

SARDA ENERGY & MINERALS HONG KONG LIMITED

沙達能源礦物香港有限公司

Director's Report

The director has pleasure to present this annual report together with the audited financial statements of the Company for the year ended 31 March 2019.

Principal activities

The Company continued to hold financial instruments for investment purpose during the year.

Results and appropriations

The financial performance and movement of reserves of the Company for the year ended 31 March 2019 and its financial position as at that date are set out in the financial statements on pages 4 to 19. Interim dividend of US\$2,600,000 (2018: US\$2,250,000) were declared and paid to the shareholder during the year. The director does not recommend payment of a final dividend.

Directors

The directors who held office during the year and up to the date of this report were,

Mr. Dinesh Kumar LAHOTI	- appointed on 30 April 2018
Mr. Martin Victor ALVA	- resigned on 30 April 2018

Pursuant to the Company's Articles of Association, the remaining director is not subject to rotation or retirement, and therefore the director shall continue to remain in office.

Director's interest in contract

The details of director's interest in contract during the year are set out in note 12 to the financial statements. Apart from the above, no contract of significance to which the Company, any of its fellow subsidiaries or its holding company, was a party and in which any director had a material interest, subsisted at the end of the year or at any time during the year.

Arrangement to purchase share or debenture

At no time during the year was the Company, any of its fellow subsidiaries or its holding company, a party to any arrangement to enable the director of the Company to acquire benefit by means of the acquisition of share in or debenture of the Company or any other body corporate.

Business review

The Company is exempted from preparing a business review as it falls within reporting exemption for the financial year.

Auditor

The financial statements have been audited by Messrs. LKY China who offer themselves for re-appointment.

Hong Kong, 21 May, 2019

Mr. Dinesh Kumar LAHOTI
Sole Director

Independent Auditor's Report

To the Shareholder of

SARDA ENERGY & MINERALS HONG KONG LIMITED 沙達能源礦物香港有限公司

(Incorporated in Hong Kong with limited liability)

Opinion

We have audited the financial statements of SARDA ENERGY & MINERALS HONG KONG LIMITED ("the Company") set out on pages 4 to 19, which comprise the statement of financial position as at 31 March 2019, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies.

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

Basis for Opinion

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the HKICPA's Code of Ethics for Professional Accountants ("the Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Information Other Than the Financial Statements and Auditor's Report Thereon

The director is responsible for the other information. The other information comprises all information included in the directors' report and financial statements, but does not include the financial statements and our auditor's report thereon.

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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Director and Those Charged with Governance for the Financial Statements

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

In preparing the financial statements, the director is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the director either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

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

Independent Auditor's Report (cont'd)

To the Shareholder of

SARDA ENERGY & MINERALS HONG KONG LIMITED 沙達能源礦物香港有限公司

(Incorporated in Hong Kong with limited liability)

Auditor's Responsibilities for the Audit of the Financial Statements (cont'd)

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. This report is made solely to you, as a body, in accordance with Section 405 of the Hong Kong Companies Ordinance, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of the report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the director.
- Conclude on the appropriateness of the director's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

LKY China
Certified Public Accountants (Practising)

Hong Kong, 21 May 2019

SARDA ENERGY & MINERALS HONG KONG LIMITED

沙達能源礦物香港有限公司

**Statement of Comprehensive Income
For the year ended 31 March 2019**

	<u>Note</u>	<u>2019</u> <u>US\$</u>	<u>2018</u> <u>US\$</u>
Revenue	5	1,718,698	1,736,211
Revaluation (deficit)/surplus on investments held for trading		(598,909)	694,023
Operating expenses		(29,890)	(134,333)
Profit from operations		<u>1,089,899</u>	<u>2,295,901</u>
Bank loan interest and charges		(59,659)	(79,514)
Profit before tax	6	<u>1,030,240</u>	<u>2,216,387</u>
Income tax expense	7	-	-
Total comprehensive income and profit for the year		<u><u>1,030,240</u></u>	<u><u>2,216,387</u></u>

