest in the acquired entity, and acquisition-date fair value of any previous equity interest in the acquired entity over the fair value of the net identifiable assets acquired is recorded as goodwill. If those amounts are less than the fair value of the net identifiable assets of the business acquired, the difference is recognised directly in profit or loss as a bargain purchase.

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange. The discount rate used is the entity's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions. Contingent consideration is classified either as equity or a financial liability. Amounts classified as a financial liability are subsequently remeasured to fair value with changes in fair value recognised in profit or loss.

2 Summary of significant accounting policies (continued)

2.2 Consolidation (continued)

2.2.2 Acquisition method of accounting for non-common control combinations (continued)

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date. Any gains or losses arising from such remeasurement are recognised in profit or loss.

2.2.3 Merger accounting for common control business combinations

The consolidated financial statements incorporate the financial statements of the combining entities or businesses in which the common control combination occurs as if they had been combined from the date when the combining entities or businesses first came under the control of the controlling party, as prescribed. Hong Kong Accounting Guideline 5, "Merger accounting for common control combinations" ("AG5").

The net assets of the combining entities or businesses are combined using the existing book values from the controlling parties' perspective. No amount is recognised in consideration for goodwill or excess of acquirers' interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over cost at the time of common control combination, to the extent of the continuation of the controlling party's interest. The difference between fair value of acquisition consideration and carrying amount of net assets acquired is adjusted to equity within 'merger reserve'.

The consolidated statement of comprehensive income includes the results of each of the combining entities or businesses from the earliest date presented or since the date when the combining entities or businesses first came under the common control, where there is a shorter period, regardless of the date of the common control combination.

The comparative amounts in the consolidated financial statements are presented as if the entities or businesses had been combined at the previous balance sheet date or when they first came under common control, whichever is shorter.

A uniform set of accounting policies is adopted by those entities. All intra-group transactions, balances and unrealised gains on transactions between combining entities or businesses are eliminated on consolidation.

Transaction costs, including professional fees, registration fees, costs of furnishing information to shareholders, costs or losses incurred in combining operations of the previously separate businesses, etc., incurred in relation to the common control combination that is to be accounted for by using merger accounting is recognised as an expense in the period in which it is incurred.

2 Summary of significant accounting policies (continued)

2.3 Separate financial statements

Investments in subsidiaries are accounted for at cost less impairment. Cost includes direct attributable costs of investment. The results of subsidiaries are accounted for by the company on the basis of dividend received and receivable.

Impairment testing of the investments in subsidiaries is required upon receiving a dividend from these investments if the dividend exceeds the total comprehensive income of the subsidiary in the period the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the consolidated financial statements of the investee's net assets including goodwill.

2.4 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker ("CODM"). The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, have been identified as the executive director of the Company that makes strategic decisions.

2.5 Foreign currency translation

(a) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in US$, which is the Company's functional and the Group's presentation currency.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the consolidated statement of comprehensive income.

2 Summary of significant accounting policies (continued)

2.5 Foreign currency translation (continued)

(c) Group companies

The results and financial position of all the group entities (none of which has the currency of a hyper-inflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

(i) assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that statement of financial position;

(ii) income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and

(iii) all resulting exchange differences are recognised in other comprehensive income.

On consolidation, exchange differences arising from the translation of any net investment in foreign entities, and of borrowings and other financial instruments designated as hedges of such investments, are recognised in other comprehensive income. When a foreign operation is sold or any borrowings forming part of the net investment are repaid, the associated exchange differences are reclassified to profit or loss, as part of the gain or loss on sale.

Goodwill and fair value adjustments arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the closing rate.

2 Summary of significant accounting policies (continued)

2.6 Property, plant and equipment

Property, plant and equipment are stated at historical cost less depreciation and impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the consolidated statement of comprehensive income during the financial period in which they are incurred.

Depreciation is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives, as follows:

— Vessels	25 years
— Office equipment	3–5 years
— Leasehold improvement	3 years
— Motor vehicles	4 years

Vessel component costs include the cost of major components which are usually replaced or renewed at dry dockings. This cost is depreciated over the period to the next dry docking. Costs incurred on subsequent dry docking of vessel are capitalised as part of the cost of vessel and depreciated on a straight-line basis over the estimated period until the next dry docking.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 2.8).

Gains and losses on disposals are determined by comparing proceeds with carrying amount and are recognised within "other (losses)/gains — net" in the consolidated statement of comprehensive income.

2 Summary of significant accounting policies (continued)

2.7 Investment properties

Investment property, principally comprising leasehold land, is held for long-term rental yields or for capital appreciation or both, and that are not occupied by the Group. It also includes properties that are being constructed or developed for future use as investment properties. Land held under operating leases are accounted for as investment properties when the rest of the definition of an investment property is met. In such cases, the operating leases concerned are accounted for as if they were finance leases. Investment property is initially measured at cost, including related transaction costs and where applicable borrowing costs. After initial recognition, investment properties are carried at fair value, representing open market value determined at each reporting date by external valuer. Fair value is based on active market prices, adjusted, if necessary, for any difference in the nature, location or condition of the specific asset. If the information is not available, the Group uses alternative valuation methods such as recent prices on less active markets or discounted cash flow projections. Changes in fair values are recorded in the consolidated statement of comprehensive income as part of a valuation gain or loss in 'other (losses)/gains — net'.

2.8 Impairment of non-financial assets

Goodwill and intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. The fair values of vessels are determined either by the market valuation or by independent valuers. The value in use of the vessels represents estimated future cash flows from the continuing use of the vessels. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

2 Summary of significant accounting policies (continued)

2.9 Financial assets

(i) Classification

From 1 April 2018, the Group classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through OCI or through profit or loss), and
- those to be measured at amortised cost.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or other comprehensive income. For investments in equity instruments that are not held for trading, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income (FVOCI).

The Group reclassifies debt investments when and only when its business model for managing those assets changes.

(ii) Recognition and derecognition

Regular way purchases and sales of financial assets are recognised on trade-date, the date on which the Group commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

(iii) Measurement

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss (FVPL), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in profit or loss.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

2 Summary of significant accounting policies (continued)

2.9 Financial assets (continued)

(iii) Measurement (continued)

Debt instruments

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. There are two measurement categories into which the Group classifies its debt instruments:

- Amortised cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in other (losses)/gains — net together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the consolidated statement of comprehensive income.

- FVPL: Assets that do not meet the criteria for amortised cost or FVOCI are measured at FVPL. A gain or loss on a debt investment that is subsequently measured at FVPL is recognised in profit or loss and presented net within other (losses)/gains — net in the period in which it arises.

Changes in the fair value of financial assets at FVPL are recognised in other (losses)/gains — net in the consolidated statement of comprehensive income as applicable.

(iv) Impairment

From 1 April 2018, the Group assesses on a forward looking basis the expected credit losses associated with its debt instruments carried at amortised cost and FVOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For trade receivables, the Group applies the simplified approach permitted by HKFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables, see Note 3.1(b) for further details.

2 Summary of significant accounting policies (continued)

2.9 Financial assets (continued)

(v) Accounting policies applied until 31 March 2018

The Group has applied HKFRS 9 retrospectively, but has elected not to restate comparative information. As a result, the comparative information provided continues to be accounted for in accordance with the Group's previous accounting policy.

Until 31 March 2018 the Group classifies its financial assets in the following categories:

- financial assets at fair value through profit or loss, and
- loans and receivables

The classification determined on the purpose for which the investments were acquired. Management determined the classification of its investments at initial recognition and, in the case of assets classified as held-to-maturity, re-evaluated this designation at the end of each reporting period.

(i) Reclassification

The Group could choose to reclassify a non-derivative trading financial asset out of the held for trading category if the financial asset was no longer held for the purpose of selling it in the near term. Financial assets other than loans and receivables were permitted to be reclassified out of the held for trading category only in rare circumstances arising from a single event that was unusual and highly unlikely to recur in the near term. In addition, the Group could choose to reclassify financial assets that would meet the definition of loans and receivables out of the held for trading or available-for-sale categories if the Group had the intention and ability to hold these financial assets for the foreseeable future or until maturity at the date of reclassification.

Reclassifications were made at fair value as of the reclassification date. Fair value became the new cost or amortised cost as applicable, and no reversals of fair value gains or losses recorded before reclassification date were subsequently made. Effective interest rates for financial assets reclassified to loans and receivables and held-to-maturity categories were determined at the reclassification date. Further increases in estimates of cash flows adjusted effective interest rates prospectively.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 Summary of significant accounting policies (continued)

2.9 Financial assets (continued)

(v) Accounting policies applied until 31 March 2018 (continued)

(ii) Measurement

The measurement at initial recognition did not change an adoption of HKFRS 9, see description above.

