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

FINAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 MARCH 2018

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

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

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

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

ANNUAL RESULTS

The Board of Directors (the "Board") of the Company is pleased to announce the consolidated results of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31 March 2018 (the "Financial Year") together with the comparative figures for the year ended 31 March 2017 (the "Previous Financial Year") are as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 March 2018

	Notes	**2018** ***HK$'000***	2017 *HK$'000*
Revenue	*5*	**395,281**	331,804
Cost of sales		**(367,704)**	(304,726)
Gross profit		**27,577**	27,078
Other income and gain or (loss)	*6*	**3,976**	(109,090)
Selling expenses		**(14,821)**	(10,896)
Administrative expenses		**(97,288)**	(70,605)
Loss from operations		**(80,556)**	(163,513)
Gain on disposal of subsidiaries		**628**	–
Finance costs	*8*	**(13,652)**	(10,412)
Loss before tax		**(93,580)**	(173,925)
Income tax credit	*9*	**3,015**	3,596
Loss for the year	*7*	**(90,565)**	(170,329)
Other comprehensive income (expenses)			
Items that may be reclassified to subsequently profit or loss:			
Exchange differences on translating foreign operations		**14,227**	(5,486)
Reclassification adjustment upon impairment of available-for-sale financial assets		**598**	–
Net gain arising on revaluation of available-for-sale financial assets		**–**	859
Other comprehensive income (expenses) for the year, net of tax		**14,825**	(4,627)
Total comprehensive expenses for the year		**(75,740)**	(174,956)

	Note	**2018**	2017
	Note	***HK$'000***	*HK$'000*
Loss for the year attributable to:			
Owners of the Company		**(88,168)**	(166,789)
Non-controlling interests		**(2,397)**	(3,540)
		(90,565)	(170,329)
Total comprehensive expenses for the year attributable to:			
Owners of the Company		**(75,376)**	(169,916)
Non-controlling interests		**(364)**	(5,040)
		(75,740)	(174,956)
Loss per share			
Basic *(HK cents)*	*10*	**(1.47)**	(3.25)
Diluted *(HK cents)*		**(1.47)**	(3.25)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 March 2018

	Notes	2018 HK$'000	2017 HK$'000
Non-current assets			
Property, plant and equipment		**21,524**	21,889
Available-for-sale financial assets	*12*	**–**	3,277
Goodwill	*13*	**–**	21,372
Intangible assets	*14*	**–**	14,519
		21,524	61,057
Current assets			
Inventories		**23,880**	30,448
Trade and other receivables	*15*	**243,548**	143,988
Loan receivables		**–**	–
Amounts due from a director		**2,370**	12,570
Amounts due from related companies		**9,893**	–
Contingent consideration receivables	*16*	**–**	–
Bank balances and cash		**46,695**	45,129
		326,386	232,135
Current liabilities			
Trade and other payables	*17*	**92,520**	105,811
Obligation under finance lease		**–**	1,204
Amounts due to a director		**–**	3,200
Amounts due to a related company		**–**	3,387
Promissory notes payable	*18*	**26,842**	31,775
Borrowings	*19*	**35,400**	–
Tax payables		**5,973**	6,303
		160,735	151,680
Net current assets		**165,651**	80,455
Total assets less current liabilities		**187,175**	141,512

	Notes	**2018**	2017
		HK$'000	*HK$'000*
Non-current liabilities			
Promissory notes payable	*18*	**54,802**	66,214
Borrowings	*19*	**29,743**	–
Deferred tax liabilities		**973**	4,603
		85,518	70,817
NET ASSETS		**101,657**	70,695
Capital and reserves			
Share capital	*20*	**1,228**	1,057
Reserves		**111,465**	80,310
Equity attributable to owners of the Company		**112,693**	81,367
Non-controlling interests		**(11,036)**	(10,672)
TOTAL EQUITY		**101,657**	70,695