SARDA ENERGY & MINERALS HONG KONG LIMITED

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**Statement of Financial Position
as at 31 March 2019**

	Note	<u>2019</u> <u>US\$</u>	<u>2018</u> <u>US\$</u>
Current assets			
Investments held for trading	8	16,352,182	15,449,104
Accounts receivable	9	9,973,808	10,693,344
Cash at banks and on hand		822,647	605,833
		<u>27,148,637</u>	<u>26,748,281</u>
Current liabilities			
Bank overdraft	10	-	1,030,655
Accrued expenses and accounts payable		1,203,360	81,712
Secured bank loan	10	2,436,316	557,193
		<u>3,639,676</u>	<u>1,669,560</u>
Net assets		<u>23,508,961</u>	<u>25,078,721</u>
Capital and reserves			
Share capital	11	128,962	128,962
Accumulated profits		23,379,999	24,949,759
Shareholder's fund		<u>23,508,961</u>	<u>25,078,721</u>

The financial statements together with accompany notes set out on pages 4 to 19 were approved and authorized for issue by the Sole Director on 21 May, 2019

Mr. Dinesh Kumar LAHOTI
Sole Director

SARDA ENERGY & MINERALS HONG KONG LIMITED

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**Statement of Changes in Equity
For the year ended 31 March 2019**

	<u>Share capital</u> <u>US\$</u>	<u>Accumulated profits</u> <u>US\$</u>	<u>Total</u> <u>US\$</u>
Balance as at 1 April 2017	128,962	24,983,372	25,112,334
Profit for the year	-	2,216,387	2,216,387
Interim dividend paid	-	(2,250,000)	(2,250,000)
Balance as at 1 April 2018	<u>128,962</u>	<u>24,949,759</u>	<u>25,078,721</u>
Profit for the year	-	1,030,240	1,030,240
Interim dividend paid	-	(2,600,000)	(2,600,000)
Balance as at 31 March 2019	<u><u>128,962</u></u>	<u><u>23,379,999</u></u>	<u><u>23,508,961</u></u>

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Statement of Cash Flows
For the year ended 31 March 2018

	<u>2019</u> <u>US\$</u>	<u>2018</u> <u>US\$</u>
Cash flows from operating activities		
Profit before tax	1,030,240	2,216,387
Adjustments for		
Finance cost	59,659	79,514
Gain on derivatives trading of investments held for trading	(291,970)	(124,420)
Revaluation deficit/ (surplus) on investments held for trading	598,909	(694,023)
Operating cash flows before working capital changes	<u>1,396,838</u>	<u>1,477,458</u>
Decrease in accounts receivable	719,536	1,105,941
Increase in accrued charges and accounts payable	1,121,648	76,359
Cash generated from operations	<u>3,238,022</u>	<u>2,659,758</u>
Finance cost paid	(59,659)	(79,514)
Net cash generated from operating activities	<u>3,178,363</u>	<u>2,580,244</u>
Cash flows from investing activities		
Net (acquisition)/disposal of investments held for trading	(1,504,987)	4,934,821
Gain on derivatives trading of investments held for trading	291,970	124,420
Net cash (used in)/generated from investing activities	<u>(1,210,017)</u>	<u>5,059,241</u>
Cash flows from financing activities		
Net advance of /(repayment to) secured bank loan	1,879,123	(5,379,289)
Dividend paid	(2,600,000)	(2,250,000)
Net cash used in financing activities	<u>(720,877)</u>	<u>(7,629,289)</u>
Net increase in cash and cash equivalent	1,247,469	10,196
Cash and cash equivalents at		
At the beginning of the year	(424,822)	(435,018)
At the end of the year	<u>822,647</u>	<u>(424,822)</u>
Represented by:		
- Bank over draft	-	(1,030,655)
- Cash at banks and on hand	822,647	605,833
	<u>822,647</u>	<u>(424,822)</u>

SARDA ENERGY & MINERALS HONG KONG LIMITED

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Notes to the financial statements
For the year ended 31 March 2019

1. General information

The Company is a private company domiciled and incorporated in Hong Kong with limited liability. Its immediate and ultimate holding company is Sarda Energy & Minerals Limited incorporated in India. The address of the registered office of the Company is 5/F., Dah Sing Life Building, 99-105 Des Voeux Road Central, Hong Kong. The principal activities of the Company are financial instruments holding for investment purpose. The functional currency of the Company is United State dollar, and its financial statements are presented in United States dollar accordingly.

