

**SARDA ENERGY & MINERALS HONG KONG LIMITED**

**沙達能源礦物香港有限公司**

**Director's Report**

The sole director has pleasure to present this annual report together with the audited financial statements of the Company for the year ended 31 March 2022.

**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 2022 and its financial position as at that date are set out in the financial statements on pages 4 to 17. The director does not recommend the payment of a dividend.

**Director**

The director who held office during the year and up to the date of this report was,

Mr. Dinesh Kumar LAHOTI

Pursuant to the Company's Articles of Association, the 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,

---

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 17, which comprise the statement of financial position as at 31 March 2022, and the statement of comprehensive income, statement of changes in equity and statement of cash flow for the year then ended, and a summary of significant accounting policies and other explanatory notes.

In our opinion, the financial statements give a true and fair view of the financial position of the Company as at 31 March 2022, 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 ("HKSA") 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 the information included in the Director's Report and Detailed Income Statement, 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**

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.

Hong Kong,

LKY China  
Certified Public Accountants (Practising)

**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 2022**

	<u>Note</u>	<u>2022</u> <u>US\$</u>	<u>2021</u> <u>US\$</u>
<b>Revenue</b>	5	910,596	985,905
Revaluation (deficit)/surplus on investments held for trading		(1,376,442)	4,288,212
Interest income received/(reversal) on accounts receivable		1,134,576	(863,051)
Bad debt written off		-	(1,522,853)
Operating expenses		(8,898)	(13,247)
Profit from operations		659,832	2,874,966
Bank loan interest and charges		(5,876)	(36,741)
<b>Profit before tax</b>	6	653,956	2,838,225
Income tax	7	-	-
<b>Total comprehensive income and profit for the year</b>		653,956	2,838,225

**SARDA ENERGY & MINERALS HONG KONG LIMITED**

沙達能源礦物香港有限公司

**Statement of Financial Position  
as at 31 March 2022**

	<u>Note</u>	<u>2022</u> <u>US\$</u>	<u>2021</u> <u>US\$</u>
<b>Current assets</b>			
Investments held for trading	8	12,282,936	12,339,275
Accounts receivable	9	8,221,235	6,731,665
Cash at bank		50,955	794,341
		<u>20,555,126</u>	<u>19,865,281</u>
<b>Current liabilities</b>			
Accrued expenses		4,308	3,892
Secured loans	10	302,520	267,047
		<u>306,828</u>	<u>270,939</u>
<b>Net assets</b>		<u>20,248,298</u>	<u>19,594,342</u>
<b>Capital and reserves</b>			
Share capital	11	128,962	128,962
Accumulated profits		20,119,336	19,465,380
<b>Shareholder's fund</b>		<u>20,248,298</u>	<u>19,594,342</u>

The financial statements together with accompany notes set out on pages 4 to 17 were approved and authorized for issue by the Sole Director on

Mr. Dinesh Kumar LAHOTI  
Sole Director

**SARDA ENERGY & MINERALS HONG KONG LIMITED**

沙達能源礦物香港有限公司

**Statement of Changes in Equity  
For the year ended 31 March 2022**

	<u>Share capital US\$</u>	<u>Accumulated profits US\$</u>	<u>Total US\$</u>
<b>Balance as at 1 April 2020</b>	128,962	16,627,155	16,756,117
Profit for the year	-	2,838,225	2,838,225
<b>Balance as at 1 April 2021</b>	<u>128,962</u>	<u>19,465,380</u>	<u>19,594,342</u>
Profit for the year	-	653,956	653,956
<b>Balance as at 31 March 2022</b>	<u>128,962</u>	<u>20,119,336</u>	<u>20,248,298</u>