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March 2018

	Share capital *HK$'000*	Share premium *HK$'000*	Statutory reserve *HK$'000*	Available-for-sale investment revaluation reserve *HK$'000*	Foreign currency translation reserve *HK$'000*	Share-based capital reserve *HK$'000*	Accumulated losses *HK$'000*	Sub-total *HK$'000*	Non-controlling interests *HK$'000*	Total *HK$'000*
At 1 April 2016	1,005	523,826	3,622	(1,457)	(4,459)	52,050	(352,957)	221,630	(5,632)	215,998
Total comprehensive income (expenses) for the year	–	–	–	859	(3,986)	–	(166,789)	(169,916)	(5,040)	(174,956)
Placement of shares	45	23,823	–	–	–	–	–	23,868	–	23,868
Share issue expenses	–	(901)	–	–	–	–	–	(901)	–	(901)
Exercise of share options	7	10,589	–	–	–	(3,910)	–	6,686	–	6,686
Share options lapsed	–	–	–	–	–	(6,710)	6,710	–	–	–
Transfers	–	–	122	–	–	–	(122)	–	–	–
At 31 March 2017 and 1 April 2017	**1,057**	**557,337**	**3,744**	**(598)**	**(8,445)**	**41,430**	**(513,158)**	**81,367**	**(10,672)**	**70,695**
Total comprehensive income (expenses) for the year	**–**	**–**	**–**	**598**	**12,194**	**–**	**(88,168)**	**(75,376)**	**(364)**	**(75,740)**
Placement of shares	**140**	**70,560**	**–**	**–**	**–**	**–**	**–**	**70,700**	**–**	**70,700**
Recognition of share options	**–**	**–**	**–**	**–**	**–**	**16,044**	**–**	**16,044**	**–**	**16,044**
Exercise of share options	**31**	**29,446**	**–**	**–**	**–**	**(9,519)**	**–**	**19,958**	**–**	**19,958**
Share options lapsed	**–**	**–**	**–**	**–**	**–**	**(2,201)**	**2,201**	**–**	**–**	**–**
Transfers	**–**	**–**	**165**	**–**	**–**	**–**	**(165)**	**–**	**–**	**–**
At 31 March 2018	**1,228**	**657,343**	**3,909**	**–**	**3,749**	**45,754**	**599,290**	**112,693**	**(11,036)**	**101,657**

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2018

1. GENERAL INFORMATION AND BASIS OF PREPARATION

The Company was incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law of the Cayman Islands. The address of its registered office is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands. The address of its principal place of business is Suites 707-9, 7th Floor, Prudential Tower, The Gateway, Tsim Sha Tsui, Kowloon, Hong Kong. The Company's shares are listed on the GEM of the Stock Exchange of the Hong Kong Limited (the "Stock Exchange").

The Company is an investment holding company and the Group are principally engaged in (i) manufacture and sale of power cords and inlet sockets for household electric appliances; power and data cords for mobile phones and medical control devices; (ii) trading of mobile smart phones and glasses; (iii) the liquefied natural gas ("LNG"), compressed natural gas ("CNG") and other related clean energy businesses; (iv) refined oil retail business; and (v) trading of methyl tert-butyl ether ("MTBE").

These financial statements have been prepared under the historical cost convention.

2. BASIS OF PREPARATION FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

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

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

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

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

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

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

Amendments to HKFRSs that are mandatorily effective for the current year

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

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

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

New and revised HKFRSs issued but not yet effective

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

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

1 *Effective for annual periods beginning on or after 1 January 2018*

2 *Effective for annual periods beginning on or after 1 January 2019*

3 *Effective date to be determined*

4 *Effective for annual periods beginning on or after 1 January 2017 or 1 January 2018, as appropriate*

5 *Effective for annual periods beginning on or after 1 January 2021*

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

HKFRS 9 "Financial Instruments"

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

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

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

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

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

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

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

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

HKFRS 15 "Revenue from Contracts with Customers"

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

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

HKFRS 16 "Leases"

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

The accounting for lessors will not significantly change.