Subsequent to the initial recognition, loans and receivables was subsequently carried at amortised cost using the effective interest method.

Financial assets at FVPL were subsequently carried at fair value. Gains or losses arising from changes in the fair value are recognised in other (losses)/gains — net in consolidated statement of comprehensive income.

(iii) Impairment

The Group assessed at the end of each reporting period whether there was objective evidence that a financial asset or group of financial assets was impaired. A financial asset or a group of financial assets was impaired and impairment losses were incurred only if there was objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) had an impact on the estimated future cash flows of the financial asset or group of financial assets that could be reliably estimated. In the case of equity investments classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost was considered an indicator that the assets are impaired.

Assets carried at amortised cost

For loans and receivables, the amount of the loss was measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that had not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset was reduced and the amount of the loss was recognised in profit or loss. If a loan or held-to-maturity investment had a variable interest rate, the discount rate for measuring any impairment loss was the current effective interest rate determined under the contract. As a practical expedient, the Group could measure impairment on the basis of an instrument's fair value using an observable market price.

If, in a subsequent period, the amount of the impairment loss decreased and the decrease could be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss was recognised in profit or loss.

2 Summary of significant accounting policies (continued)

2.10 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the consolidated statement of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the company or the counterparty.

2.11 Derivative financial instruments which do not qualify for hedge accounting

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and subsequently remeasured at their fair values at the end of each reporting period.

Changes in fair value of the derivative instruments which do not qualify for hedge accounting are recognised immediately in consolidated statement of comprehensive income within "other (losses)/gains — net". All derivatives outstanding on the reporting date are classified as financial assets measured at fair value through profit or loss when their fair values are positive and as financial liabilities at fair value through profit or loss when their fair values are negative.

2.12 Trade and other receivables

Trade receivables are amounts due from customers for services performed in the ordinary course of business. If collection of trade receivables and other receivables is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less allowance for impairment.

2.13 Cash and cash equivalents

In the consolidated statement of cash flows, cash and cash equivalents include cash in hand, deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less.

2.14 Share capital

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

2 Summary of significant accounting policies (continued)

2.15 Trade and other payables

Trade payables are obligations to pay for services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade and other payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

2.16 Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the consolidated statement of comprehensive income over the period of the borrowings using the effective interest method.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a pre-payment for liquidity services and amortised over the period of the facility to which it relates.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period.

2.17 Borrowing costs

General and specific borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in consolidated statement of comprehensive income in the period in which they are incurred.

2 Summary of significant accounting policies (continued)

2.18 Convertible bonds

(a) Convertible bonds with equity component

The liability component of a compound financial instrument is recognised initially at the fair value of a similar liability that does not have an equity conversion option. The equity component is recognised initially at the difference between the fair value of the compound financial instrument as a whole and the fair value of the liability component, which is included in shareholders' equity in 'Convertible bonds'. Any directly attributable transaction costs are allocated to the liability and equity components in proportion to their initial carrying amounts.

Subsequent to initial recognition, the liability component of a compound financial instrument is measured at amortised cost using the effective interest method. The equity component of a compound financial instrument is not re-measured subsequent to initial recognition except on conversion or expiry.

The liability component of a convertible instrument is classified as current unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period.

(b) Convertible bonds without equity component

All other convertible bonds which do not exhibit the characteristics mentioned in (a) above are accounted for as hybrid instruments consisting of an embedded derivative and a host debt contract.

At initial recognition, the embedded derivative of the convertible bonds is accounted for as derivative financial instruments and is measured at fair value. Any excess of proceeds over the amount initially recognised as the derivative component is recognised as a liability under the contract. Transaction costs that relate to the issue of the convertible bonds are allocated to the liability under the contract.

The derivative component is subsequently carried at fair value and changes in fair value are recognised in the consolidated income statement. The liability under the contract is subsequently carried at amortised cost, calculated using the effective interest method, until extinguished on conversion, redemption or maturity.

When the bond is converted, the carrying amount of the liability under the contract together with the fair value of the relevant derivative component at the time of conversion are transferred to share capital as consideration for the shares issued. When the bond is redeemed, any difference between the redemption amount and the carrying amounts of both components is recognised in the consolidated statement of comprehensive income.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 Summary of significant accounting policies (continued)

2.19 Current and deferred income tax

The tax expense for the period comprises current and deferred tax. Tax is recognised in the consolidated statement of comprehensive income, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case the tax is also recognised in other comprehensive income or directly in equity, respectively.

(a) Current income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of reporting period in the countries where the Company's subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

(b) Deferred income tax

Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred income tax liabilities are provided on taxable temporary differences arising from investments in subsidiaries, except for deferred income tax liability where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets are recognised on deductible temporary differences arising from investments in subsidiaries only to the extent that it is probable the temporary difference will reverse in the future and there is sufficient taxable profit available against which the temporary difference can be utilised.

2 Summary of significant accounting policies (continued)

2.19 Current and deferred income tax (continued)

(c) Offsetting

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

2.20 Employee benefits

(a) Post-employment benefits — Defined contribution plans

The Group operates the defined contribution pension plans.

A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity. The Group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

The Group operates the mandatory provident fund scheme ("the MPF Scheme") for its Hong Kong staff. The MPF scheme is a defined contribution retirement scheme administered by independent trustees.

The employees of the Group's subsidiary which operate in China is required to participate in a defined contribution basic pension insurance and unemployment insurance in the social insurance system established and administered by local municipal government of the PRC. The subsidiary is required to contribute at a fixed rate of the employees' salary costs.

The Group has no further payment obligations once the contributions have been paid. The contributions are recognised as 'employee benefit expense' when they are due. Prepaid contribution are recognise as an asset to the extent that a cash refund or a reduction in the future payments is available.

(b) Profit-sharing and bonus plans

The Group recognises a liability and an expense for bonuses and profit-sharing, based on a formula that takes into consideration the profit attributable to the Company's shareholders after certain adjustments. The Group recognises a provision where contractually obliged or where there is a past practice that has created a constructive obligation.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 Summary of significant accounting policies (continued)

2.21 Share-based payments

(a) Equity-settled share-based payment transactions

The Group operates a number of equity-settled, share-based compensation plans, under which the entity receives services from employees as consideration for equity instruments (options) of the Group. The fair value of the employee services received in exchange for the grant of the options is recognised as an expense. The total amount to be expensed is determined by reference to the fair value of the options granted:

- including any market performance conditions (for example, an entity's share price);
- excluding the impact of any service and non-market performance vesting conditions (for example, profitability, sales growth targets and remaining an employee of the entity over a specified time period); and
- including the impact of any non-vesting conditions (for example, the requirement for employees to save or holding shares for a specific period of time).

At the end of each reporting period, the Group revises its estimates of the number of options that are expected to vest based on the non-marketing performance and service conditions. It recognises the impact of the revision to original estimates, if any, in the consolidated statement of comprehensive income, with a corresponding adjustment to equity.

In addition, in some circumstances employees may provide services in advance of the grant date and therefore the grant date fair value is estimated for the purposes of recognising the expense during the period between service commencement period and grant date.

When the options are exercised, the Company issues new shares. The proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium.

(b) Share-based payment transactions among group entities

The grant by the Company of options over its equity instruments to the employees of subsidiary undertakings in the Group is treated as a capital contribution. The fair value of employee services received, measured by reference to the grant date fair value, is recognised over the vesting period as an increase to investment in subsidiaries undertakings, with a corresponding credit to equity in the parent entity accounts.

2 Summary of significant accounting policies (continued)

2.22 Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

2.23 Revenue recognition

Revenues are recognised when or as the control of the goods or services is transferred to a customer. Depending on the terms of the contract and the laws that apply to the contract, control of the goods and services may be transferred over time or at a point in time. Control of the goods and services is transferred over time if the Group's performance:

- provides all of the benefits received and consumed simultaneously by the customer;
- creates and enhances an asset that the customer controls as the Group performs; or
- does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

If control of the goods and services transfers over time, revenue is recognised over the period of the contract by reference to the progress towards complete satisfaction of that performance obligation. Otherwise, revenue is recognised at a point in time when the customer obtains control of the goods and services.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 Summary of significant accounting policies (continued)

2.23 Revenue recognition (continued)

The progress towards complete satisfaction of the performance obligation is measured based on one of the following methods that best depict the Group's performance in satisfying the performance obligation:

- direct measurements of the value transferred by the Group to the customer; or

- the Group's efforts or inputs to the satisfaction of the performance obligation relative to the total expected efforts or inputs.

Incremental costs incurred to obtain a contract, if recoverable, are capitalized as contract assets and subsequently amortised when the related revenue is recognised.

Revenue from chartering of vessels

Revenue is recognised over time when the Group transfers control of the services over time, based on the actual service provided to the end of the reporting period as a proportion of the total services to be provided, because the customer receives and uses the benefits simultaneously.