**SARDA ENERGY & MINERALS HONG KONG LIMITED**

沙達能源礦物香港有限公司

**Statement of Cash Flows**  
**For the year ended 31 March 2022**

	<u>2022</u> <u>US\$</u>	<u>2021</u> <u>US\$</u>
<b>Cash flows from operating activities</b>		
Profit before tax	653,956	2,838,225
Adjustments for		
Finance cost	5,876	36,741
Gain on derivatives trading of investments held for trading	-	(256,164)
Revaluation deficit/(surplus) on investments held for trading	1,376,442	(4,288,212)
Bad debt written off	-	1,522,853
Operating cash flows before working capital changes	2,036,274	(146,557)
(Increase)/decrease in accounts receivable	(1,489,570)	1,442,498
Increase/(decrease) in accrued charges	416	(2,281)
Cash generated from operations	547,120	1,293,660
Finance cost paid	(5,876)	(36,741)
Net cash generated from operating activities	<u>541,244</u>	<u>1,256,919</u>
<b>Cash flows from investing activities</b>		
Net (addition)/disposal of investments held for trading	(1,320,103)	3,226,444
Gain on derivatives trading of investments held for trading	-	256,164
Net cash (used in)/generated from investing activities	<u>(1,320,103)</u>	<u>3,482,608</u>
<b>Cash flows from financing activities</b>		
Net advance/(repayment) of secured loans	35,473	(3,376,945)
Net cash generated from/(used in) financing activities	<u>35,473</u>	<u>(3,376,945)</u>
<b>Net (decrease)/increase in cash and cash equivalent</b>	(743,386)	1,362,582
<b>Cash and cash equivalents at</b>		
<b>At the beginning of the year</b>	794,341	(568,241)
<b>At the end of the year</b>	<u>50,955</u>	<u>794,341</u>

# **SARDA ENERGY & MINERALS HONG KONG LIMITED**

沙達能源礦物香港有限公司

## **Notes to the financial statements For the year ended 31 March 2022**

### **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.

### **3. Basis of preparation and 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. Investment**

Investments are recognised and derecognised on the trade date when the company becomes party to the contractual provisions of the investments and are initially measured at fair value plus, in the case of investments other than trading securities, transaction costs. Investments are further categorised into the following classifications for the measurement after initial recognition.

##### *(i) Investments in equity instruments*

An investment in equity instruments is classified as fair value through profit or loss, except for those investments in equity instrument not held for trading and are designated as financial assets at fair value through other comprehensive income. The company makes an irrevocable election at initial recognition for the investment in equity instruments to present subsequent changes in fair value in other comprehensive income. This election is made on an instrument-by-instrument (i.e. share-by-share) basis. Amounts presented in other comprehensive income for such investment are not be subsequently transferred to profit or loss until the investment is disposed of. At the time of disposal of an investment in equity instruments, the cumulative gain or loss of the investment is transferred from fair value reserves to retained earnings.



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

**a. Investment (cont'd)**

**(ii) *Investments in non-equity instruments***

An investment in non-equity instruments is classified as at:

- a) *Amortised cost* – if the investment is held within a business model whose objective is to hold the investment in order to collect contractual cash flows, and the contractual terms of the investment give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.
- b) *Fair value through other comprehensive income* – if the investment is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets, and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. A gain or loss on an investment in non-equity instruments measured at fair value through other comprehensive income is recognised in other comprehensive income, except for impairment gains or losses and foreign exchange gains and losses, until the investment is derecognised. When such investment is derecognised, the cumulative gain or loss previously recognised in other comprehensive income is reclassified from fair value reserves equity to profit or loss as a reclassification adjustment.
- c) *Fair value through profit or loss* – if the investments are not classified as at amortised cost and at fair value through other comprehensive income.

**(iii) *Trading securities***

Investments in securities held for trading are classified as trading securities included in current assets and are stated at fair value. Any attributable transaction costs and gain or loss on the fair value changes of trading securities are recognised in profit or loss.

**(iv) *Fair value***

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

Fair value of an investment on initial recognition is normally the transaction price, unless it is estimated by using a valuation technique when part of the consideration given or received is for something other than the investments.

After initial recognition, the fair value of an investment quoted in an active market is based on the unadjusted quoted price and, for investments not quoted in an active market, the company establishes the fair value of such investment by using a valuation technique.

Valuation techniques include using recent arm's length market transactions between knowledgeable, willing parties, if available, reference to the current fair value of another instrument that is substantially the same, discounted cash flow analysis and option pricing models.

**Notes to the financial statements  
For the year ended 31 March 2022**

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

**a. Investment (cont'd)**

**(v) *Impairment of investments and other financial assets***

The company recognises loss allowances for expected credit loss on the financial instruments that are not measured at fair value through profit or loss. The company considers the probability of default upon initial recognition of financial assets and assesses whether there has been a significant increase in credit risk on an ongoing basis.

The company considers the credit risk on a financial instrument is low if the financial instrument has a low risk of default, the debtor has a strong capacity to meet its contractual cash flow obligations in the near term and adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the debtor to fulfil its contractual cash flow obligations.

The carrying amount of the receivables is reduced through the use of the receivable impairment charges account. Changes in the carrying amount of the receivable impairment charges account are recognised in profit or loss. The receivable is written off against the receivable impairment charges account when the company has no reasonable expectations of recovering the receivable.