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

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

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

4. SEGMENT INFORMATION

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

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

1. Trading of refined oil and chemicals – engaging in trading of refined oil and chemicals.

2. Digital application business – engaging in activities relating to the provision of programming services, web services, mobile marketing solutions and development of mobile phone games.

3. Power and data cords and general trading business – engaging in sales and manufacture of power cords and inlet sockets for household electrical appliances and power and data cords for mobile handsets and medical control devices and raw cables and general trading business.

The Group's reportable segments are strategic business units that offer different products and services. They are managed separately because each business requires different technology and marketing strategies.

The accounting policies of the operating segments are the same as those described in note 4 to the consolidated financial statements.

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

Segment profit or loss does not include the following items:

- Other income and gain or loss
- Corporate expenses
- Gain on disposal of subsidiaries
- Finance costs

Segment assets do not include the following items:

- Available-for-sale financial assets
- Other corporate assets

Segment liabilities do not include the following items:

- Promissory notes
- Borrowings
- Obligation under finance leases
- Other corporate liabilities

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

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

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

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

Geographical information:

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

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

* *Non-current assets excluded AFS financial assets*

Revenue from major customers:

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

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

5. REVENUE

The Group's revenue represented the following:

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

6. OTHER INCOME AND GAIN OR (LOSS)

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

7. LOSS FOR THE YEAR

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

	2018	2017
	HK$'000	*HK$'000*
Auditors' remuneration	**900**	900
Cost of inventories sold	**354,908**	290,116
Operating lease payments		
– Office and staff quarters	**9,475**	4,852
– Vessels	**3,417**	3,651
Amortisation of intangible assets	**14,519**	15,781
Depreciation of property, plant and equipment	**4,072**	4,118
Obsolete inventories written off	**7,713**	6,829
Provision of doubtful debts on trade receivables	**9,154**	10,215
Write off of other receivables	**–**	545
Net foreign exchange losses (gains)	**1,482**	(1,643)
Gain on disposal of property, plant and equipment	**(6)**	(10)
Gain on disposal of subsidiaries	**(628)**	–
Reversal of provision for doubtful debts on trade receivables	**(6,639)**	(2,738)
Reversal of provision for deposit for acquisition of a subsidiary	**(22,900)**	–
Impairment loss on goodwill	**21,372**	59,741
Impairment of available-for-sale financial assets	**3,875**	–
Provision for loan receivables	**–**	9,600
Provision for deposit for acquisition of a subsidiary	**–**	22,900
Provision for contingent consideration receivables	**–**	22,000
Staff costs including directors' emoluments		
Salaries, bonuses and allowances	**26,661**	20,563
Retirement benefits scheme contributions	**832**	456
Share-based payment	**16,044**	–
	27,493	21,019

8. FINANCE COSTS

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

9. INCOME TAX CREDIT

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

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

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

Pursuant to the Enterprise Income Tax rules and regulations of the PRC, the PRC subsidiaries of the Group are subject to Enterprise Income Tax at a rate of 25% (2017: 25%), except for Sun Fair Electric Wire & Cable (Shenzhen) Company Limited ("Sun Fair SZ"), which is entitled to a preferential tax rate of 15% for being a high technology enterprise.

10. LOSS PER SHARE

Basic loss per share

Basic loss per share is calculated by dividing the loss attributable to owners of the Company of approximately HK$88,168,000 (2017: approximately HK$166,789,000) by the weighted average number of ordinary shares of 6,014,552,810 (2017: 5,129,104,438) in issue for the year ended 31 March 2018.

The weighted average number of ordinary shares for the years ended 2017 for the purpose of calculating basic loss per share has been adjusted for the consolidation of shares on the basis that every two issued and unissued shares being converted into one consolidated share which took place on 30 September 2016.

Diluted loss per share

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

11. DIVIDEND

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

12. AVAILABLE-FOR-SALE FINANCIAL ASSETS

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

The fair value of the listed equity investments was based on the quoted market bid prices available on the stock exchange where the securities were listed.