2. Statement of compliance with Hong Kong Financial Reporting Standards

The Company's financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards (HKFRSs), which includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (HKASs) and Interpretations issued by the Hong Kong Institute of Certified Public Accountants (HKICPA), accounting principles generally accepted in Hong Kong, and the requirements of the Hong Kong Companies Ordinance. A summary of significant accounting policies is set out in note 3.

At the date of the authorization of these financial statements, there are a number of Hong Kong Financial Reporting Standards ("HKFRS") newly issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), but not yet effective for this accounting period and which have not been adopted in these financial statements. The director of the Company anticipates that the application of these HKFRS would have no material effect on how the results for future periods would be prepared and presented.

3. Summary of significant accounting policies

The financial statements have been prepared on the historical cost basis and in accordance with HKFRS issued by the HKICPA, including applicable disclosures required by the Hong Kong Companies Ordinance.

The preparation of the financial statements in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in the respective notes, if appropriate.

The followings are the specific accounting policies that are necessary for a proper understanding of the financial statements,

a. Financial instruments

Financial assets and financial liabilities are recognized when the Company becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognized immediately in statement of comprehensive income.

Notes to the financial statements
For the year ended 31 March 2019

3. Summary of significant accounting policies (cont'd)

a. Financial instruments (cont'd)

(i) Financial assets

The Company's financial assets are classified as financial assets at fair value through profit or loss. All regular way purchases or sales of financial assets are recognised and derecognized on a trade date basis. Regular way purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

Effective interest method

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

Income is recognised on an effective interest basis for debt instruments other than financial assets classified as at fair value through profit or loss, of which interest income is included in net gains and losses.

Financial assets at fair value through profit or loss.

Financial assets are classified as at fair value through profit or loss when the financial asset is either held for trading or it is designated as at fair value through profit or loss.

A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling it in the near future; or
- on initial recognition it is part of a portfolio of identified financial instruments that the Company manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

A financial asset other than a financial asset held for trading may be designated as at fair value through profit or loss upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial asset forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Company's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing or more embedded derivatives, and HKAS 39 permits the entire combined contract (asset or liability) to be designated as at fair value through profit or loss.

Financial assets at fair value through profit or loss are stated at fair value, with any gains or losses arising on premeasurement recognised in statement of comprehensive income. The net gain or loss recognised in statement of comprehensive income incorporates any dividend or interest earned on the financial asset.

Notes to the financial statements
For the year ended 31 March 2019

3. Summary of significant accounting policies (cont'd)

a. Financial instruments (cont'd)

(ii) Financial liabilities and equity

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

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. The Company's financial liabilities are generally classified into financial liabilities at fair value through profit or loss and other financial liabilities.

Effective interest method

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

Interest expense is recognized on an effective interest basis other than financial liabilities classified as at fair value through profit or loss, of which interest expense is included in net gains and losses.

Financial liability at fair value through profit or loss.

Financial liabilities are classified as at fair value through profit or loss when the financial liability is either held for trading or it is designated as at fair value through profit or loss on initial recognition.

A financial liability is classified as held for trading if:

- it has been acquired principally for the purpose of selling it in the near term; or
- on initial recognition it is part of a portfolio of identified financial instruments that the Company manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

A financial liability other than a financial liability held for trading may be designated as at fair value through profit or loss upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial liability forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Company's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing or more embedded derivatives, and HKAS 39 permits the entire combined contract (asset or liability) to be designated as at fair value through profit or loss.

Notes to the financial statements
For the year ended 31 March 2019

3. Summary of significant accounting policies (cont'd)

a. Financial instruments (cont'd)

(ii) Financial liabilities and equity (cont'd)

Financial liabilities at fair value through profit or loss are stated at fair value, with any gains or losses arising on remeasurement recognised in statement of comprehensive income. The net gain or loss recognised in profit or loss includes any interest paid on the financial liabilities.

