TIMELESS SOFTWARE LIMITED

Annual Report

for the year ended
31 March 2014

Characteristics of The Growth Enterprise Market ("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 and no assurance is given that there will be a liquid market in the securities traded on GEM.

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Corporate Information

Directors

Executive directors

CHENG Kin Kwan
LAW Kwai Lam
LEUNG Mei Sheung, Eliza
ZHENG Ying Yu
FUNG Chun Pong, Louis
LIAO Yun
TAN Felipe
ZHANG Ming

Independent non-executive directors

TSANG Wai Chun, Marianna
CHAN Mei Ying, Spencer
LAM Kwai Yan
CHAN Choi Ling

Company Secretary

LEUNG Wai Sze *CPA, FCCA, ACA*

Compliance officer

FUNG Chun Pong, Louis

Audit committee

TSANG Wai Chun, Marianna
CHAN Mei Ying, Spencer
LAM Kwai Yan

Registered Office

Units 111-113 1st Floor
Enterprise Place Phase One
Hong Kong Science Park
Pak Shek Kok New Territories
Hong Kong

Auditors

HLB Hodgson Impey Cheng Limited
Certified Public Accountants

Legal adviser

Michael Li & Co.

Bankers

Hang Seng Bank Limited
Bank of Communications

Share Registrars

Computershare Hong Kong Investor Services Limited
46th Floor, Hopewell Centre
183 Queen's Road East
Hong Kong

Chairman's Statement

Business Review

In 2013, global economy still has to face numbers of uncertainty factors compounded with downward trend pressure whereas for Chinese economy, the same downward trend risk also increases, inflation remains high. Thus, the Group's development is also at risk. 2013 also marks the first transition year for Chinese traditional internet industry; the quadruple forces, namely, Social, Mobile, Analytical and Cloud collectively known as SMAC, joined hands in boosting the consumerization of information technology. Anticipating the advent of such wave, the Group has already laid grounds in mobile intern and cloud computing and is set to exert. The Group and the industry are facing the same pain, clients are forever looking for better service quality, software engineers are questing for more space to showcase their talent and better return whereas enterprises have to face pressure of ever increasing manpower cost and non-efficient productivity.

Given the impact of uncertainties derived from economic and external factors, the Group is facing the pressure of declining revenue and shrinking profit; to steer the Group's development towards more favorable direction, the management has implemented several strategies as follow:

(i) explore new projects from existing and new client to broaden revenue sources;

(ii) endeavor to improve productivity and provide quality services to clients so as to secure more orders;

(iii) continue on with implemented incentive scheme and enhance staff communication channels.

Given the situation, the Company invested and developed Tfolder Cloud Computing services platform, upon which various platforms could be built: an efficiency platform for IT serving enterprises, a new working platform for IT services personnel as well as a new supply platform for our clients. Project tasks could then be broken down and uploaded to platform so that not just engineers within the Company could participate, even invited business partners could undertake tasks upon such platform. Development team could make use of the platform for autonomous management so that their working attitude could be more positive and efficiencies escalated. External clients and IT enterprises could base on the platform to execute new socialized project management with function-protecting mechanism to guarantee quality submitted. The Management believes that, Tfolder would not be just the foundation stone for the Group's technological architecture, it could also improves customer experience and simultaneously, promote changes in IT servicing industry.

Our Cloud Computing technology development solutions, have already earned recognitions from government agencies, private enterprises, logistics services providers, smart home appliances supplier, and even ocean going port land and sea transport company; they all agreed to develop services upon the platform to provide to their specific group of customers. Timeless Software Group will continue on perfecting our software development capabilities, which is autonomous innovative with Chinese ethnicity as our strategic positioning, together with solid development technologies cumulated through the years, rich autonomous research experience, mature research team as well as stringent research management plus well established partnership as base, the Group will strive on to provide services and solutions based on Cloud Computing.

Outlook

The Group will continue on exploring into new ideas, quest for new business development focus, such as winning new partners and develop new products and/or ideas suggested by partners. The Board believes that management will be able to lead the Group to consolidate the Group's development system and continue to take advantage of new market opportunities.

To guarantee stable development of business, the Group will actively pursue strategies to further reduce the cost of software development. The Group will also actively promote value-added services based on customer needs and improve development efficiency by improving corporate earnings.

On behalf of the Board
Cheng Kin Kwan
Chairman & Chief Executive Officer

Hong Kong, 24 June 2014

Management Discussion and Analysis

Business Review and Outlook

The Group is principally engaged in two business lines, namely (i) the provision of computer consultancy and software maintenance services, software development, sales of computer hardware and software and e-Commerce services (hereinafter collectively referred to as the "Computer Hardware and Software Business"); and (ii) the exploration and exploitation of mines (hereinafter collectively referred to as the "Mining Business").

Computer Hardware and Software Business

Tianjin Port

In December 2013, Timeless given its cutting edge advantage in development technology and years of experience, successfully won the building of Sailing 17 e-Commerce platform project amongst numerous competitors. The Sailing 17 e-Commerce platform is owned by Penavico TJ, a subsidiary of Tianjin Port, world's fourth largest port by throughput tonnage as of 2013. Under a very tough schedule as required by the client, the new sailing17.com was launched before the Chinese new year of 2014. Sailing17 was designed and built to be an e-commerce platform for different online businesses and new initiatives from Tianjin Port to cover different port and logistics related services. Those services include port information, port operations and partners' (from manufacturers, carriers, piers, container yards, logistics service providers to financial service providers) online services.