The listed equity investment represented an investment in a company which is listed on a India Stock Market. On 1 January 2018, the investee company was suspended in trading in the India market. The directors of the Company considered it was appropriate to make a full provision for impairment on the investment due to the uncertainty of resumption of trading in an active market and the remote possibility in realisation of these financial assets.

13. GOODWILL

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

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

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

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

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

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

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

14. INTANGIBLE ASSETS

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

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

15. TRADE AND OTHER RECEIVABLES

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

Notes:

(a) Trade receivables

The majority of the Group's sales are on credit terms up to 120 days from the end of the month of invoice. The Group seeks to maintain strict control over its outstanding receivables. Overdue balances are reviewed regularly by the directors. The Group does not hold any collateral or other credit enhancements over its trade receivable balances.

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

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

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

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

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

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

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

(b) Other receivables

	2018	2017
	HK$'000	*HK$'000*
Advances to staff	**923**	290
Deposits paid for inventory procurement *(Note (i))*	**25,000**	–
Deposits paid to other suppliers	**1,181**	–
Prepayments for purchases *(Note (ii))*	**124,673**	32,889
Prepayments for renovation of vessels *(Note (iii))*	**27,493**	–
Other receivables from suppliers *(Note (iv))*	**4,515**	–
Other prepayments and deposits	**8,712**	64,153
Refundable deposits for acquisition of subsidiaries	**–**	24,100
Others	**17,518**	13,587
	210,015	135,019

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

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

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

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

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

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

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

(iv) During the year ended 31 March 2018, the Company entered into an undated graphic design and advertising contract ("Advertising Contract") with two service provider ("Service Providers") and made payments to then which amounted to HK$5,000,000 and HK$2,000,000 each. However, because of the Service Provider had not performed any works for the Company, the Company had later signed an undated refund policy documents ("Refund Policy") with the Service Providers in order to claim refund of the above total payments of HK$7,000,000 with lump-sum interest. As at 31 March 2018, approximately HK$2,485,000 had been refunded to the Group and the balance of HK$4,515,000 remained outstanding.

16. CONTINGENT CONSIDERATION RECEIVABLES

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

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

Pursuant to the terms of the sale and purchase agreement dated 21 November 2013 ("SPA"), Mr. Chung Wai Sum (the "Vendor") irrevocably and unconditionally warranted and guaranteed to Dynamic Miracle Limited, a wholly-owned subsidiary of the Company (the "Dynamic Miracle") that the audited net profits after tax of 3 Dynamics as shown in its audited financial statements for the 12 months from the date of the completion of acquisition, i.e. for the period from 11 December 2013 to 10 December 2014 (the "Relevant Period") shall not be less than HK$42,000,000 (the "Profit Guarantee"). The Profit Guarantee was secured by 140,000,000 consideration shares ("Escrow Shares") of the Company issued to the Vendor. As certified by the previous auditor of 3 Dynamics, 3 Dynamics recorded a net loss after tax in its audited financial statements for the period from 11 December 2013 to 10 December 2014 and there was no profit for the Relevant Period pursuant to the SPA. Under the terms and conditions as stipulated in SPA, the Escrow Shares would be sold in order to pay for the Profit Guarantee. During the year ended 31 March 2016, a portion of the Escrow Shares was sold to pay for the Profit Guarantee. An amount of HK$20,000,000 was received by the Group to partially settle the Profit Guarantee obligation of the Vendor. As at 31 March 2018 and 2017, the balance of HK$22,000,000 was still outstanding for the Profit Guarantee and only 73,870,000 (after adjustment for share subdivision and consolidation) of the Escrow Shares remained as a security for the Profit Guarantee.