If, in a subsequent period, the amount of expected credit losses decreases, the reversal would be adjusted to the receivable impairment charges account at the reporting date. The amount of any reversal is recognised in profit or loss.

**b. Trade and other receivables, contract assets and contract liabilities**

A receivable is recognised when the company's right to consideration is unconditional. A right to consideration is unconditional if only the passage of time is required before payment of that consideration is due. If revenue has been recognised before the company has an unconditional right to consideration, the amount is presented as a contract asset. Receivables are stated at amortised cost using the effective interest method less allowance for credit losses.

A contract asset is recognised when the company recognises revenue before being unconditionally entitled to the consideration under the payment terms set out in the contract. Contract assets are assessed for expected credit losses and are reclassified to receivables when the right to the consideration has become unconditional. A contract liability is recognised when the customer pays consideration, or has an unconditional right to consideration (in such case, a corresponding receivable is recognised), before the company recognises the related revenue.

**c. Cash**

Cash comprises cash on hand and at bank and demand deposits with bank. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and which 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.

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

**d. Trade and other payables**

Trade and other payables are initially measured at fair value and, after initial recognition, at amortised cost, except for payables with no stated interest rate and the effect of discounting being immaterial, that are measured at their original invoice amount.

**e. 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.

**f. Revenue**

After the adoption of HKFRS 15, the company recognises revenue from contracts with customers when (or as) the company satisfies a performance obligation by transferring a promised good or service (i.e. an asset) to a customer. An asset is transferred when (or as) the customer obtains control of that asset. When (or as) a performance obligation is satisfied, the company recognises as revenue the amount of the transaction price (which excludes estimates of variable consideration that are constrained in accordance with HKFRS 15) that is allocated to that performance obligation. Further details of the company's revenue and other income recognition policies are as follows:

**(i) Dividends**

Dividend income is recognised as other income when the shareholder's right to receive payment is established.

**(ii) Interest income**

Interest income is recognised as other income as it accrues using the effective interest method.

**g. 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.

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.

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

**g. Income tax (cont'd)**

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.

**h. 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.

**i. 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.

**SARDA ENERGY & MINERALS HONG KONG LIMITED**

沙達能源礦物香港有限公司

**Notes to the financial statements  
For the year ended 31 March 2022****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>2022</u> <u>US\$</u>	<u>2021</u> <u>US\$</u>
Investments held for trading (note 8)		
- interest income	472,073	513,223
- profit on disposal	400,048	129,847
- derivatives trading	-	256,164
	<u>872,121</u>	<u>899,234</u>
Dividend income	59,473	64,920
Exchange (loss)/gain	<u>(20,998)</u>	<u>21,751</u>
	<u>910,596</u>	<u>985,905</u>

**6. Profit before tax**

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

	<u>2022</u> <u>US\$</u>	<u>2021</u> <u>US\$</u>
Directors' emoluments		
- as directors	-	-
- salaries and allowance	-	-
	<u>-</u>	<u>-</u>
Auditor's remuneration	<u>3,071</u>	<u>2,573</u>

**7. Income tax**

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 overseas 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.

**SARDA ENERGY & MINERALS HONG KONG LIMITED**

沙達能源礦物香港有限公司

**Notes to the financial statements  
For the year ended 31 March 2022****8. Investments held for trading**

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

**9. Accounts receivable**

	<u>2022</u> <u>US\$</u>	<u>2021</u> <u>US\$</u>
Interest receivables	121,358	114,817
Other receivables		
- interest free	758,342	799,889
- interest bearing	3,477,726	2,343,150
	4,236,068	3,143,039
Amounts due from fellow subsidiaries	3,863,809	3,473,809
	<u>8,221,235</u>	<u>6,731,665</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 loans**

	<u>2022</u> <u>US\$</u>	<u>2021</u> <u>US\$</u>
Secured loans		
- from Banks	<u>302,520</u>	<u>267,047</u>

At 31 March 2022, the bank loans were repayable within one year and was 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, including bank loans and overdraft, are subject to common lending arrangements with the liaised financial institutions. 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>2022</u> <u>US\$</u>	<u>2021</u> <u>US\$</u>
1,000,000 ordinary shares of HK\$1,000,000 issued and fully paid	<u>128,962</u>	<u>128,962</u>

**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.

**SARDA ENERGY & MINERALS HONG KONG LIMITED**

沙達能源礦物香港有限公司

**Notes to the financial statements  
For the year ended 31 March 2022****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 2021 and 2022.