Given the success of Sailing 17, in April 2014, Tianjin Port awarded Timeless with another project – to build another online platform – The Virtual Dry Port (線上無水港) – vdp.sailing17.com. Such platform is the first of its kind in China, aiming to provide end-to-end services linking the 21 inland ports of Tianjin, customs (both from the inland ports and TJ) rails and/or road transportations to Tianjin Port.

The success of Sailing17 platform building binds the on-going, stable and long term partnership relationship between Timeless and Tianjin Port with an aim to build various large scale online services integrated with off-line operations to cover different inland ports, service providers and service areas. Sailing17 is an open and global platform to allow rapid integration with other services to be the ultimate e-commerce platform of Tianjin Port for B2B and B2C with on-line payment.

Cultural Management Office, Guangzhou (CMOGZ)

For the past few years, Guangzhou Talent Valley Company Limited, has managed to successfully develop a number of projects for CMOGZ and in 2013, continued on to obtain maintenance revenue. Within the next 1-2 months, a new phase of development project of CMOGZ will achieve material progress: Guangzhou Press and Publication Bureau, a bureau directly led by CMOGZ, is going to issue a public tender for the construction of the "Guangzhou copyright comprehensive information service platform"; such tender has already gone through stages of expert appraisal, approval and funding process and will be announced shortly. Given our good working track record relationship with CMOGZ and our edge in acquaintance of copyright business process flow, we are confident in winning the project and upon such foundation, we will strive to apply such platform to be utilitsed by the whole nation through CMOGZ.

Business Review and Outlook (Continued)

Computer Hardware and Software Business (Continued)

Intelligent robot project with Midea

Talent Valley Company Limited – a wholly-owned subsidiary of Timeless Software Limited in Guangzhou, has signed a ten year software development project with Midea home appliance to develop intelligent vacuum cleaner which involves features and functions such as: control system, cruising control, navigation, area-memory-mapping and obstacle detection etc. and further, Timeless would be also providing intelligent home solution based on internet and Cloud-platform. At present the project is in steady progress and the first phase payment has been received.

Mining Business

Overview

The Group completed the acquisition of a 51% equity interest in the Mining Business on 11 May 2012. Therefore, there was only eleven months operation of Mining Business in last year. The Mining Business mainly includes the exploration, mining, processing and sale of gold dores in the PRC. For the year ended 31 March 2014, gold dores were the only product of the Mining Business.

Operation

For the year ended 31 March 2014, the Group has gold sales of approximately 293.8 kg, representing a decrease of approximately 17% as compared to last year. The average gold market price also decreased for approximately 20% from US$1,653 per ounce for eleven months ended 31 March 2013 to US$1,328 per ounce for the twelve months ended 31 March 2014. The turnover from gold sale for the year under review therefore has recorded a decrease of approximately 37.9% as compared to last year.

Business Review and Outlook (Continued)

Mining Business (Continued)

Reserve estimates update

The details of the reserve estimates as at 31 March 2014 are set out below:

Gold mine	Reserve/Resource category	Tonnage (tonnes * 1,000)	Average grade (gram/tonne)	
Heishiliang	Proved	–		–
	Probable	–		–
	Stockpiles	15		1.47
Hongshannan	Proved	81		5.14
	Probable	8		2.71
	Stockpiles	10		3.49
Iron Mine	**Reserve category**	**Tonnage** (tonnes * 1,000)	**Average grade** (Fe %)	
Tuchushan	Proved	–		–
	Probable	322		32.96
Nickel-copper Mine	**Reserve category**	**Tonnage** (tonnes * 1,000)	**Average grade** (Ni %)	(Cu %)
Baishiquan	Proved	–	–	–
	Probable	1,208	0.52	0.34

Notes:

(1) The mineral resource and reserve estimates were made with reference to the independent technical report prepared in accordance with the JORC (2004) Code Standard in November 2011 (the "Competent Person Report"). The details of the assumptions and parameters used to calculate these resource and reserve estimates were disclosed in the circular of the Company dated 12 April 2012 in relation to the very substantial acquisition.

(2) The changes in mineral resource and reserve estimates were due to production and exploration since the date of the Competent Person's Report and were confirmed by Group's internal experts.

Business Review and Outlook (Continued)

Mining Business (Continued)

Exploration, Development and Mining Production Activities

		Activity	
Mine	**Exploration**	**Development**	**Mining**
Heishiliang Gold Mine	Completed approximately 330 meters drilling	No material development during the year	Extracted Ores: 23,897 tonnes
Hongshannan Gold Mine	No material exploration during the year	Underground channels and other development of approximately 5,000 meters	Extracted Ores: Nil
Tuchushan Iron Mine	No material development during the year		
Baishiquan Nickel-copper Mine	No material development during the year		
South Hami Gold Project	Completed 36 drill holes of approximately 6,622 meters	No material development during the year	Commercial production not yet commenced

Heishiliang Gold Mine

According to the Competent Person Report, Heishiliang Gold Mine has an estimated reserve of 26,000 tonnes gold ores at an average grade of 3.44 gram per tonne and 18,000 tonnes gold ores at stockpiles at an average grade of 3.49 gram per tonne as at 1 December 2011. During the period from 1 December 2011 to 31 March 2014, approximately 40,797 tonnes of gold ores were extracted from Heishiliang Gold Mine which exceeded the estimated reserve of 26,000 tonnes made in 2012. The Group's internal experts confirmed that Heishiliang Gold Mine were exhausted at 31 March 2014.