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

17. TRADE AND OTHER PAYABLES

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

(a) Trade payables

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

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

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

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

(b) Other payables

	2018	2017
	HK$'000	*HK$'000*
Accruals	**11,836**	7,739
Interest payables	**4,485**	2,090
Other tax payables	**1,302**	129
Salary and welfare payables	**10,400**	6,367
Deposit received and receipts in advance	**11,263**	4,358
Others	**29,527**	26,263
	68,813	46,946

18. PROMISSORY NOTES

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

The promissory notes are unsecured, bearing interest at rates ranging from 4% to 10% per annum and whose maturity dates range from 1 to 7 years from the dates of issue. The effective interest rates of the promissory notes range from 3.5% to 21.114% per annum.

During the year ended 31 March 2018, the Company issued unsecured promissory notes with aggregate principal amounts of HK$5,000,000. The proceeds from the issue are used for general working capital of the Group. There was no issuance of unsecured promissory notes made during the year ended 31 March 2017.

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

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

19. BORROWINGS

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

Notes:

(a) Secured bank loan

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

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

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

(b) Unsecured Interest-bearing bond

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

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

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

20. SHARE CAPITAL

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

Notes:

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

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

(c) On 31 August 2016, prior to the Share Consolidation, the Company issued 48,000,000 new ordinary shares at a subscription price of HK$0.076 per share for a total cash consideration of HK$3,648,000. The premium on the issue of shares amounted to approximately HK$3,570,000, net of share issue expenses.

(d) On 24 Apil 2017, after the Share Consolidation, the Company issued 200,000,000 new ordinary shares at a subscription price of HK$0.101 per share for a total cash consideration of HK$20,200,000. The premium on the issue of shares amounted to approximately HK$19,352,000, net of share issue expenses.

(e) On 24 Apil 2017, the Company issued 700,000,000 new ordinary shares at a subscription price of HK$0.101 per subscription share for a total cash consideration of HK$70,700,000. The premium on the issue of shares amounted to approximately HK$70,560,000.

(f) During the year ended 31 March 2018, the Company issued 158,400,000 new ordinary shares at a subscription price of HK$0.126 per share, for exercising the share options for a total cash consideration of approximately HK$19,958,000.

21. DISPOSAL OF SUBSIDIARIES

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

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

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

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

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

22. EVENTS AFTER THE REPORTING PERIOD

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

EXTRACT OF THE INDEPENDENT AUDITOR'S REPORT

BASIS FOR DISCLAIMER OF OPINION

1. Prepayments to suppliers in connection with purchases of inventories

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

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

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

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

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

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

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

Because of the above limitations of scope, we were unable to obtain sufficient appropriate audit evidence or satisfactory management explanation to ascertain the background of Company A, Company B and Company C as well as nature of abovementioned prepayments made by these subsidiaries during the year ended 31 March 2018 and the related prepayments balances as at 31 March 2018, and whether the effects of these transactions, including the related cash flows, have been properly accounted for and disclosed in the consolidated financial statements as at 31 March 2018 and for the year then ended. Consequently, we were not able to determine whether any adjustment to these amounts and disclosures was necessary.

2. Deposits for renovation of vessels and transportation services

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

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

3. Deposit paid for procurement of inventory

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

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

4. Other receivables in relation to termination of advertising services

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

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

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

5. Insufficient information relating to a subsidiary

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

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

FINANCIAL REVIEW

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

BUSINESS REVIEW

During the Financial Year, the Group continued to operate a diverse business portfolio comprising: (i) manufacture and sale of power cords and inlet sockets for household electric appliances; power and data cords for mobile phones and medical control devices; (ii) trading of mobile smart phones and glasses; (iii) the liquefied natural gas ("LNG"), compressed natural gas ("CNG") and other related clean energy businesses; (iv) refined oil retail business; and (v) trading of MTBE.

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

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

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

Power and Data Cords Business

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

Power Cords and Inlet Sockets for Household Electric Appliances

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

The Group's power cords and inlet sockets used in household electric appliances received safety approvals and/or certificates in many countries, many of which also conform with eleven types of international safety standards. The revenue in the Financial Year from such business remained constant when compared with that of last year and the Group believes that the business segment contributes a limited source of income for the Group.