Other financial liabilities

Other financial liabilities (including borrowings, a loan from government, trade and other payables) are subsequently measured at amortised cost using the effective interest method.

(iii) Accounts receivables are initially measured at fair value and, after initial recognition, at amortised cost less impairment losses for bad and doubtful debts, if any, except for the following receivables:

Interest-free loans made to related parties without any fixed repayment terms or the effect of discounting being immaterial, that are measured at cost less impairment losses for bad and doubtful debt, if any; and

Short-term receivables with no stated interest rate and the effect of discounting being immaterial, that are measured at their original invoice amount less impairment losses for bad and doubtful debt, if any.

At the end of reporting date, the Company assesses whether there is any objective evidence that a receivable or group of receivables is impaired. Impairment losses on trade and other receivables are recognised in statement of comprehensive income when there is objective evidence that an impairment loss has been incurred and are measured as the difference between the receivable's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at its original effective interest rate, i.e. the effective interest rate computed at initial recognition. The impairment loss is reversed if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised.

(iv) Cash and cash equivalents comprise cash on hand and demand deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

For the purpose of statement of cash flows, bank overdrafts which are repayable on demand form an integral part of the company's cash management are included as a component of cash and cash equivalents.

(v) Accounts payables are initially measured at fair value and, after initial recognition, at amortised cost, except for short-term payables with no stated interest rate and the effect of discounting being immaterial, that are measured at their original invoice amount.

Notes to the financial statements
For the year ended 31 March 2019

3. Summary of significant accounting policies (cont'd)

b. Provisions and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the Company has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

c. Leases

A lease is an agreement whereby the lessor conveys to the lessee in return for a payment or series of payments the right to use an asset for an agreed period of time. Determining whether an arrangement is, or contains, a lease is based on the substance of the arrangement and requires an assessment of whether fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset.

Leases of assets are classified as finance leases when the leases transfer substantially all risks and rewards incidental to ownership of the assets to the Company. All other leases are classified as operating leases.

d. Revenue recognition

- (i) Commission income arising from sales of services are recognised in the accounting period in which the services are rendered, by reference to completion of the specific transaction assessed on the basis of the actual service provided as a proportion of the total services to be provided.
- (ii) Interest income is recognised on a time-proportion basis using the effective interest method. When a receivable is impaired, the Company reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at original effective interest rate of the instrument, and continues unwinding the discount as interest income.
- (iii) Revenue arising from disposal of investments available held for sale is recognised upon the signing of the sale and purchase agreement or the transaction has been completed, whichever is the later.

e. Income tax

Income tax for the year includes current tax and deferred tax. Current tax and deferred tax are recognised in profit or loss, except to the extent that the tax arises from a transaction or event which is recognised directly in equity. In the case if the tax relates to items that are recognised directly to equity, current tax and deferred tax are also recognised directly to equity.

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Notes to the financial statements
For the year ended 31 March 2019

3. Summary of significant accounting policies (cont'd)

e. Income tax(cont'd)

Current tax liabilities and assets are measured at the amount expected to be paid to or recovered from the taxation authorities, using the tax rates and tax laws that have been enacted or substantively enacted by the end of reporting date. Current tax is the amount of income taxes payable or recoverable in respect of the taxable profit or loss for a period.

Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively. Temporary differences are the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax assets also arise from unused tax losses and unused tax credits.

A deferred tax liability is recognised for all taxable temporary differences, except to the extent that the deferred tax liability arises from the initial recognition of an asset or liability in a transaction which is not a business combination; and at the time of the transaction, affects neither accounting profit nor taxable profit (tax loss).