When either party to a contract has performed, the Group presents the contract in the statement of financial position as a contract assets or a contract liability, depending on the relationship between the entity's performance and the customer's payment.

If a customer pays consideration or the Group has a right to an amount of consideration that is unconditional, before the Group transfers a good or service to the customer, the Group presents the contract liability when the payment is made or a receivable is recorded (whichever is earlier). A contract liability is the Group's obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due from the customer).

2.24 Leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight-line basis over the period of the lease.

2.25 Interest income

Interest income is presented as finance income where it is earned from financial assets that are held for cash management purposes.

3 Financial risk management

3.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk and cash flow and fair value interest rate risk), credit risk and liquidity risk. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

(a) Market risk

(i) Foreign exchange risk

Foreign exchange risk is the risk that the value of a financial instrument fluctuates because of the changes in foreign exchange rates.

The operation of the Group's vessel chartering business and property investment and development business are primarily in US$ and Renminbi ("RMB") respectively, with small extent in HK$. Foreign exchange risk arises when recognised financial assets and liabilities are denominated in a currency that is not the entity's functional currency.

The financial assets and liabilities of the subsidiaries of the Group in HK and the PRC are primarily denominated in US$ and RMB, respectively. As US$ is pegged with HK$ under the Linked Exchange Rate System, the Group does not have significant foreign currency transactions and balances. Foreign currency sensitivity analysis is not presented.

(ii) Cash flow and fair value interest rate risk

The Group is exposed to fair value interest rate risk arising from convertible bonds (Note 23). The Group is also exposed to cash flow interest risk arising from floating rate bank borrowings (Note 21), net-off by bank deposits.

The Group's cash flow interest rate risk is mainly concentrated on the fluctuations of London Interbank Offered rate ("LIBOR") arising from the Group's variable-rate bank borrowings.

Except for the loan from ultimate holding company, bearing a fixed interest rate at 4% per annum and bank borrowings bearing floating interest rates, the Group has no significant interest-bearing assets and liabilities. The Group's income and operating cash flows are substantially independent of changes in market interest rates. Management does not anticipate significant impact resulted from the changes in interest rates.

As at 31 March 2019, if interest rates on bank borrowings had been fluctuated by 30 basis points with all other variables held constant, the Group's post-tax loss for the year would have been affected by US$70,000 (2018: US$57,000), mainly as a result of fluctuation on interest expenses on floating rate bank borrowings.

3 Financial risk management (continued)

3.1 Financial risk factors (continued)

(b) Credit risk

Credit risk is managed on a group basis. The Group's credit risk mainly arises from cash and cash equivalents, deposits with banks, trade and other receivables, amounts due from related companies. The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the consolidated statement of financial position. Management has policies in place to monitor the exposures to these credit risks on an on-going basis.

For cash and cash equivalents and deposits with banks and financial institutions, they are all deposited or traded with high quality financial institutions without significant credit risk.

Apart from major customers disclosed in Note 5, management considered there is no significant concentration of credit risk. The Group has put in place policies to ensure that services are provided to customers with an appropriate credit history and the Group performs periodic credit evaluations of its customers.

The Group applies the HKFRS 9 simplified approach to measuring expected credit losses which permits the uses a lifetime expected loss allowance for all trade receivables.

To measure the expected credit losses, trade receivable have been grouped based on shared credit risk characteristics and the days past due.

The Group recognised lifetime expected loss provision for all trade receivables carried at amortised cost based on either individually customers who are long overdue with significant amounts or known insolvencies or non-response to collection activities, or collectively assessing them for likelihood of recovery based on ageing of the balances with similar risk characteristics taking into account the forward looking information.

3 Financial risk management (continued)

3.1 Financial risk factors (continued)

(b) Credit risk (continued)

Management reviews the recoverable amount of each individual trade receivable regularly, if any, to ensure that adequate impairment losses are recognised for irrecoverable amounts. In this regard, the management considers that the Group's credit risk is significantly reduced. The loss allowance provision as at 31 March 2019 and 2018 is illustrated as below:

	Lifetime expected loss rate	Gross carrying amount US$'000	Lifetime expected credit loss US$'000	Net carrying amount US$'000
As at 31 March 2019				
Individual assessment	**100%**	**31**	**(31)**	**—**
Collective assessment				
Current		**—**	**—**	**—**
1 to 30 days past due	**0%**	**344**	**—**	**344**
31 to 60 days past due	**0%**	**394**	**—**	**394**
61 to 365 days past due	**0%**	**33**	**—**	**33**
		771	**—**	**771**
As at 31 March 2018				
Individual assessment	100%	31	(31)	—
Collective assessment				
Current		—	—	—
1 to 30 days past due	0%	1,108	—	1,108
31 to 60 days past due	0%	—	—	—
61 to 365 days past due	0%	21	—	21
Over 365 days past due	0%	3	—	3
		1,132	—	1,132

The credit quality of other receivables, amounts due from related companies have been assessed with reference to historical information about the counterparties default. Management does not believe the credit risk are significant, considering the existing related parties do not have defaults in the past and management does not expect any losses from non-performance by these counterparties.

3 Financial risk management (continued)

3.1 Financial risk factors (continued)

(c) Liquidity risk

The table below analyses the Group's financial liabilities into relevant maturity groupings based on the remaining period at the end of reporting period to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

	Less than 1 year US$'000	Between 1 and 2 years US$'000	Between 2 and 5 years US$'000	Total US$'000
At 31 March 2019				
Borrowings and loans	**11,928**	**8,881**	**10,013**	**30,822**
Interest on borrowings and loans	**673**	**929**	**572**	**2,174**
Convertible bonds and interest payable	**—**	**—**	**54,000**	**54,000**
Other payables and accruals	**6,225**	**—**	**—**	**6,225**
At 31 March 2018				
Borrowings and loans	15,944	7,711	12,870	36,525
Interest on borrowings and loans	1,339	785	1,240	3,364
Convertible bonds and interest payable	3,600	—	54,000	57,600
Other payables and accruals	5,730	—	—	5,730

3.2 Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

The Group actively and regularly reviews and manages its capital structure to ensure optimal capital structure and shareholder returns, taking into consideration future capital requirements of the Group and capital efficiency, prevailing and projected profitability, projected operating cash flows, projected capital expenditure and projected strategic investment opportunities. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, repurchase the Company's shares, return capital to shareholders, issue new shares or sell assets to reduce debt.

The Group monitors capital on the basis of the gearing ratio. This ratio is calculated as total debts divided by total assets. Total debts are calculated as total borrowings and convertible bonds. As at 31 March 2019, the gearing ratio is 55.8% (2018: 63.8%).

3 Financial risk management (continued)

3.3 Fair value estimation

The table below analyses the Group's financial instruments carried at fair value as at 31 March 2019 by level of the inputs to valuation techniques used to measure fair value. Such inputs are categorised into three levels within a fair value hierarchy as follows:

The different levels have been defined as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

The following table presents the Group's financial liabilities that are measured at fair value as at 31 March 2019.

	Level 1	**Level 2**	**Level 3**	**Total**
	US$'000	**US$'000**	**US$'000**	**US$'000**
Liabilities				
Convertible bonds				
— derivative components	—	—	—	—

The following table presents the Group's financial liabilities that are measured at fair value as at 31 March 2018.

	Level 1	Level 2	Level 3	Total
	US$'000	US$'000	US$'000	US$'000
Liabilities				
Convertible bonds				
— derivative components	—	1,221	—	1,221

3 Financial risk management (continued)

3.3 Fair value estimation (continued)

(a) Fair value hierarchy

The Group's policy is to recognise transfers into and transfers out of fair value hierarchy levels as of the date of the event or change in circumstances that caused the transfer. There were no transfers of financial instruments between level 1, level 2 and level 3 fair value hierarchy classification during the year.

Level 1: The fair value of financial instruments traded in active markets (such as publicly traded derivatives, and trading and available-for-sale securities) is based on quoted (unadjusted) market prices at the end of the reporting period. The quoted marked price used for financial assets held by the Group is the current bid price. These instruments are included in level 1.

Level 2: The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

Level 3: If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3. This is the case for unlisted equity securities.

(b) Valuation techniques used to determine fair value

Specified valuation techniques used to value financial instruments include:

- Quoted market price or dealer quotes for similar instruments.
- The fair value of remaining financial instruments are fair valued using a discounted cash flow approach, which discounts the contractual cash flows using discount rates derived from observable market prices of other quoted financial instruments of the counterparties.

3 Financial risk management (continued)

3.3 Fair value estimation (continued)

(c) Valuation process

The Group's finance department reviews the valuations of financial instruments that are stated at fair value and involves independent valuer, Hong Kong Appraisal Advisory Limited, to perform the valuations that are required for financial reporting purposes.