Hongshannan Gold Mine

The production of Hongshannan Gold Mine was temporarily suspended since the beginning of 2013 for underground development. The mining activity of Hongshannan Gold Mine has been resumed in March 2014.

Business Review and Outlook (Continued)

Mining Business (Continued)

Exploration, Development and Mining Production Activities (Continued)

Tuchushan Iron Mine

According to the Competent Person Report, Tuchushan Iron Mine has estimated reserves of 322,000 tonnes iron ores at an average iron grade of 32.96% and 14,000 tonnes iron ores at stockpiles at average grade of 39.65% as at 1 December 2011. The iron ores at stockpiles were sold in December 2011 and during the year ended December 2012.

The iron price per tonne dropped for approximately 21% from US$214 on 28 February 2012 to US$169 on 31 March 2013. As at 31 May 2014, the iron price has further dropped by approximately 18% to US$138 per tonnes as compared with the figure on 31 March 2013. The management considered the iron price was not favour to economically feasible production and therefore deferred the commercial production of the Tuchushan Iron Mine, pending for market recovery. As an alternative measure, the management will seek potential buyers for the Tuchushan Iron Mine.

Baishiquan Nickel-Copper Mine

The development of Baishiquan nickel-copper mine has been completed and is ready for mining. However, since the nickel price softened from the highest of US$18,599 per tonne on 4 February 2013 to the lowest of US$13,155 per tonne on 9 July 2013, the management has decided to defer its commercial production until the market recovers. The nickel price was US$15,861 per tonne on 31 March 2014 and rebounded by approximately 22% to US$19,400 per tonne on 2 June 2014. In view of the rising trend of nickel price, the management will closely monitor the market situation and is planning to commence the commercial mining of the Baishiquan nickel-copper mine which is preliminary scheduled to early 2015.

However as the Group has no processing plant for nickel ore, to bring the nickel-copper mine to production in long run involves setting up of a floatation plant which is scheduled to be completed by the end of 2014.

South Hami Gold Project

It composes of gold properties located in the southern area of Hami which are under exploration. We have completed 36 drill holes of approximately 6,622 meters. Certain infrastructure has been completed with access road, electricity and water in place.

The Group will continue to develop and explore the South Hami Gold Project, targeting to bring it to production in 2014 or 2015.

Processing Activities

For the year ended 31 March 2014, gold ores of approximately 31,758 tonnes were extracted from the mines and approximately 66,713 tonnes were processed by the processing plant. Although the gold ores extracted decreased by approximately 55%, the gold processing quantity increased by 33% as compared with last year. The decrease in gold ores extraction was due to the underground development work of Hongshannan Gold Mine. The increase in the ores processing quantity proved the temporary decrease in gold ores extraction would have no impact on our production due to the inventories of ores kept by the Group.

Business Review and Outlook (Continued)

Mining Business (Continued)

Expenditure Incurred

During the year ended 31 March 2014, the Group has incurred approximately HK$86,785,000 on exploration, development, mining and processing activities, details of which are set out below:

	Heishiliang Gold Mine HK$'000	Hongshannan Gold Mine HK$'000	Tuchushan Iron Mine HK$'000	Baishiquan Nickel-copper Mine HK$'000	South Hami Gold Project HK$'000	Total HK$'000
1. Capital Expenditure						
1.1 Exploration activities						
Drilling and analysis	–	–	–	1,371	4,063	5,434
Others	–	–	–	192	422	614
Subtotal	–	–	–	1,563	4,485	6,048
1.2 Development activities (including development activities include mine construction)						
Addition of intangible assets; property, plant and equipment	4,825	8,594	–	–	1,014	14,433
Construction of tunnels and roads and sub-contracting charges	–	2,539	–	2,263	14,454	19,256
Staff cost	–	–	–	47	911	958
Others	–	–	–	2,626	2,284	4,910
Subtotal	4,825	11,133	–	4,936	18,663	39,557
Total Capital Expenditure	**4,825**	**11,133**	**-**	**6,499**	**23,148**	**45,605**
2. Operating Expenditure for Mining activities						
Staff cost	258	541	–	–	–	799
Consumables	45	176	–	–	–	221
Fuel, electricity, water and other services	–	211	–	–	–	211
Non-income taxes, royalties and other government charges	141	54	–	–	–	195
Others	433	436	–	–	–	869
Sub-contracting charges	9,776	12,084	–	–	–	21,860
Transportation	2,146	469	–	–	–	2,615
Depreciation and amortisation	1,298	210	–	–	–	1,508
Total Operating Expenditures	14,097	14,181	–	–	–	28,278
Total capital and operating expenditures	**18,922**	**25,314**	**-**	**6,499**	**23,148**	**73,883**
3. Processing Expenditure						
Staff cost						4,244
Consumables						4,784
Fuel, electricity, water and other services						2,178
Depreciation and amortisation						1,036
Transportation						294
Others						366
Total Processing Expenditures						12,902
Total Expenditures						**86,785**