At each end of reporting date, the Company reviews and assesses the recognised and unrecognised deferred tax assets and the future taxable profit to determine whether any recognised deferred tax assets should be derecognised and any unrecognised deferred tax assets should be recognised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted by the end of reporting date. Deferred tax assets and liabilities are not discounted.

f. Related parties

For the purposes of these financial statements, parties are considered to be related to the Company if the Company has the ability, directly or indirectly, to control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Company and the party are subject to common control or common significant influence. Related parties may be individuals (being members of key management personnel, significant shareholders and/ or their close family members) or other entities and include entities which are under the significant influence of related parties of the Company where those parties are individuals, and post-employment benefit plans which are for the benefit of employees of the Company or of any entity that is a related party of the Company.

g. Foreign currencies translation

Foreign currency transactions during the year are translated at the foreign exchange rates ruling at the transaction dates. At each end of reporting date, monetary assets and liabilities in foreign currencies are translated at the foreign exchange rates ruling at that date. Non-monetary assets and liabilities that are measured at fair value in foreign currencies are translated at the foreign exchange rates ruling at the date when the fair value was determined. Exchange gains and losses are recognised in statement of comprehensive income.

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**Notes to the financial statements
For the year ended 31 March 2019****4. Critical accounting estimates and judgement**

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

Certain key assumptions and risk factors in respect of the financial risk management are set out in note 14. In the opinion of directors, there are no other key sources of estimation uncertainty that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the financial year.

In the opinion of director, there are no critical judgements in applying the Company's accounting policies.

5. Revenue

	<u>2019</u> <u>US\$</u>	<u>2018</u> <u>US\$</u>
Investments held for trading (note 8)		
- interest income	541,530	415,080
- profit on disposal	197,780	-
- derivatives trading	291,970	124,420
	<u>1,031,280</u>	<u>539,500</u>
Dividend income	113,376	58,390
Commission income	-	180,000
Interest received on accounts receivable (note 9)	574,642	955,844
Exchange gain	-	2,477
	<u>1,719,298</u>	<u>1,736,211</u>

6. Profit before tax

The profit before tax is arrived at after charging the following items,

	<u>2019</u> <u>US\$</u>	<u>2018</u> <u>US\$</u>
Directors' emoluments		
- as directors	-	-
- salaries and allowance	-	-
	<u>-</u>	<u>-</u>
Auditor's remuneration	2,548	2,548
Loss on disposal of investment	-	84,497
	<u>-</u>	<u>84,497</u>

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Notes to the financial statements
For the year ended 31 March 2019

7. Income tax expense

The Company performed all its operations outside Hong Kong, therefore, in the opinion of director, all profits or loss resulted from the operations of the Company should therefore not subject to Hong Kong profits tax by virtue of the Inland Revenue Ordinance. The director is also of the opinion that the Company's activities outside Hong Kong and would not expose the Company to tax imposed by any oversea tax authority. Consequently, no provision for Hong Kong profits tax to be carried forward, and also no deferred taxation is provided in the financial statements accordingly.

8. Investments held for trading

Investments held for trading are stated at fair value through profit or loss.

9. Accounts receivable

	<u>2019</u> <u>US\$</u>	<u>2018</u> <u>US\$</u>
Interest receivables	135,377	70,366
Loans receivables		
- interest free	2,992,222	898,328
- interest bearing	3,789,133	5,292,453
	6,781,355	6,190,781
Amounts due from fellow subsidiaries	3,057,076	4,432,197
	<u>9,973,808</u>	<u>10,693,344</u>

The amounts due from fellow subsidiaries are unsecured, interest free and have no fixed term of repayment. In the opinion of director, no provision for recoverability is required for non-repayment of the amounts due.

10. Secured banking facilities

At 31 March 2019, both bank overdraft and bank loan were repayable within one year and were secured by the investments held for trading (note 8) held by the Company. In the opinion of director, the Company should be able to obtain refinancing of the respective bank loan.

The banking facilities are subject to common lending arrangements with the banks. In case the Company contravened any condition of the arrangement or associated covenant, the outstanding balances of the facilities would become payable on demand.

11. Share capital

	<u>2019</u> <u>US\$</u>	<u>2018</u> <u>US\$</u>
1,000,000 ordinary shares issued and fully paid	<u>128,962</u>	<u>128,962</u>

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12. Material related party transactions

All the details of transactions and balances between the Company and related parties are disclosed elsewhere in the financial statements.