Changes in level 2 fair values are analysed at the end of each reporting period during the half-yearly valuation, results are then reported to the chief financial officer and group senior management and board of directors for discussion in relation to the valuation processes and the reasonableness of the valuation results.

(d) Fair value of financial instruments measured at amortised cost

The fair value of the trade and other receivables, pledged bank deposits, cash and cash equivalents, other payables and accruals as at 31 March 2019 approximate their carrying amounts due to their short term maturities.

The fair value of the bank borrowings as at 31 March 2019 approximate their carrying amounts as they bear interest at floating rates that are market dependent.

4 Critical accounting estimates and judgements

The Group's management makes assumptions, estimates and judgements in the process of applying the Group's accounting policies that affect the assets, liabilities, income and expenses in the consolidated financial statements prepared in accordance with HKFRSs. The assumptions, estimates and judgements are based on historical experience and other factors that are believed to be reasonable under the circumstances. While the management reviews their judgements, estimates and assumptions continuously, the actual results will seldom equal to the estimates.

Estimates and judgements are regularly evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The matters described below are considered to be the most critical in understanding the estimates and judgements that are involved in preparing the Group's consolidated financial statements.

4 Critical accounting estimates and judgements (continued)

(a) Current and deferred income taxes

The Group is subject to income taxes in numerous jurisdictions. Significant judgement is required in determining the worldwide provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain. The Group recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due.

Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences would impact the current and deferred income tax assets and liabilities in the period in which such determination is made.

For the years ended 31 March 2019 and up to the date of this report, the Inland Revenue Department ("IRD") of Hong Kong is in the process of reviewing the tax affairs of a subsidiary of the Group and has issued estimated assessments up to the year of assessments 2011/12.

After taking into account the up-to-date developments of IRD's review, the directors of the Company are of the opinion that the Group's taxation charges as at 31 March 2019 are adequate and fairly presented. If the final outcome of IRD's review is different from the directors' expectation, further provision for tax and any related surcharges may be required. The directors have been closely monitoring the status of IRD's review and will revise their expectations when preparing future financial statements in the future periods if deem necessary and appropriate.

(b) Impairment of financial assets

The loss allowances for financial assets are based on assumptions about risk of default and expected credit loss rates. The Group uses judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the Group's past history, existing market conditions as well as forward looking estimates at the end of each reporting period. Details of the key assumptions and inputs used are disclosed in Note 3.1(b).

(c) Impairment of vessels

The Group tests whether the carrying values of vessels have any indication on reversal of or provision for impairment in accordance with the accounting policy on impairment of investments and non-financial assets (Note 2.8). In assessing the indicators, internal and external sources of information such as reported sale and purchase prices, market demand and general market conditions are considered. In assessing the fair market value and value-in-use, the information above as well as market valuations from leading, independent and internationally recognized shipbroking companies are considered. Each of the Group's dry bulk vessel is a cash generating unit ("CGUs"). The value-in-use of the vessels is an assessment of assumptions and estimates of vessel future earnings and appropriate discount rates to derive the present value of those earnings. The discount rates used are based on the industry sector risk premium relevant to the CGU and the applicable gearing ratio of the CGU.

For the value-in-use assessments, the applicable discount rates are 8%.

4 Critical accounting estimates and judgements (continued)

(d) Fair value of investment properties

The fair value of investment properties is determined by using valuation technique. Details of the judgement and assumptions have been disclosed in Note 14.

5 Segment information

Management has determined the operating segments based on the reports reviewed by the CODM (i.e. executive directors), that are used to make strategic decisions and allocate resources.

The operating segments comprise:

— Chartering of vessels

— Property investment and development

HKFRS 8 “Operating Segments” requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by CODM (i.e. executive directors) in order to allocate resources to segments and to assess their performance.

The performance of the operating segments was assessed based on their segment profit or loss before income tax, which is measured in a manner consistent with that in the consolidated financial statements.

Segment assets are those operating assets that are employed by a segment in its operating activities. Segment assets exclude corporate assets, which are managed on a central basis. Segment assets reported to the directors are measured in a manner consistent with that in the consolidated financial statements. No analysis of segment liabilities is presented as it is not regularly provided to the executive directors.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

5 Segment information (continued)

(a) Segment revenue, results and other information

	Chartering of vessels US$'000	Property investment and development US$'000	Others US$'000	Total US$'000
Year ended 31 March 2019				
Revenue recognised over time	**16,402**	**—**	**—**	**16,402**
Segment profit/(loss)	**15,211**	**(3,997)**	**(960)**	**10,254**
Depreciation	**(2,957)**	**(45)**	**—**	**(3,002)**
Finance expenses	**(1,621)**	**(3,977)**	**(307)**	**(5,905)**
Year ended 31 March 2018				
Revenue recognised over time	14,180	—	—	14,180
Segment profit/(loss)	2,276	(2,943)	(1,708)	(2,375)
Depreciation	(2,558)	(38)	—	(2,596)
Finance expenses	(1,777)	(3,617)	(228)	(5,622)

5 Segment information (continued)

(b) Segment assets

	Chartering of vessels US$'000	Property investment and development US$'000	Others US$'000	Total US$'000
As at 31 March 2019				
Segment assets	**68,005**	**65,924**	**78**	**134,007**
As at 31 March 2018				
Segment assets	57,275	69,826	149	127,250

(c) Geographical information

Due to the nature of the provision of vessel chartering services, which are carried out internationally, the directors consider that it is not meaningful to provide the financial information by geographical segment. For property investment and development business, the investment properties are still under development. Accordingly, geographical segment revenue is not presented.

(d) Information about major customers

Revenue arising from the provision of chartering and other related services for individual customers during the year contributing over 10% of total revenue of the Group is as follows:

	2019 US$'000	2018 US$'000
Customer A	**6,870**	4,407
Customer B	**4,011**	2,623
Customer C	**3,558**	2,176
Customer D	**—***	1,463
	14,439	10,669

* Revenue arising from the provision of chartering and other related services for Customer D during the year contributing less than 10% of total revenue of the Group.

(e) Contract liabilities related to contracts with customers

As at 31 March 2019, contract liabilities included in other payables and accruals amounted to approximately US$232,000 (Note 24).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

6 Other (losses)/gains — net

	2019 US$'000	2018 US$'000
Fair value gains/(losses) on:		
— Investment properties (Note 14)	**730**	1,471
— Convertible bonds — derivative component (Note 23)	**(1,379)**	(609)
Gain on disposal of interest rate swap	**—**	53
Loss on disposal of property, plant and equipment	**—**	(4)
	(649)	911

7 Expenses by nature

	2019 US$'000	2018 US$'000
Depreciation of property, plant and equipment (Note 13)	**3,002**	2,596
Crew expenses (included in cost of services)	**3,118**	3,102
Operating lease rental for land and buildings	**426**	563
Auditor's remuneration — audit services	**180**	177
Provision for trade receivables impairment	**—**	23
Employee benefit expense (including directors' emoluments) (Note 9)	**1,507**	1,475

8 Finance costs — net

	2019 US$'000	2018 US$'000
Finance income		
Interest income	**5**	1
Finance expenses		
Arrangement fee on bank borrowings	**72**	249
Interest expense on borrowings and loans	**1,750**	1,468
Interest expense on convertible bonds (Note 23)	**4,083**	3,847
Interest expense on derivative financial instruments	**—**	58
	5,905	5,622
Finance costs — net	**5,900**	5,621

9 Employee benefit expense

	2019 US$'000	2018 US$'000
Fee, salaries and other benefits	1,453	1,430
Post-employment benefit — defined contribution plans	54	45
	1,507	1,475

Five highest paid individuals

Of the five individuals with the highest remunerations in the Group, three (2018: three) were directors of the Company whose emoluments are reflected in analysis shown in Note 30. The emoluments of the remaining two (2018: two) individuals were as follows:

	2019 US$'000	2018 US$'000
Fee, salaries and other benefits	301	225
Post-employment benefit — defined contribution plans	5	4
	306	229

The emoluments fell within the following bands:

	Number of individuals	
	2019	2018
HK$500,000 to HK$1,000,000 (equivalent to US$64,103 to US$128,205)	1	2
HK$1,000,001 to HK$1,500,000 (equivalent to US$128,206 to US$192,308)	1	—

No emoluments were paid or payable to the directors and above highest paid individuals as an inducement to join the Group during the years ended 31 March 2019 and 2018.

10 Income tax expense

Hong Kong profits tax has been provided at the rate of 16.5% (2018: 16.5%) on the estimated assessable profit for the year. The subsidiary established in the PRC is subject to corporate income tax rate of 25% (2018: 25%). Taxation arising in other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.

In the opinion of the directors, there is no taxation arising in other jurisdictions.