Business Review and Outlook (Continued)

Mining Business (Continued)

Infrastructure projects, subcontracting arrangements and purchases of equipment

All new contracts and commitments entered into during the year ended 31 March 2014 by the Group were related to the infrastructure projects and were summarised as follows:

	HK$'000
Heishiliang Gold Mine	–
Hongshannan Gold Mine	5,027
Tuchushan Iron Mine	–
Baishiquan Nickel-copper Mine	1,497
South Hami Gold Project	1,497
Total	8,021

Madagascar Projects

In October 2013, the Group has entered into a termination agreement to terminate a service agreement entered in March 2013 in respect of three gold mines located in the Republic of Madagascar. The decision was made because the results of the site visits and the analysis of the project did not match with the management's expectation. A deposit of US$800,000 paid to owners of the mines as security for the performance of the Group's obligations pursuant to the service agreement was refunded to the Group upon the termination of the service agreement.

Dividend to non-controlling interest

At 31 March 2014, the Group has dividend payable to non-controlling interest for a total of HK$42.2 million, of which HK$7.2 million was declared in January 2014 for 2013 profit of a non-wholly owned subsidiary of the Group engaging in Mining Business before adjustment made for consolidation purpose; HK$18.2 million was declared by the same subsidiary in January 2013 for its 2012 performance. The remaining balance of HK$16.8 million was declared before the acquisition date of 11 May 2012.

Impairment on mining rights and exploration rights and assets

As at 31 March 2014, the impairment for mining rights and exploration rights and assets were made in relation to the Heishiliang Gold Mine for HK$4.8 million, Hongshannan Gold Mine for HK$26.4 million and Baishiquan Nickel-copper Mine for HK$30.9 million. They were made in view of the unfavourable future prospect of the relevant metals due to the recorded and forecasted falling metal price of the respective products and expected decrease in profit margins as a result of the slowdown of the global economy.

Business Review and Outlook (Continued)

Mining Business (Continued)

Impairment on mining rights and exploration rights and assets (Continued)

During the year ended 31 March 2014, the impairment loss was calculated based on discounted cash flow method, which is commonly used in the mining business valuation, depending on the reserve consumption of the relevant mines, taken into account of the most recent gold, nickel and copper price. This method is adopted because it starts the value of the mines in present value term which is based on a simple reversal calculation to restate all future cash flows in present terms and it eliminates the discrepancy in time value of money by using a discount rate to reflect all business risks associated with gold and nickel copper mining businesses in the PRC. There was no significant change in the valuation method, basis and assumptions adopted other than the decrease in market metal price. Details of the basis and assumptions adopted are listed as follows:

Gold mining

The recoverable amount of the gold mines under impairment testing is determined based on a value in use calculation which uses projections based on financial budget approved by the directors covering a four-year period, and pre-tax discount rate of 30% which reflects current market assessments of the time value of money and the risks specifics to these mines. Other key assumptions for the value in use relate to the estimation of cash inflows/outflows which include level of production, mining costs and gold prices with zero growth rate during the forecasting period which are determined from past performance and market expectations after taking into consideration of prevailing market spot prices. Based on the value in use calculation, the recoverable amount of the gold mines was found to be less than its carrying amount. The review led to the recognition of an impairment loss on the mining rights of approximately HK$31.2 million, which have been recognized in profit or loss and included in the "impairment loss on other intangible assets".

Nickel-copper mining

The recoverable amount of the nickel-copper mine is determined based on a value in use calculation which uses projections based on financial budget approved by the directors covering a five-year period, and pre-tax discount rate of 16% which reflects current market assessments of the time value of money and the risks specifics to this mine. Cash flows beyond the five-year period are extrapolated by assuming zero growth rates. Other key assumptions for the value in use relate to the estimation of cash inflows/outflows which include level of production, mining costs and nickel and copper prices with zero growth rate during the forecasting period which are determined from past performance and market expectations after taking into consideration of prevailing market spot prices. Based on the value in use calculation, the recoverable amount of the nickel-copper mine was found to be less than its carrying amount. The review led to the recognition of an impairment loss on the explorations right and assets of approximately HK$30.9 million, which have been recognised in profit or loss and included in the "impairment loss on other intangible assets".

Promissory Note

On 11 May 2012, the Group issued promissory note in the principal amount of HK$63 million to Starmax Holdings Limited as part of the consideration of acquisition of the Mining Business. After the repayment of HK$3 million in August 2012, the outstanding aggregate principle amount of HK$60 million is repayable in six equal instalments on each anniversary of the date of issue. The promissory note bears interest at 3% per annum payable on each anniversary of the date of issue and is secured by a charge over 51% of the issued share capital of Goffers Management Limited, a non-wholly owned subsidiary of the Company.

The repayment date of the first instalment of promissory note with principal amount of HK$10 million due on 11 May 2013 was extended to 11 May 2014. On 9 May 2014, the repayment date for the first and the second installments in the total principal sum of HK$20 million was further extended to 11 May 2015 at the interest rate of 7% per annum until they are fully paid by the Company.