13. Capital disclosure

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern, so that it can continue to provide returns for shareholder and benefits for other stakeholders, and to provide an adequate return to shareholder.

The Company manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholder, return capital to shareholder, issue new shares, or sell assets to reduce debt. No changes were made in the objectives, policies and processes during the year of 2018 and 2019.

The Company monitors capital using a gearing ratio, which are the Company's total liabilities over its total assets. The Company's policy is to keep the gearing ratio at a reasonable level. The Company's gearing ratio as at 31 March 2019 was 13.4% (2018:6.2%).

14. Financial instruments

The Company has classified its financial assets in the following categories:

	<u>2019</u> <u>US\$</u>	<u>2018</u> <u>US\$</u>
Accounts receivable (note 9)	9,973,808	10,693,344
Cash at banks and on hand	822,647	605,833
	<u>10,796,455</u>	<u>11,299,177</u>
Financial assets at fair value through profit or loss:		
Investments held for trading (note 8)	16,352,182	15,449,104
	<u>27,148,637</u>	<u>26,748,281</u>

The Company has classified its financial liabilities in the following categories:

	<u>2019</u> <u>US\$</u>	<u>2018</u> <u>US\$</u>
Financial liabilities at amortized cost:		
Bank overdraft (note 10)	-	1,030,655
Accrued charges	1,203,360	81,712
Secured bank loan (note 10)	2,436,316	557,193
	<u>3,639,676</u>	<u>1,669,560</u>

The Company is exposed to credit risk, liquidity risk and market risk arising in the normal course of its business and financial instruments. The Company's risk management objectives, policies and processes mainly focus on minimizing the potential adverse effects of these risks on its financial performance and position by closely monitoring the individual exposure.

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14. Financial instruments (cont'd)

a. Credit risk

The Company is exposed to credit risk on financial assets, mainly attributable to investments available for sale and trade and other receivables. It sets limit on each investment portfolio and prior approval is required for any transaction exceeding that limit.

<u>Summary quantitative data:</u>	<u>2019</u>	<u>2018</u>
	<u>US\$</u>	<u>US\$</u>
Accounts receivable (note 9)	9,973,808	10,693,344
Cash at bank and on hand	822,647	605,833
	<u>10,796,455</u>	<u>11,299,177</u>

At 31 March 2019, the Company has no concentration of risk and the maximum exposure to credit risk is represented by the carrying amount of each financial assets.

b. Liquidity risk

The Company is exposed to liquidity risk on financial liabilities. It manages its funds conservatively by maintaining a comfortable level of cash and cash equivalents in order to meet continuous operational need. Various banking facilities and credit lines have also been arranged with different banks in order to fund any emergency liquidity requirements. They all are past due later than 3 months but not later than 1 year.

c. Market risk

i. Interest rate risk

The Company mainly holds fixed deposits with banks with maturity within 3 months and the exposure is considered not significant. It also invests in fixed rate debt securities. In consequence, no material exposure on fair value interest rate risk is expected. Even that, the Company closely monitors the fair value fluctuation of the investments and disposes of them in case of significant increase in interest rate is foreseen.

In order to manage the cash flow interest rate risk, the Company will repay the corresponding borrowings when it has surplus funds.

<u>Summary quantitative data:</u>	<u>2019</u>	<u>2018</u>
	<u>US\$</u>	<u>US\$</u>
Floating-rate financial assets		
Cash at bank and on hand	822,647	605,833
Secured bank loan (note 10)	(2,436,316)	(557,193)
Bank overdraft (note 10)	-	(1,030,655)
	<u>(1,613,669)</u>	<u>(982,015)</u>

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**Notes to the financial statements
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14. Financial instruments (cont'd)

c. Market risk (cont'd)

i. Interest rate risk (cont'd)

Sensitivity analysis:

At 31 March 2019, if interest rates at that date had been 100 basis points lower with all other variables held constant, the Company's loss for the year would have been US\$16,137(2018: US\$9,820) higher and the accumulated profits and other components of equity would have been US\$16,137 (2018: US\$9,820)lower.