	2019 US$'000	2018 US$'000
Current income tax		
— Hong Kong profits tax	**—**	—
Deferred income tax (Note 22)	**182**	368
Income tax expense	**182**	368

The tax on the Group's profit/(loss) before income tax differs from the theoretical amount that would arise using the tax rate of the home country of the Company as follows:

	2019 US$'000	2018 US$'000
Profit/(loss) before income tax	**10,254**	(2,375)
Calculated at taxation rate of 16.5% (2018: 16.5%)	**1,691**	(392)
Effect of different tax rate in of domestic and overseas entities	**(1)**	58
Income not subject to tax	**(4,851)**	(2,343)
Expenses not deductible for tax purposes	**2,953**	2,641
Tax losses not recognised	**390**	404
Income tax expense	**182**	368

Deferred income tax assets are recognised for tax losses carried forward to the extent that the realisation of the related tax benefit through future taxable profit is probable. The Group did not recognise deferred income tax assets in respect of losses amounting to US$12,452,000 (2018: US$10,524,000). Included in unused tax losses are losses of approximately US$1,658,000 (2018: US$966,000) that will expire in 1 to 5 years, while the remaining tax losses of US$10,794,000 (2018: US$9,558,000) are without expiry date.

11 Earnings/(loss) per share

(a) Basic earnings/(loss) per share

Basic earnings/(loss) per share is calculated by dividing the profit/(loss) attributable to owners of the Company by the weighted average number of ordinary shares in issue during the year.

	2019 US Cents	2018 US Cents
Basic earnings/(loss) per share attributed to the owners of the Company	1.07	(0.30)

(b) Diluted earnings/(loss) per share

	2019 US Cents	2018 US Cents
Diluted earnings/(loss) per share attributed to the owners of the Company	1.06	(0.30)

Diluted earnings/(loss) per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. The Company has share options and convertible bonds which may result in dilutive potential ordinary shares. Its calculation is done to determine the number of shares that could have been acquired at fair value (determined as the average annual market share prices of the Company's shares) based on the monetary value of the subscription rights attached to outstanding share options and convertible bonds. The number of shares calculated is compared with the number of shares that would have been issued assuming the exercise of the share options and convertible bonds.

Diluted loss per share for the years ended 31 March 2018 equal basic loss per share as the exercise of the outstanding share options and convertible bonds would be anti-dilutive.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

11 Earnings/(loss) per share (continued)

(c) Reconciliation of earnings used in calculating earnings per share

	2019 US$'000
Basic earnings per share	
Profit attributable to the owners of the Company used in calculating basic earnings per share	10,090
Diluted earnings per share	
Profit attributable to the owners of the Company used in calculating basic earnings per share	10,090
Add: interest saving on convertible bonds (Note 23)	3,977
Profit attributable to the owners of the Company used in calculating basic earnings per share	14,067

(d) Weighted average number of shares used as the denominator

	2019 Number
Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share (thousands)	941,901
Adjustments for calculation of diluted earnings per share	
Share options (thousands)	8,560
Convertible bonds (thousands)	381,843
Weighted average number of ordinary shares and potential ordinary shares used as the denominator in calculating diluted earnings per share (thousands)	1,332,304

12 Dividends

The directors do not recommend the payment of a final dividend for the year ended 31 March 2019 (2018: Nil).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

13 Property, plant and equipment

	Vessels	Office equipment	Motor vehicles	Leasehold Improvement	Total
	US$'000	US$'000	US$'000	US$'000	US$'000
At 1 April 2017					
Cost	183,838	46	49	—	183,933
Accumulated depreciation	(57,568)	(45)	(46)	—	(57,659)
Accumulated impairment losses	(75,957)	—	—	—	(75,957)
Net book amount	50,313	1	3	—	50,317
Year ended 31 March 2018					
Opening net book amount	50,313	1	3	—	50,317
Additions	—	40	113	28	181
Depreciation charge (Note 7)	(2,558)	(6)	(23)	(9)	(2,596)
Disposals	—	(1)	(3)	—	(4)
Exchange Reserve	—	2	5	1	8
Closing net book amount	47,755	36	95	20	47,906
At 31 March 2018					
Cost	183,838	58	119	29	184,044
Accumulated depreciation	(60,126)	(22)	(24)	(9)	(60,181)
Accumulated impairment losses	(75,957)	—	—	—	(75,957)
Net book amount	47,755	36	95	20	47,906
Year ended 31 March 2019					
Opening net book amount	**47,755**	**36**	**95**	**20**	**47,906**
Reversal of impairment loss	**13,000**	—	—	—	**13,000**
Depreciation charge (Note 7)	**(2,957)**	**(9)**	**(27)**	**(9)**	**(3,002)**
Exchange Reserve	—	**(2)**	**(6)**	**(1)**	**(9)**
Closing net book amount	**57,798**	**25**	**62**	**10**	**57,895**
At 31 March 2019					
Cost	**183,838**	**55**	**111**	**27**	**184,031**
Accumulated depreciation	**(63,083)**	**(30)**	**(49)**	**(17)**	**(63,179)**
Accumulated impairment losses	**(62,957)**	—	—	—	**(62,957)**
Net book amount	**57,798**	**25**	**62**	**10**	**57,895**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

13 Property, plant and equipment (continued)

Depreciation expenses of approximately US$2,957,000 (2018: US$2,558,000) and US$45,000 (2018: US$38,000) have been charged in 'cost of services' and 'general and administrative expenses' respectively.

As at 31 March 2019, the Group's vessels of US$57,798,000 (2018: US$47,755,000) were pledged as security for bank borrowings (Note 21).

Management regards each individual vessel as a separately identifiable cash-generation unit. The Group usually entered charter hire contracts for periods of 3 to 6 months in the spot market.

During the period ended 30 September 2018, as indicated by the rebound of the Baltic Dry Index, the dry bulk market recovered considerably. Since the recoverable amounts of the vessels, based on value-in-use, were higher than their carrying amounts at 30 September 2018, a reversal of impairment loss of US$13,000,000 was recognised in the consolidated statement of comprehensive income for the period ended 30 September 2018. As at 31 March 2019, the recoverable amounts of the vessels approximated their carrying amounts. According, no further adjustment to impairment loss was made in the second half of the year.

14 Investment properties

	2019 **US$'000**	2018 US$'000
At fair value		
Opening net book amount	**69,528**	61,282
Capitalised subsequent expenditure	**42**	710
Fair value gain (Note 6)	**730**	1,471
Exchange difference	**(4,599)**	6,065
Closing net book amount	**65,701**	69,528

The above investment properties are commercial properties under development in the Hainan province, the PRC.

As at 31 March 2019, the Group had no significant unprovided contractual obligations for future repairs and maintenance (2018: Nil).

The Group's investment properties are held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment properties through use. The Group has measured the deferred tax relating to the temporary differences of these investment properties using the tax rates and the tax bases that are consistent with the expected manner of recovery of these investment properties.

The fair value measurement information for these investment properties is in accordance with HKFRS 13 based on significant unobservable inputs (level 3) as at 31 March 2019 and 2018.

There were no transfers among Level 1, Level 2 and Level 3 during the year.

14 Investment properties (continued)

Valuation processes of the Group

The Group's investment properties were valued at 31 March 2019 and 2018 by an independent professionally qualified valuer who holds a recognised relevant professional qualification and has recent experience in the locations and segments of the investment properties valued.

Discussions of valuation processes and results are held between the chief financial officer and the valuer at least once every six months, in line with the Group's interim and annual reporting dates. As at 31 March 2019 and 2018, the fair values of the properties have been determined by Hong Kong Appraisal Advisory Limited.

Valuation techniques

Fair values of investment properties of the Group are generally derived using the direct comparison method. Given the unique nature and lack of recent transaction of certain properties, significant adjustments are usually required to allow for any qualitative differences that may affect the price likely to be achieved by the property under consideration. The significant unobservable include:

Time adjustment:	Based on market trend of similar property between the transaction date of the comparable and the valuation date.
Location adjustment:	Based on the distant to the city centre, the development of the transport network and other community facility service.
Land use right adjustment:	Based on the best use of the property for the highest value in the market.
Size adjustment:	Based on the area of the property.

Unobservable inputs	Range of unobservable input	Relationship of unobservable inputs to fair value
Time adjustment	0% to 10%	The upward of market trend will have positive impact on adjustment and thus increase in fair value.
Location adjustment	−20% to 10%	The better location will have positive impact on adjustment, thus increase in fair value.
Land use right adjustment	−5% to 5%	The better designated use of the property will have positive impact on adjustment, thus increase in fair value.
Size adjustment	−5% to 5%	The increase in area will have positive impact on total adjustment, thus increase fair value. However this may be partially offset by a negative impact on adjustment per unit.