Outlook

As at 31 March 2014, the gold market price was US$1,284 per ounce which represents a decrease of approximately 20% as compared with the gold price as at 31 March 2013. The decreasing trend of gold price continues during the first half year of 2014. As at 2 June 2014 the gold market was further decrease to US$1,241 per ounce.

Business Review and Outlook (Continued)

Mining Business (Continued)

Outlook (Continued)

The decreasing trend of gold price will have negative impact on the Group's profit as well as the cashflow. If the trend continues in the near future, the Mining Business may incur loss. The management is closely monitoring the market situation and will take necessary measures to cope with the continuous decreasing trend of gold price including adjusting the production target for the coming year. In the other hand, if the nickel price continuously performs and stays at the current level (as at 2 June 2014 the nickel price was US$19,400 per tonne) or above, the management will consider to commence the commercial mining of the Baishiquan nickel-copper mine during the second half of 2014.

The Group will continue to development and explore South Hami Gold Project, targeting to bring it to production in 2014 or 2015.

Financial Performance Review

For the year ended 31 March 2014, the Group recorded audited turnover of approximately HK$127,981,000 (2013: HK$204,866,000), representing a decrease of 37.5% as compared with the same period of last year. Loss attributable to owners of the Company was approximately HK$56,903,000, as compared to approximately HK$27,611,000 over the same period in 2013.

In respect of the Computer Hardware and Software Business segment, the Group recorded turnover and segmental loss of approximately HK$33,520,000 (2013: HK$48,828,000) and HK$31,930,000 (2013: HK$25,732,000) respectively, representing a decrease of 31.3% and an increase of 24.1% respectively as compared with the prior year. The Mining Business segment posted turnover, earnings before interest income and expense, income taxes, depreciation, amortisation and impairment ("EBITDA") and segmental loss for the year under review of approximately HK$94,461,000 (2013: HK$156,038,000), approximately HK$17,234,000 (2013: approximately HK$71,739,000) and HK$51,037,000 (2013: profit of HK$46,513,000) respectively, representing a decrease of 39.5%, 76.0% and 209.7% respectively as compared with the prior year.

The substantial increase in loss for the Group was mainly attributable to (i) the recognition of impairment losses on intangible assets amounting to approximately HK$62,134,000 in relation to the Company's mining business segment mainly caused by the decrease in the average gold and nickel market price; (ii) net loss of approximately HK$3,123,000 on listed equity investments, as compared to a gain of approximately HK$7,709,000 in the comparable period.

Liquidity and financial resources

As at 31 March 2014, the Group had bank balances and cash and net current assets amounted to approximately HK$33,707,000 and HK$3,876,000 (31 March 2013: HK$55,242,000 and HK$83,684,000) respectively. Out of the Group's bank balances and cash, about 35% and 65% were denominated in Hong Kong dollars and Chinese Renminbi (31 March 2013: 48% and 52%) respectively. As at 31 March 2014, the current ratio stood at 1.03 (31 March 2013: 1.91).

The Group generally financed its operations and investing activities primarily with internally generated cash flow as well as the proceeds from fund raising activities and from the exercising by grantees of the share options granted under the share option schemes.

As at 31 March 2014, the Group had outstanding borrowings of approximately HK$73,225,000 (31 March 2013: HK$61,126,000), for which primarily represents the Hong Kong dollar denominated promissory note accounted for at amortised cost using the effective interest method. As at the date of this report, the promissory note shall be repaid by instalments with accrued interests (as amended by supplemental agreements) and of which approximately HK$34,841,000 was repayable within one year, HK$31,802,000 was repayable within two to five years accordingly.

The directors believe that the Group has an adequate capital structure and the Group's existing financial resources are sufficient to fulfill its commitments and working capital requirements.

Gearing ratio

As at 31 March 2014, the Group's gearing ratio was approximately 85.13% (31 March 2013: 45.88%), based on total borrowings of approximately HK$73,225,000 (31 March 2013: HK$61,126,000) and equity attributable to owners of the Company of approximately HK$86,018,000 (31 March 2013: HK$133,224,000). The increase in the ratio was mainly attributable to increase in bank borrowing as to finance the purchase of investment properties during the year under review.

Charge on the Group's assets

As at 31 March 2014, 102 shares of Goffers Management Limited (representing 51% of the issued share capital), an indirect wholly-owned subsidiary of the Company, was pledged to the noteholder in order to secure the payment obligations of the Group under the promissory note.

In addition, the Group had also pledged bank deposits and investment properties with carrying amounts of approximately HK$110,000 and HK$19,600,000 respectively to secure certain credit and loan facilities granted to the Group.

Order book and prospects for new business

The amount of orders on hand of the Group was over HK$6,536,000 as at 31 March 2014.

Material acquisitions and disposals of subsidiaries and affiliated companies

There was no material disposal or acquisition of subsidiaries and affiliated companies for the year under review.

Segmental information

The Group is currently organised into two operating segments – (i) the Computer Hardware and Software business; and (ii) the Mining business. During the year under review, revenue generated by the Group's Computer Hardware and Software Business and Mining Business accounted for 26.2% (2013: 23.8%) and 73.8% (2013: 76.2%) respectively.

Future plans for material investments

The Group does not have any plan for material investments in the near future.

Exposure to exchange risks

Since the Group's borrowings and its source of income are primarily denominated in Hong Kong dollars or Renminbi and the exchange rate of Renminbi to Hong Kong dollars has been relatively stable throughout the year under review, the exposure to foreign exchange rate fluctuations is minimal.