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 2022 was 1.49% (2021: 1.36%).

**14. Financial instruments**

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

	<u>2022</u> <u>US\$</u>	<u>2021</u> <u>US\$</u>
Accounts receivable (note 9)	8,221,235	6,731,665
Cash at banks and on hand	50,955	794,341
	<u>8,272,190</u>	<u>7,526,006</u>
Financial assets at fair value through profit or loss:		
Investments held for trading (note 8)	12,282,936	12,339,275
	<u>20,555,126</u>	<u>19,865,281</u>

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

	<u>2022</u> <u>US\$</u>	<u>2021</u> <u>US\$</u>
Financial liabilities at amortized cost:		
Accrued charges	4,308	3,892
Secured loans (note 10)	302,520	267,047
	<u>307,828</u>	<u>270,939</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.

**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.

At 31 March 2022, the Company has no concentration of risk and the maximum exposure to credit risk is represented by the carrying amount of each financial assets.

**Notes to the financial statements  
For the year ended 31 March 2022****14. Financial instruments (cont'd)****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>2022</u> <u>US\$</u>	<u>2021</u> <u>US\$</u>
Floating-rate financial assets		
Cash at bank and on hand	50,955	794,341
Secured loans (note 10)	<u>(302,520)</u>	<u>(267,047)</u>
	<u>(251,565)</u>	<u>527,294</u>

**Sensitivity analysis:**

At 31 March 2022, 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\$2,516 (2021: US\$5,273) higher and the accumulated profits and other components of equity would have been US\$2,516 (2021: US\$5,273) lower.

At 31 March 2022, if interest rates had been 100 basis points higher, with all other variables held constant, the Company's loss for the year would have been US\$2,516 (2021: US\$5,273) lower, and the accumulated profits and other components of equity would have been US\$2,516 (2021: US\$5,273) 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.



**SARDA ENERGY & MINERALS HONG KONG LIMITED**

沙達能源礦物香港有限公司

**Notes to the financial statements  
For the year ended 31 March 2022**

**14. Financial instruments (cont'd)**

c. Market risk (cont'd)

ii. Currency risk (cont'd)

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>2021</u>			
Investments held for trading (note 8)	12,207,038	132,237	12,339,275
Accounts receivable (note 9)	5,981,766	749,899	6,731,665
Cash at bank and on hand	794,341	-	794,341
	<u>18,983,145</u>	<u>882,136</u>	<u>19,865,281</u>
Accrual charges	-	3,892	3,892
Secured loans (note 10)	-	267,047	267,047
	<u>-</u>	<u>270,939</u>	<u>270,939</u>
	<u>18,983,145</u>	<u>611,197</u>	<u>19,594,342</u>
<u>2022</u>			
Investments held for trading (note 8)	12,178,854	104,082	12,282,936
Accounts receivable (note 9)	7,513,535	707,700	8,221,235
Cash at bank and on hand	31,508	19,447	50,955
	<u>19,723,897</u>	<u>831,229</u>	<u>20,555,126</u>
Accrual charges	-	4,308	4,308
Secured loans (note 10)	-	302,520	302,520
	<u>-</u>	<u>306,828</u>	<u>306,828</u>
	<u>19,723,897</u>	<u>524,401</u>	<u>20,248,298</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:

	<u>Effective for annual periods beginning on or after</u>
Amendments to HKFRS 3, <i>Business Combinations: Reference to the Conceptual Framework</i>	1 January 2022
Amendments to HKAS 16, <i>Property, Plant and Equipment: Proceeds before Intended Use</i>	1 January 2022
Amendments to HKAS 37, <i>Provisions, Contingent Liabilities and Contingent Assets: Onerous Contracts — Cost of Fulfilling a Contract</i>	1 January 2022
Annual Improvements to HKFRSs 2018-2020 Cycle	
Amendments to HKAS 1, <i>Presentation of Financial Statements: Classification of Liabilities as Current or Non-Current</i>	1 January 2022 1 January 2023
Amendments to HKAS 1, <i>Presentation of Financial Statements</i> and HKFRS Practice Statement 2, <i>Making Materiality Judgements: Disclosure of Accounting Policies</i>	1 January 2023
Amendments to HKAS 8, <i>Accounting Policies, Changes in Accounting Estimates and Errors: Definition of Accounting Estimates</i>	1 January 2023
Amendments to HKAS 12, <i>Income Taxes: Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction</i>	1 January 2023

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.