There were no changes in valuation methodologies during the year.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

15 Subsidiaries

The following is a list of principle subsidiaries as at 31 March 2019:

Name	Place of incorporation and kind of legal entity	Principal activities and place of operation	Particulars of issued share capital/registered capital	Interest held by the Company		Interest held by the non-controlling interest
				Directly	Indirectly	
Bryance Group Limited	British Virgin Islands	Provision of marine transportation services	10,000 ordinary shares of US$1 each	100%	—	—
Joy Ocean Shipping Limited	British Virgin Islands	Provision of marine transportation services	10,000 ordinary shares of US$1 each	100%	—	—
Way Ocean Shipping Limited	British Virgin Islands	Provision of marine transportation services	10,000 ordinary shares of US$1 each	100%	—	—
Union Apex Mega Shipping Limited	Hong Kong	Provision of agency services	50,000 ordinary shares of HK$1 each	100%	—	—
United Edge Holdings Limited	British Virgin Islands	Provision of marine transportation services	10,000 ordinary shares of US$1 each	100%	—	—
海南華儲實業有限公司	PRC liability company	Property investment and development in the PRC	Registered capital of Renminbi 4,800,000	—	91%	9%

16 Trade and other receivables

	2019 US$'000	2018 US$'000
Trade receivables	802	1,163
Less: Provision for impairment of trade receivables	(31)	(31)
Trade receivables — net	771	1,132
Prepayments and deposits	756	718
Other receivables	139	122
Other receivables from related companies (Note 28)	8	8
	1,674	1,980

16 Trade and other receivables (continued)

As at 31 March 2019 and 2018, the ageing analysis of the trade receivables based on invoice date were as follows:

	2019 US$'000	2018 US$'000
0–30 days	344	1,108
31–60 days	394	—
61–365 days	33	21
Over 365 days	31	34
	802	1,163

The carrying amounts of trade and other receivables approximate their fair values and are mainly denominated in United States dollar.

Time charter income is prepaid every 15 days in advance of the time charter hire.

The Group applies the HKFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables. As at 31 March 2019, trade receivables of US$31,000 (2018: US$31,000) were impaired. Information about the impairment of trade receivables and the Group's exposure to credit risk can be found in note 3.1(b).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

17 Cash and bank balances

	2019 US$'000	2018 US$'000
Current		
Pledged bank deposits	4,109	4,734
Cash at bank and on hand	2,597	1,054
	6,706	5,788
Non-current		
Pledged bank deposits	2,031	2,048
Cash and bank balances	8,737	7,836
Cash and cash equivalents	2,597	1,054

The cash and cash equivalents of US$2,597,000 (2018: US$1,054,000) is included for the purpose of the consolidated statement of cash flows. The carrying values of the cash and bank balances approximate their fair values.

As at 31 March 2019, the Group's bank deposits of US$6,140,000 (2018: US$6,782,000) were pledged as security for bank borrowings of the Group. Among the pledged bank deposits, US$4,109,000 (2018: US$4,734,000) are of restricted use for daily operation subjected to the approval from banks. In case of default under the loan agreements, the banks have the right to seize the pledged bank deposits.

Cash at banks earns interest either at floating rates based on daily bank deposit rates or fixed rates determined at deposit dates.

Cash and cash equivalents and pledged bank deposits are denominated in the following currencies:

	2019 US$'000	2018 US$'000
United States dollar	8,661	7,648
Hong Kong dollar	72	172
Renminbi	4	16
	8,737	7,836

18 Share capital

	2019 Number of shares (thousands)	2019 Amount HK$'000	2018 Number of shares (thousands)	2018 Amount HK$'000
Authorised:				
Ordinary shares of HK$0.01 each	**4,000,000**	**40,000**	4,000,000	40,000

Ordinary shares, issued and fully paid:

	Number of shares (thousands)	**Share capital** US$'000
At 1 April 2017	917,310	1,176
Exercise of share options (Note 19(ii))	9,060	12
At 31 March 2018	926,370	1,188
At 1 April 2018	**926,370**	**1,188**
Conversion of convertible bond (Note 23)	**19,764**	**25**
Exercise of share options (Note 19(ii))	**6,380**	**8**
At 31 March 2019	**952,514**	**1,221**

19 Share option scheme

The Company's share option scheme (the "Scheme"), was adopted pursuant to a resolution passed on 19 August 2011. Under the Scheme, the Board of Directors of the Company may grant options to eligible participants (the "Participants"). Participants of the Scheme includes: (a) any employee (whether full time or part time, including any executive director but excluding any non-executive director) of the Company, any subsidiary of the Company or any entity in which any member of the Group holds any equity interests ("Invested Entity"); (b) any non-executive directors (including independent non-executive directors) of the Company, any subsidiary of the Company or any Invested Entity; (c) any supplier of goods or services to any member of the Group or any Invested Entity; (d) any customer of any member of the Group or any Invested Entity; (e) any person or entity that provides research, development or other technological support to any member of the Group or any Invested Entity; (f) any shareholder of any member of the Group or any Invested Entity or any holder of any securities issued by any member of the Group or any Invested Entity; (g) any adviser (professional or otherwise) or consultant to any area of business or business development of any member of the Group or any Invested Entity; (h) any other group or classes of participants who have contributed or may contribute by way of joint venture, business alliance or other business arrangement to the development and growth of the Group; and (i) any company wholly-owned by one or more eligible participants as referred to in (a) to (h) above.

19 Share option scheme (continued)

(i) Share options outstanding at the end of the year have the following expiry date and exercise prices:

Date of grant	Exercise price	Expiry date	Number of option (thousands)	
	HK$		**2019**	2018
21 October 2011	1.15	20 October 2021	**6,200**	10,100
30 April 2015	1.20	29 April 2025	**4,950**	7,430
Total share options			**11,150**	17,530

(ii) Movements in the number of share options outstanding and their related weighted average exercise prices are as follows:

	2019		2018	
	Weighted average exercise price in HK$ per share option	**Number of options (thousands)**	Weighted average exercise price in HK$ per share option	Number of options (thousands)
At 1 April	**1.17**	**17,530**	1.17	27,490
Granted	—	—	—	—
Exercised	**1.17**	**(6,380)**	1.17	(9,060)
Lapsed	**1.17**	—	1.17	(900)
At 31 March	**1.17**	**11,150**	1.17	17,530

The outstanding options were vested and exercisable. Options exercised during the year ended 31 March 2019 resulted in 6,380,000 shares (2018: 9,060,000 shares) being issued at a weighted average exercise price of HK$1.17 (2018: HK$1.17) per share with exercise proceeds of US$956,000 (2018: US$1,354,000). The related weighted average share price at time of exercise during the year was HK$2.24 (2018: HK$1.40) per share.

20 Reserves

(a) Merger reserve

The merger reserve of the Group was created as a result of: (a) acquisition of the Top Build Group Ltd under common control in 2017; and (b) the difference between the aggregate nominal value of the share capital of the subsidiaries acquired pursuant to a corporate reorganization, which was completed on 13 September 2010, in preparation for the listing of the Company's shares on The Stock Exchange of Hong Kong Limited, over the nominal value of the share capital of the Company issued in exchange thereof.

(b) Other reserves

Other reserves represent capitalisation of amounts due to directors, who are the ultimate controlling shareholders of the Company.

21 Borrowings and loans

	2019	2018
	US$'000	US$'000
Non-current		
— Bank borrowings (Note i)	**12,869**	15,975
— Loan from ultimate holding company (Note ii)	**6,024**	4,606
	18,893	20,581
Current		
— Bank borrowings (Note i)	**10,356**	12,813
— Loan from ultimate holding Company (Note ii)	**1,572**	3,131
	11,928	15,944

Notes:

(i) The bank borrowings bear interest at floating rates that are market dependent. The carrying amounts of the Group's bank borrowings are denominated in US dollar. The fair value of the bank borrowings approximate their carrying amounts.

(ii) The loan is unsecured in nature and bears interest at 4% per annum. The carrying amount of the Group's loan from ultimate holding company is denominated in US dollar. The fair value approximates its carrying amount.

As at 31 March 2019, the Group's property, plant and equipment of US$57,798,000 (2018: US$47,755,000) was pledged as security for bank borrowings of the Group.