Contingent liabilities

As at 31 March 2014, there were no material contingent liabilities incurred by the Group.

Employee information

As at 31 March 2014, the Group employed a total staff of 212. Staff remuneration is reviewed by the Group from time to time and increases are granted normally annually or by special adjustment depending on length of service and performance when warranted. In addition to salaries, the Group provides staff benefits including medical insurance and provident fund. Share options and bonuses are also available to employees of the Group at the discretion of the directors and depending upon the financial performance of the Group.

Biographical Details of Directors and Senior Management

Directors

Executive directors

Dr. CHENG Kin Kwan, aged 75, founder, Chairman and CEO of Timeless Software Limited. Dr. Cheng is the Executive Vice President and Honorary Secretary-General of the professional committee of the National Bureau JISC industry development strategies; such committee was headed by nine States Ministries and composed of fifteen State Ministries. Dr. Cheng is also the Honorary Fellow Member of Business Administration of the Canadian Chartered Institute of Business Administration.

Prior to the establishment of the Company, Dr. Cheng has served over 30 years in the information technology industry with outstanding achievement. He is the inventor of the first Chinese Processing system and introduced the new generation image processing personal computer into China. Further, Dr. Cheng is the first sole distributor of Novell system covering Asia, Hong Kong and China; such system was applied and used as the pioneer Banking System in China. Additionally, Dr. Cheng also developed and built the first computer system for Hong Kong Future Exchange.

After founding Timeless, Dr. Cheng swiftly and successfully led Timeless Software Limited to become the first company listed in the Hong Kong Growth Enterprise Market ("GEM") in 25 November 1999, marking the historical opening of GEM Board.

In Year 2001, Dr. Cheng, being invited by Wang Dazhong, the then president of Qinghua University, visited Beijing; both parties, instantly and unprecedented, confirmed the co-founding of "Timeless Tsinghua Research Centre", replacing the original plan of founding joint research centre between Qinghua University and Microsoft; from then on, the process of developing Chinese Operating System upon Timeless Consolidated Platform since 1 July 1996 entered the critical stage. With dedication and full co-operation from Qinghua University, Timeless, based on the years of native technology outcome Qinghua accumulated which include the core Massive Database technology, carried on the ultimate development elegantly.

After market experiencing through ten plus years and three hundred odd typical projects, finally, in 2008, Timeless OSQun (Timeless Operating System Group) was basically completed which comprised of five sub-operating systems, namely, "GuangCunYuan" sub-operating system, "ZiFaYuan" sub-operating system, "ZiWangYuan" sub-operating system, "ShiXiangYuan" sub-operating system and "SouSuoYuan" sub-operating system.

Timeless OSQun is the contemporary, true, unique, consolidated, China made operating system; such operating system is the technology brand of Chinese autonomous innovation. Dr. Cheng, being invited numerous times to be present with the nation's highest officials to participate in various events, served as the best credential for affirming Timeless OSQun as the technology brand of Chinese autonomous innovation.

Such Operating System also contributed greatly towards Space conquest programme of our nation. Starting 2006, Dr. Cheng was being honoured to be the Information Technologies Expert of World Data Center (WDC) space science centers and received accolade from relevant department of the China manned Space protection programme saying "a passionate patriot, actively support the nation's manned space programme, unselfishly contributed towards the protection missions of our nation's Shenzhou series."

Directors (Continued)

Executive directors (Continued)

Undoubtedly, Timeless OSQun, which Dr. Cheng visionary founded was very timely and shall have profound impact on application and development of various Operating system in the market. In mid 2014, China Government's Central Government Procurement Centre issued an important notification barring Windows 8 from installing on all computer products. Such notification voiced out a monumental historical signal: from now on, from China or even the whole world, Chinese Operating System shall eventually replaced foreign Operating System and the trend shall prevail. As such, value of Timeless OSQun shoots far beyond imagination.

Ms. Leung Mei Sheung, Eliza, aged 49, is the Assistant to Chairman and Administration Director of the Company and is responsible for the overall administrative management of the Group and special assignments by the CEO. Ms. Leung joined the Group in June 1996. She has over 28 years of experience in office administration and accounting in the IT field.

Mr. Liao Yun, aged 41, is the Head of Technology Development, responsible for planning and executing technological development of Timeless Consolidated Platform and overseeing the overall market development of the Company. He assists the Chief Executive Officer in establishing the Company's strategy and planning of technological and marketing development directly. Mr. Liao holds a Bachelor's Degree in Computer Software from South China University of Technology. He joined the Group in July 1998 and has over 18 years of experience in the IT industry.

Mr. Law Kwai Lam, aged 67, is the Consultant to Chairman of the Company. Mr. Law has been with the Group since its establishment. Mr. Law holds a Bachelor degree in Biochemistry from the University of Kansas. Prior to joining the Group, Mr. Law was the Company Secretary of a listed company in Hong Kong for 10 years.

Mr. Fung Chun Pong, Louis, aged 61, is the Special Assistant to Chairman of the Company. Mr. Fung joined the Group in October 1998. He has over 30 years of experience in the IT industry and specialises in financial systems.