Power and Data Cords for Mobile Phones and Medical Control Devices

With fierce competition in the sector during the Financial Year, the Group's turnover from power and data cords for mobile phones recorded a decrease of approximately 41.5% to approximately HK$19.7 million (2017: approximately HK$33.7 million) for the Financial Year.

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

The Group's turnover from its power and data cords for medical control devices increased by 5.8% to HK$23.6 million from HK$22.3 million of the previous Financial Year. The power and data cords for medical control devices are multi-functional products which are mainly exported to the customers in the United States. The devices are then used for further assembly and are processed into final products (which include keyboards, pillow speakers, bed controls, bed cables and call cords to be sold to hospitals and clinics).

Trading of Mobile Smart Phones and Glasses

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

Development of Digital Applications

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

Pursuant to the terms of the sale and purchase agreement dated 21 November 2013 ("SPA"), Mr. Chung Wai Sum (the "Vendor") irrevocably and unconditionally warranted and guaranteed to Dynamic Miracle Limited, a wholly-owned subsidiary of the Company (the "Dynamic Miracle") that the audited net profits after tax of 3 Dynamics as shown in its audited financial statements for the 12 months from the date of the completion of acquisition, i.e. for the period from 11 December 2013 to 10 December 2014 (the "Relevant Period") shall not be less than HK$42,000,000 (the "Profit Guarantee"). The Profit Guarantee was secured by 140,000,000 consideration shares ("Escrow Shares") of the Company issued to the Vendor. As certified by the previous auditor of the 3 Dynamics, 3 Dynamics has recorded a net loss after tax in its audited financial statements for the period from 11 December 2013 to 10 December 2014 and there was no profit for the Relevant Period pursuant to the SPA. Under the terms and conditions as stipulated in SPA, the Escrow Shares would be sold in order to pay for the Profit Guarantee. During the year ended 31 March 2016, a portion of the Escrow Shares were sold to pay for the Profit Guarantee. An amount of HK$20,000,000 was received by the Group to partially settle the Profit Guarantee obligation of the Vendor. As at 31 March 2018 and 2017, the balance of HK$22,000,000 ("Contingent Consideration Receivables") was still outstanding for the Profit Guarantee and only 73,870,000 (after adjustment for share subdivision and consolidation) of the Escrow Shares remained as a security for the Profit Guarantee.

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

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

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

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

Refined Oil Business

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

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

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

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

During the Financial Year, the sales of refined oil contributed approximately HK$82.3 million (2017: HK$146.2 million) turnover to the Group, represented a decrease of 43.7% from the preceding year.

Trading of Methyl tert-butyl ether（甲基叔丁基醚）and other chemicals

During the Financial Year, the Group continued its trading of MTBE, a gasoline additive and used almost exclusively as a component in fuel for gasoline engines. Besides increasing the octane number, MTBE also reduces the fuel vapour pressure (Reid vapour pressure), so that the vapour emissions during automobile fuelling and operation are reduced. In addition, MTBE reduces exhaust emissions, particularly carbon monoxide, unburnt hydrocarbons, polycyclic aromatics and particulate carbon. In the PRC, where the oxygenate content and environmental concerns are of paramount importance, it is used in significant quantities.

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

Potential Acquisition Activities

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

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

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

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

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

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

Fundraising Activities

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

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

Appointment of non-executive Directors

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

Appointment and Resignation of independent non-executive Directors

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

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

OUTLOOK

During the Financial Year, the global economic environment is still deeply fluctuating. The medium-to-long-term economic growth of the PRC has slowed down. Falling commodity price, the declining global industrial output and depressed trading added to the uncertainties. Despite the challenging macro-economic conditions, the Group still recorded a 19.1% increase in overall revenue, which was mainly contributed by the revenue growth in trading of MTBE and other chemicals.