21 Borrowings and loans (continued)

The Group's borrowings were repayable as follows:

	Loans from ultimate holding company		Bank borrowings	
	2019	2018	**2019**	2018
	US$'000	US$'000	**US$'000**	US$'000
Within 1 year	**1,572**	3,131	**10,356**	12,813
Between 1 and 2 years	**6,024**	4,606	**2,856**	3,106
Between 2 and 5 years	**—**	—	**10,013**	12,869
	7,596	7,737	**23,225**	28,788

22 Deferred income tax

The movement in deferred income tax liabilities during the year, without taking into consideration the offsetting of balances within the same tax jurisdiction, is as follows:

	Fair value gains
	US$'000
At 1 April 2017	14,710
Charged to profit or loss	368
Exchange difference	1,448
At 31 March 2018	16,526
Charged to profit or loss	182
Exchange difference	(1,093)
At 31 March 2019	**15,615**

23 Convertible bonds

	2019 US$'000	2018 US$'000
Current		
— Ablaze Rich Convertible Bonds (Note (i))	—	4,723
Non-current		
— Top Build Convertible Bonds (Note (ii))	43,975	39,998

The movements of the liability component and derivative component of the two convertible bonds for the year are set out below:

	Liability component US$'000	Derivative component US$'000	Total US$'000
As at 1 April 2017	39,653	612	40,265
Interest expenses (Note 8)	3,847	—	3,847
Fair value loss (Note 6)	—	609	609
At 31 March 2018	43,500	1,221	44,721
As at 1 April 2018	43,500	1,221	44,721
Interest expenses (Note 8)	4,083	—	4,083
Fair value loss (Note 6)	—	1,379	1,379
Coupons interest paid	(608)	—	(608)
Conversion of convertible bonds	(3,000)	(2,600)	(5,600)
At 31 March 2019	43,975	—	43,975

23 Convertible bonds (continued)

Note:

(i) On 2 September 2013, pursuant to the subscription agreement dated on 5 July 2013, the Group issued the convertible bonds with principal amount of US$3,000,000 to the ultimate holding company ("Ablaze Rich Convertible Bonds") which were due on 1 September 2018. The Ablaze Rich Convertible Bonds bear interest from their date of issue at a rate of 4%, calculated on a 360-day year basis, on the principal amount, and could be converted in full or in part (multiples of US$100,000) at the initial conversion price of HK$1.184 per conversion share (subject to anti-dilutive adjustment) any time within five years from the date of issue. At initial recognition, the Ablaze Rich Convertible Bonds comprised two elements and were accounted for as follows:

- The debt element was treated as a financial liability and measured at amortised cost and interest expense was recognised in the consolidated statement of comprehensive income using the effective interest method.

- The share conversion option element was treated as a derivative liability with subsequent changes in fair value being recognised in the consolidated statement of comprehensive income.

During the year ended 31 March 2019, the Ablaze Rich Convertible Bonds were fully converted into approximately 19,764,000 ordinary shares (Note 18).

(ii) On 10 May 2016, the Group issued a convertible bond with principal amount of US$54,000,000 ("Top Build Convertible Bonds) which will be due on 9 May 2021. The Top Build Convertible Bonds is interest-free and may be converted in full or in part (multiples of US$100,000) at the initial conversion price of HK$1.096 per conversion share (subject to anti-dilutive adjustment) any time within five years from the date of issue to 7 business days prior to maturity date. At initial recognition, the Top Build Convertible Bonds comprised two elements and were accounted for as follows:

- The debt element was treated as a financial liability and measured at amortised cost and interest expense was recognised in the consolidated profit or loss using the effective interest method.

- The share conversion option element was treated as an equity component and was measured at cost.

The fair value of the liability component of Top Build Convertible Bonds approximates to its carrying amount.

24 Other payables and accruals

	2019 US$'000	2018 US$'000
Other payables and accruals	447	285
Receipt in advance from charterers	—	15
Contract liabilities	232	—
Other payables to related companies	5,816	5,556
	6,495	5,856

The carrying amounts of other payables and accruals approximate their fair values.

The carrying amounts of other payables and accruals are denominated in the following currencies:

	2019 US$'000	2018 US$'000
United States dollar	507	148
Hong Kong dollar	—	80
Renminbi	5,988	5,628
	6,495	5,856

25 Notes to consolidated statement of cash flows

(a) Cash generated from operations

	2019 US$'000	2018 US$'000
Profit/(loss) before income tax	**10,254**	(2,375)
Adjustments for:		
— Finance expenses	**5,905**	5,622
— Finance income	**(5)**	(1)
— Depreciation on property, plant and equipment	**3,002**	2,596
— Fair value changes in convertible bonds — derivative component	**1,379**	609
— Fair value change in investment properties	**(730)**	(1,471)
— Gain on disposal of interest rate swap	**—**	(53)
— Loss on disposal of property, plant and equipment	**—**	4
— Reversal of impairment losses on property, plant and equipment	**(13,000)**	—
	6,805	4,931
Changes in working capital:		
— Trade and other receivables	**299**	398
— Other payables and accruals	**1,013**	726
Cash generated from operations	**8,117**	6,055

25 Notes to consolidated statement of cash flows (continued)

(b) Net debt reconciliation

This section sets out an analysis of net debt and the movements in net debt for each of the periods presented.

	2019 US$'000	2018 US$'000
Cash and cash equivalents	**2,597**	1,054
Pledged and restricted bank deposits	**6,140**	6,782
Loan from an ultimate company	**(7,596)**	(7,737)
Bank Borrowings — repayable within one year	**(10,356)**	(12,813)
Bank Borrowings — repayable after one year	**(12,869)**	(15,975)
Convertible bonds	**(43,975)**	(44,721)
Net debt	**(66,059)**	(73,410)
Cash and cash at bank	**8,737**	7,836
Gross debt — fixed interests rates	**(51,571)**	(52,458)
Gross debt — variable interest rates	**(23,225)**	(28,788)
Net debt	**(66,059)**	(73,410)

25 Notes to consolidated statement of cash flows (continued)

(b) Net debt reconciliation (continued)

	Pledged and restricted bank deposits US$'000	Loan from ultimate company US$'000	Convertible bonds US$'000	Derivatives financial instrument US$'000	Bank borrowings US$'000	Net cash used in financing activities US$'000	Cash and cash equivalents US$'000	Total US$'000
Net debt as at 1 April 2017	3,031	(3,023)	(40,265)	(53)	(33,710)	(74,020)	266	(73,754)
Cash flows								
— Increase in cash	—	—	—	—	—	—	790	790
— Interest paid	—	14	—	58	1,283	1,355	—	1,355
— Proceeds from bank loan	—	—	—	—	(19,740)	(19,740)	—	(19,740)
— Inception of loan from ultimate holding company	—	(5,500)	—	—	—	(5,500)	—	(5,500)
— Repayment of bank borrowings	—	—	—	—	24,867	24,867	—	24,867
— Repayment of loan from ultimate holding company	—	1,000	—	—	—	1,000	—	1,000
— Decrease in pledged bank deposit	3,751	—	—	—	—	3,751	—	3,751
Foreign exchange adjustments	—	—	—	—	—	—	(2)	(2)
Other non-cash movement	—	(228)	(4,456)	(5)	(1,488)	(6,177)	—	(6,177)
Net debt as at 31 March 2018 and 1 April 2018	6,782	(7,737)	(44,721)	—	(28,788)	(74,464)	1,054	(73,410)
Cash flows								
— Increase in cash	—	—	—	—	—	—	1,544	1,544
— Interest paid	—	448	608	—	1,478	2,534	—	2,534
— Repayment of bank borrowings	—	—	—	—	5,600	5,600	—	5,600
— Decrease in pledged bank deposit	(642)	—	—	—	—	(642)	—	(642)
Foreign exchange adjustments	—	—	—	—	—	—	(1)	(1)
Other non-cash movement	—	(307)	138	—	(1,515)	(1,684)	—	(1,684)
Net debt as at 31 March 2019	**6,140**	**(7,596)**	**(43,975)**	**—**	**(23,225)**	**(68,656)**	**2,597**	**(66,059)**

26 Contingent liabilities

Save as disclosed elsewhere in the consolidated financial statements, there were no other significant contingent liabilities of the Group as at 31 March 2019.

27 Commitments

(a) Capital commitments

At 31 March 2019, capital expenditure contracted for but not yet incurred is as follows:

	2019 US$'000	2018 US$'000
Investment properties	277	230

(b) Operating lease commitments — as lessee

The future aggregate minimum lease payments under non-cancellable operating leases are as follows:

	2019 US$'000	2020 US$'000
Office premise		
Not later than one year	425	427
Later than 1 year and no later than 5 years	9	439
	434	866

(c) Operating lease commitments — as lessor

At 31 March 2019, the Group has the following future aggregate minimum lease receivables under non-cancellable operating leases in relation to chartering of vessels. There vessels chartering agreements have varying terms ranging from 1 to 3 months:

	2019 US$'000	2018 US$'000
Vessels		
Not later than one year	2,028	1,472

28 Related party transactions

The ultimate holding company of the Company is Ablaze Rich Investments Limited ("Ablaze Rich"), a company incorporated in the British Virgin Islands with limited liability. The ultimate controlling parties of Ablaze Rich are Mr. Yan Kim Po and Ms. Lam Kwan which are also the directors of the Company.