Ms. Zheng Ying Yu, aged 40, is responsible for market promotion and administrative work of the Guangzhou office. She joined the Group in 1998 and has 18 years of experience in the IT industry. Ms. Zheng holds a Bachelor of Science degree in Computer Science from ZhongShan University.

Mr. Felipe Tan, aged 59, is currently a director of Xinjiang Tianmu Mineral Resources Development Co. Ltd. ("Xinjiang Tianmu"), Goffers Resources Limited, Kangshun HK Limited, Kangshun Investments Limited and Goffers Management Limited, all of which are non-wholly owned subsidiaries of the Company. Xinjiang Tianmu is principally engaged in the exploration and exploitation of gold, iron and nickel-copper mines in Xinjiang, PRC. Mr. Tan has over 30 years of experience in metal trading including over 13 years of management experience in mining industry in the PRC. Currently, he is the chairman of the board, president and chief executive officer of GobiMin Inc., the shares of which are listed on the TSX Venture Exchange in Canada (stock code: GMN.V). Its subsidiaries and associate companies are principally engaged in exploration of a gold mine and prospecting exploration projects of gold, copper and nickel in Xinjiang, PRC. During the period from 1994 to 2006, Mr. Tan had been an executive director of Simsen International Corporation Limited (stock code: 993), a company listed on the Stock Exchange, and a director of its subsidiaries, responsible for its metal trading and mining operations.

Directors (Continued)

Executive directors (Continued)

Mr. Zhang Ming, aged 48, has been a director of Xinjiang Tianmu since 2002. Mr. Zhang has over 10 years' experience in the mining industry. From 1998 to 2000, he had been a director of Hami Economy and Trade Committee (哈密市經濟貿易委員會) and Hami Gold Bureau (哈密黃金局). Thereafter, Mr. Zhang has been a director of various companies engaged in exploration and development of gold mines and nickel-copper mines in Xinjiang and exploration projects of gold, copper, nickel, lead and zinc in Xinjiang. Since 2005, Mr. Zhang has been a director of GobiMin Inc.. Its subsidiaries and associate companies are principally engaged in exploration of a gold mine and prospecting exploration projects of gold, copper and nickel in Xinjiang, PRC. Mr. Zhang is responsible for the development of mining business in Xinjiang, PRC.

Independent non-executive directors

Ms. Tsang Wai Chun, Marianna, aged 59, is the Managing Director of TWC Management Limited. She is a member of the Institute of Chartered Secretaries and Administrators, the Hong Kong Institute of Company Secretaries, the Taxation Institute of Hong Kong, the Society of Registered Financial Planners and the Chartered Institute of Arbitrators. She is appointed as a member of the Board of Review (Inland Revenue Ordinance). Ms. Tsang has over 30 years of company secretarial, corporate affairs, and related legal working experience in major commercial corporations and in professional firms. She has an MBA and a postgraduate certificate in Professional Accounting. She was appointed as an independent non-executive director in October 2003.

Mr. Chan Mei Ying, Spencer, aged 57, is an entrepreneur in various industries and a consultant to Infocus Corporation. Mr. Chan has all-round experience in corporate finance, business development, sales and marketing. Mr. Chan studied Computer Science in Melbourne, Australia, before receiving a Master's Degree in Business Administration from the Chinese University of Hong Kong. He also has attended an executive management program at INSEAD, Fontainbleau, France. He was appointed as an independent non-executive director in October 2005.

Mr. Lam Kwai Yan, aged 54, has a degree in Business Studies from the University of Southern Queensland, Australia. He is a member of the Hong Kong Institute of Certified Public Accountants and Institute of Singapore Chartered Accountants, and a fellow member of the CPA Australia. Mr. Lam has worked for various large corporations, and has vast experiences with SME's, including auditing and consulting on re-organisation and restructuring businesses that have cross-border operations in China. His work also included advising and consulting for listed public companies. Mr. Lam was appointed as an independent non-executive director in December 2008.

Ms. Chan Choi Ling, aged 39, is a qualified solicitor in Hong Kong. She obtained her Bachelor of Laws degree in 1998 from the City University of Hong Kong. Ms. Chan has over 10 years' experience in civil litigation. Ms. Chan currently practices as a solicitor in a law firm in Hong Kong. She was appointed as an independent non-executive director in September 2012.

Corporate Governance Practices

The Company strives to attain and maintain the highest standard of corporate governance as it believes that effective corporate governance practices are fundamental to enhancing shareholder value and safeguarding shareholder interests.

The principles of corporate governance adopted by the Group emphasize a quality board, sound internal control, and transparency and accountability to all its shareholders.

The Company has adopted the code provisions ("Code Provisions") set out in the Corporate Governance Code (taking effect from 1 April 2012) (the "Code") as set out in Appendix 15 to the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (the "GEM Listing Rules"). The Company had complied with all Code Provisions as set out in the Code, throughout the year ended 31 March 2014, except for Code Provision A.2.1.

Code Provision A.2.1 provides that the roles of the chairman and chief executive officer should be separate and should not be performed by the same individual. The positions of Chairman of the Board and Chief Executive Officer ("CEO") of the Company are both currently carried on by Mr. Cheng Kin Kwan. The Board considers that vesting the roles of chairman and chief executive officer in the same person facilitates the execution of the Group's business strategies and maximizes effectiveness of its operation. The Board as well as nomination committee shall nevertheless review the structure of the Board from time to time and shall consider the appropriate move to take should suitable circumstance arises.