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

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

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

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

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

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

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

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

ANNUAL GENERAL MEETING

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

CLOSURE OF REGISTER OF MEMBERS

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

EMPLOYEES' REMUNERATION POLICY

As at 31 March 2018, the Group employed 269 (2017: 297) full-time employees in mainland China and Hong Kong combined. The employees' remuneration policy of the Group is regularly reviewed and determined by reference to market terms, the Group's financial performance as well as the individual's academic and professional qualifications and work performance. Staff benefits include Mandatory Provident Fund contributions for Hong Kong employees and contributions to central pension schemes operated by local municipal governments for mainland-based employees. The Group provides various training programmes to equip its staff with requisite skills and knowledge. In addition, a share option scheme is offered to recognize significant staff contributions. During the Financial Year, 264,000,000 share options (2017: nil) were issued to eligible participants under the Company's share option scheme. Total staff costs, inclusive of Directors' remuneration, for the Financial Year amounted to approximately HK$27.5 million (2017: HK$21 million).

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

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

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

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

SECURITIES IN ISSUE

During the Financial Year,

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

(2) 158,400,000 new ordinary shares were issued upon the exercise of share options under the share option scheme of the Company.

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

EXPOSURE TO FOREIGN EXCHANGE RISK

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

PLEDGE OF ASSETS

As at 31 March 2018, the Group pledged its leasehold land and buildings with an aggregate carrying amount of approximately HK$13,403,000 (2017: approximately HK$13,836,000) to secure its bank borrowing.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S SECURITIES

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

CORPORATE GOVERNANCE PRACTICES

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

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

During the Financial Year, the Company has complied with all the code provisions in the CG Code with the exception of the CG Code provisions A.2.1 and A.6.7. The CG Code provision A.2.1 stipulates that the roles of the chairman of the Board of Directors (the "Chairman") and the Chief Executive Officer (the "CEO") should be separate and should not be performed by the same individual. The Chairman of the Group is Mr. Zou Donghai. The executive Directors namely Mr. Zou Donghai, Mr. Rong Changjun, Mr. Zhang Xueming, Dr. Ho Chun Kit Gregory and Dr. Zheng Jian Peng are responsible for evaluating new potential business opportunities and investment opportunities and formulating and implementing business strategies to enhance the revenue growth of the Company. Hence, a new CEO will not be appointed until suitable candidates have been identified for such purpose.

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

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

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

AUDIT COMMITTEE

The audit committee of the Company (the "Audit Committee") currently comprises Mr. Lau Sung Tat, Vincent *(Chairman)*, Mr. Chan Ying Kay and Mr. Sun Dexin, all of whom are independent non-executive directors of the Company. The Audit Committee has adopted terms of reference which are in line with the code provisions of the CG Code. The Audit Committee has reviewed the results of the Group for the Financial Year.

PRELIMINARY ANNOUNCEMENT OF THE RESULTS

The figures in respect of the preliminary announcement of the Group's results for the year ended 31 March 2018 have been agreed by the Group's auditor, Messrs. HLM CPA Limited, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by Messrs. HLM CPA Limited in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagement or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Messrs. HLM CPA Limited in the preliminary announcement.

APPRECIATION

On behalf of the Board, I would like to extend my sincere gratitude to our business partners, shareholders, staff and management for their continuous dedication, commitment and support.

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

Hong Kong, 29 June 2018

As at the date of this announcement, the executive Directors are Mr. Zou Donghai, Mr. Rong Changjun, Mr. Zhang Xueming, Dr. Ho Chun Kit Gregory and Dr. Zheng Jian Peng; the non-executive Directors are Mr. Chan Shiu Man and Mr. Hua Xujie; and the independent non-executive Directors are Mr. Chan Ying Kay, Mr. Lau Sung Tat, Vincent and Mr. Sun Dexin.

This announcement will remain on the "Latest Company Announcements" page of the GEM website at http://www.hkgem.com for at least 7 days from the date of its posting and on the websites of the Company at www.chinaoilgangran.com and http://chinaoilgangran.todayir.com.