At 31 March 2019, if interest rates had been 100 basis points higher, with all other variables held constant, the Company's lossfor the year would have been US\$16,137 (2018: US\$9,820) lower, and the accumulated profits and other components of equity would have been US\$16,137 (2018: US\$9,820)higher.

The sensitivity analysis has been prepared with the assumption that the change in interest rates had occurred at the end of reporting date and had been applied to the exposure to interest rate risk for the relevant financial instruments in existence at that date. The changes in interest rate represent management's assessment of a reasonably possible change in interest rates at that date over the period until the next annual end of reporting date.

ii. Currency risk

The Company conducted its business transactions mainly in US dollars that expose it to currency risk arising from such transactions and the resulting receivables and the payables.

The Company closely and continuously monitors the exposure on currency risk. Since HK dollars is pegged to US dollars, there is no significant exposure expected on US dollars transactions and balances.

Summary quantitative data:

	<u>In US\$</u> <u>US\$</u>	<u>Other</u> <u>currencies</u> <u>US\$</u>	<u>Total</u> <u>US\$</u>
<u>2018</u>			
Investments held for trading (note 8)	14,635,065	814,039	15,449,104
Accounts receivable (note 9)	9,795,016	898,328	10,693,344
Cash at bank and on hand	605,735	98	605,833
	<u>25,035,816</u>	<u>1,712,465</u>	<u>26,748,281</u>
Accrual charges	77,890	3,822	81,712
Secured bank loan (note 10)	-	557,193	557,193
Bank overdraft (note 10)	-	1,030,655	1,030,655
	<u>77,890</u>	<u>1,591,670</u>	<u>1,669,560</u>
	<u>24,957,926</u>	<u>120,795</u>	<u>25,078,721</u>

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14. Financial instruments (cont'd)

c. Market risk (cont'd)

ii. Currency risk (cont'd)

	<u>In US\$</u> <u>US\$</u>	<u>Other</u> <u>currencies</u> <u>US\$</u>	<u>Total</u> <u>US\$</u>
<u>2019</u>			
Investments held for trading (note 8)	14,625,005	1,727,177	16,352,182
Accounts receivable (note 9)	9,066,982	906,826	9,973,808
Cash at bank and on hand	822,549	98	822,647
	<u>24,514,536</u>	<u>2,634,101</u>	<u>27,148,637</u>
Accrual charges	375,833	827,527	1,203,360
Secured bank loan (note 10)	801,513	1,634,803	2,436,316
Bank overdraft (note 10)	-	-	-
	<u>1,177,346</u>	<u>2,462,330</u>	<u>3,639,676</u>
	<u>23,337,190</u>	<u>171,771</u>	<u>23,508,961</u>

15. Hong Kong Financial Reporting Standards issued but not yet effective for the year

HKFRSs that have been issued but are not yet effective for the year include the following HKFRSs which may be relevant to the Company's operations and financial statements:

	Effective for annual periods beginning on or after
HKFRS 16 Leases	1 January 2019
HKFRS 17 Insurance Contracts	1 January 2021
HK(IFRIC)-Int 23 Uncertainty over Income Tax Treatments	1 January 2019
Amendments to HKFRS 9 Prepayment Features with Negative Compensation [Remark: to exclude if already early applied]	1 January 2019
Amendments to HKFRS 10 Sale or Contribution of Assets between and and HKAS 2 Investor and its Associate or Joint Venture	a date to be determined.
Amendments to HKAS 19 Plan Amendment, Curtailment or Settlement	1 January 2019
Amendments to HKAS 28 Long-term Interests in Associates and Joint Ventures	1 January 2019
Amendments to HKFRSs Annual Improvements to HKFRSs 2015-2017 Cycle	1 January 2019

The Company has not early adopted these HKFRSs. Initial assessment has indicated that the adoption of these HKFRSs would not have a significant impact on the Company's financial statements in the year of initial application. The Company will be continuing with the assessment of the impact of these HKFRSs and other significant changes may be identified as a result.