(a) Significant transactions with related parties

The Group had the following significant transactions with its related companies for the year ended 31 March 2019 and 2018.

All of the transactions were carried out in the normal course of the Group's business and on terms as agreed between the transacting parties. They were summarised as follows:

	2019 US$'000	2018 US$'000
Interests on Ablaze Rich Convertible Bonds to ultimate holding company	**107**	230
Interests on loan from ultimate holding company	**307**	228
Rental expenses paid to Toprich (Asia) Limited (Note (i))	**202**	334
Disposal of subsidiaries to directors (Note (ii))	**—**	10

Note:

(i) Toprich (Asia) Limited is ultimately wholly-owned by the ultimate controlling parties.

(ii) On 16 January 2018, the Group has disposed all of its equity interest in Access Key Investments Limited and its subsidiary to Mr. Yan Kim Po and Ms. Lam Kwan.

28 Related party transactions (continued)

(b) Balances with related parties

As at years ended 31 March 2019 and 2018, the Group had the following significant balances with its related companies.

	2019 US$'000	2018 US$'000
Ablaze Rich Convertible Bonds issued to ultimate holding company (Note (i))	—	(3,502)
Loans from ultimate holding company	(7,596)	(7,737)
Other receivables from related companies controlled by ultimate controlling parties	8	8
Others payables to a related company controlled by ultimate controlling parties	(2,339)	(1,833)
Other payables to related companies which are ultimately controlled by Mr. Yin Hai	(3,477)	(3,723)

Note:

(i) The principal amount of Ablaze Rich Convertible Bonds was US$3,000,000. During the year ended 31 March 2019, the Ablaze Rich Convertible Bonds were fully converted into approximately 19,764,000 ordinary shares (Note 18).

(c) Transactions with key management personnel

Key management includes directors (executive and non-executive) and senior management. The compensation paid or payable to key management for employee services is shown below:

	2019 US$'000	2018 US$'000
Salaries and other short-term employee benefits	924	917
Pension costs — defined contribution plans	12	12
	936	929

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

29 Statement of financial position and reserve movement of the Company

	2019 US$'000	2018 US$'000
ASSETS		
Non-current assets		
Investments in subsidiaries (Note (i))	82,244	85,432
Current assets		
Amounts due from subsidiaries (Note (i))	34,730	18,781
Trade and other receivables	70	92
Cash and cash equivalents	6	55
	34,806	18,928
Total assets	117,050	104,360
EQUITY		
Equity attributable to owners of the Company		
Share capital	1,221	1,188
Reserves (Note (ii))	4,591	45,031
Total equity	5,812	46,219
LIABILITIES		
Non-current liabilities		
Loans from ultimate company	6,024	4,606
Convertible bonds	43,975	39,998
	49,999	44,604
Current liabilities		
Loans from ultimate company	1,572	3,131
Convertible bonds	—	4,723
Amounts due to subsidiaries	59,567	5,629
Other payables and accruals	100	54
	61,239	13,537
Total liabilities	111,238	58,141
Total equity and liabilities	117,050	104,360

The statement of financial position was approved by the Board of Directors on 28 June 2019 and was signed on its behalf.

Yan Kim Po	**Lam Kwan**
Director	*Director*

29 Statement of financial position and reserve movement of the Company (continued)

Note:

(i) For the years ended 31 March 2019, US$3,000,000 and US$31,406,000 were recognised for the impairment provision of investment in subsidiaries and the amounts due from subsidiaries.

(ii) Reserves

	Share premium US$'000	Convertible bonds US$'000	Share option reserve US$'000	Other reserve US$'000	Accumulated losses US$'000	Total US$'000
At 1 April 2017	45,922	38,954	1,636	77,443	(113,931)	50,024
Loss for the year	—	—	—	—	(6,335)	(6,335)
Proceeds from shares issued upon exercise of share options	1,830	—	(488)	—	—	1,342
Lapse of share options	—	—	(52)	—	52	—
At 31 March 2018 and 1 April 2018	**47,752**	**38,954**	**1,096**	**77,443**	**(120,214)**	**45,031**
Loss for the year	**—**	**—**	**—**	**—**	**(46,963)**	**(46,963)**
Proceeds from shares issued upon exercise of share options	**1,336**	**—**	**(388)**	**—**	**—**	**948**
Proceeds from shares issued upon conversion of convertible bond	**5,575**	**—**	**—**	**—**	**—**	**5,575**
At 31 March 2019	**54,663**	**38,954**	**708**	**77,443**	**(167,177)**	**4,591**

30 Benefits and interests of directors (disclosure required by section 383 of the Hong Kong Companies Ordinance (Cap. 622), Companies (Disclosure of Information about Benefits of Directors) Regulation (Cap. 622G) and Hong Kong listing rules)

(a) Directors' and chief executive's emoluments

The remuneration of every director and the chief executive for the year ended 31 March 2019 is set out below:

Emoluments paid or receivable in respect of a person's services as a director, whether of the Company or its subsidiary undertaking:

Name	Fees US$'000	Salaries US$'000	Discretionary bonuses US$'000	Housing allowance US$'000	Estimated money value of other benefits US$'000	Employer's contribution to a retirement benefit scheme US$'000	Remunerations paid or receivable in respect of accepting office as director US$'000	Emoluments paid or receivable in respect of director's other services in connection with the management of the affairs of the Company or its subsidiaries undertaking US$'000	Total US$'000
Executive directors:									
Mr. Yan Kim Po	—	250	—	—	—	2	—	—	252
Ms. Lam Kwan (Note i)	—	208	—	—	—	2	—	—	210
Mr. Cao Jiancheng	—	165	—	—	—	2	—	—	167
Independent non-executive directors:									
Mr. Cheung Kwan Hung	19	—	—	—	—	—	—	—	19
Dr. Chan Chung Bun, Bunny	19	—	—	—	—	—	—	—	19
Mr. Wai Kwok Hung	13	—	—	—	—	—	—	—	13
	51	623	—	—	—	6	—	—	680

30 Benefits and interests of directors (disclosure required by section 383 of the Hong Kong Companies Ordinance (Cap. 622), Companies (Disclosure of Information about Benefits of Directors) Regulation (Cap. 622G) and Hong Kong listing rules) (continued)

(a) Directors' and chief executive's emoluments (continued)

The remuneration of every director and the chief executive for the year ended 31 March 2018 is set out below:

Emoluments paid or receivable in respect of a person's services as a director, whether of the Company or its subsidiary undertaking:

Name	Fees US$'000	Salaries US$'000	Discretionary bonuses US$'000	Housing allowance US$'000	Estimated money value of other benefits US$'000	Employer's contribution to a retirement benefit scheme US$'000	Remunerations paid or receivable in respect of accepting office as director US$'000	Emoluments paid or receivable in respect of director's other services in connection with the management of the affairs of the Company or its subsidiaries undertaking US$'000	Total US$'000
Executive directors:									
Mr. Yan Kim Po	—	250	—	—	—	2	—	—	252
Ms. Lam Kwan (Note i)	—	208	—	—	—	2	—	—	210
Mr. Cao Jiancheng	—	165	—	—	—	2	—	—	167
Independent non-executive directors:									
Mr. Cheung Kwan Hung	19	—	—	—	—	—	—	—	19
Dr. Chan Chung Bun, Bunny	19	—	—	—	—	—	—	—	19
Mr. Wai Kwok Hung	13	—	—	—	—	—	—	—	13
	51	623	—	—	—	6	—	—	680

None of the directors waived any emoluments during the years ended 31 March 2019 and 2018.

Note:

(i) Ms. Lam Kwan is also the chief executive officer of the Company.

30 Benefits and interests of directors (disclosure required by section 383 of the Hong Kong Companies Ordinance (Cap. 622), Companies (Disclosure of Information about Benefits of Directors) Regulation (Cap. 622G) and Hong Kong listing rules) (continued)

(b) Directors' retirement benefits and termination benefits

None of the directors received or will receive any retirement benefits or termination benefits in respect of their services to the Company and its subsidiaries for the year (2018: Nil).

(c) Consideration provided to third parties for making available directors' services

During the year, the Company has not paid any consideration to any third parties for making available directors' services to the Company (2018: Nil).

(d) Information about loans, quasi-loans and other dealings in favour of directors, controlled bodies corporate by and connected entities with such directors

There were no loans, quasi-loans and other dealings entered into by the Company or subsidiary undertaking of the Company, where applicable, in favour of the directors, or body corporate controlled by or entities connected with any of the directors at the end of the year or at any time during the year (2018: Nil).

(e) Directors' material interests in transactions, arrangements or contracts

Except for the disclosure in Note 28, no significant transactions, arrangements and contracts in relation to the Group's business to which the Company was a party and in which a director of the Company had a material interest, when directly or indirectly, subsisted at the end of the year or at any time during the year.