Board of Directors

Composition and Responsibilities

The Board is responsible for directing the strategic objectives of the Company and overseeing the management of the business. The directors are charged with the task of promoting the success of the Company and making decisions in the best interest of the Company.

The Board also takes up the corporate governance functions pursuant to the Code. During the year, the Board as a whole, is responsible for the following corporate governance functions:

– To develop and review the Company's policies and practices on corporate governance and make recommendations to the board;

– To review and monitor the training and continuous professional development of directors and senior management;

– To review and monitor the Company's policies and practices on compliance with legal and regulatory requirements;

– To review the issuer's compliance with the Code and disclosure in the Corporate Governance Report.

Board of Directors (Continued)

Composition and Responsibilities (Continued)

The Board led by its Chairman, Mr. Cheng Kin Kwan, approves and monitors group wide strategies and policies, annual budgets and business plans, evaluates the performance of the Company, and supervises the management. Management is responsible for the day-to-day operations of the Group under the leadership of the Chairman.

The Board currently comprises twelve directors ("Directors"), including eight Executive Directors (including Chairman of the Board) and four Independent Non-executive Directors.

The composition of the Board is as follows:

Executive Directors:
Mr. CHENG Kin Kwan *(Chairman & CEO)*
Mr. LAW Kwai Lam
Ms. LEUNG Mei Sheung, Eliza
Ms. ZHENG Ying Yu
Mr. FUNG Chun Pong, Louis
Mr. LIAO Yun
Mr. TAN Felipe
Mr. ZHANG Ming

Independent Non-executive Directors:
Ms. TSANG Wai Chun, Marianna
Mr. CHAN Mei Ying, Spencer
Mr. LAM Kwai Yan
Ms. CHAN Choi Ling

Biographical details of the Directors are set out in the "Biographical Details of Directors and Senior Management" section on pages 15 to 17 of this annual report.

Board Meetings

The Board held 6 meetings during the year ended 31 March 2014 with an average attendance rate of approximately 78%.

Board of Directors (Continued)

Composition and Responsibilities (Continued)

Directors' Attendance at Board/Board Committee/General Meetings

Here below are details of all Directors' attendance at the board meeting, board committee meetings and general meetings held during the year 31 March 2014:

	Board Meeting	Audit Committee Meeting	Remuneration Committee Meeting	Nomination Committee Meeting	2013 Annual General Meeting
	Number of Meetings Attended/Held				
Executive Directors:					
CHENG Kin Kwan	6/6	–	–	–	1/1
LAW Kwai Lam	3/6	–	–	–	1/1
LEUNG Mei Sheung, Eliza	5/6	–	–	–	1/1
ZHENG Ying Yu	3/6	–	–	–	1/1
FUNG Chun Pong, Louis	6/6	–	–	–	1/1
LIAO Yun	6/6	–	–	–	1/1
TAN Felipe	5/6	–	–	–	1/1
ZHANG Ming	4/6	–	–	–	0/1
Independent Non-executive Directors:					
TSANG Wai Chun, Marianna	5/6	4/4	1/1	1/1	1/1
CHAN Mei Ying, Spencer	4/6	3/4	1/1	1/1	1/1
LAM Kwai Yan	5/6	4/4	1/1	1/1	1/1
CHAN Choi Ling	4/6	–	–	–	1/1

Appropriate notices are given to all Directors in advance for attending regular and other board or board committee meetings in accordance with the Articles of Association of the Company. Meeting agendas and other relevant information are provided to the Directors in advance of board or board committee meetings. All Directors are consulted to include additional matters in the agenda for such meetings.

Board of Directors (Continued)

Appointment, Re-election and Removal

The Company's Articles of Association have been amended to provide that all directors appointed to fill a casual vacancy shall be subject to election by shareholders at the first general meeting after their appointment and every director, including those appointed for a specific term, shall be subject to retirement by rotation at least once every three years.

Each of the Executive Directors has entered into service contract with the Company when they are appointed as Directors. These service contracts will continue thereafter until terminated by either party giving to the other party not less than three months' notice in writing.

Each of the Independent Non-executive Directors was appointed for a term of one year, subject to re-election.

Save as disclosed above, none of the Directors proposed for re-election at the forthcoming annual general meeting has any service contract with the Company or any of its subsidiaries which is not determinable by the Group within one year without payment of compensation, other than the statutory compensation.

Confirmation of Independence

The Company confirmed that annual confirmations of independence were received from each of the Company's Independent Non-executive Directors pursuant to Rule 5.09 of the GEM Listing Rules and all Independent Non-executive Directors are considered to be independent.

Directors' Securities Transactions

The Company has adopted a code of conduct regarding the securities transactions by directors on terms no less exacting than the required standard of dealings set out in rules 5.48 to 5.67 of the GEM Listing Rules. Having made specific enquiry of all directors, all directors confirmed that they had complied with the required standard of dealings and the code of conduct regarding securities transactions by directors adopted by the Company throughout the year ended 31 March 2014.

Directors' Participation in Continuous Professional Trainings

During the year under review, the Directors received from the Company from time to time the updates on laws, rules and regulations which might be relevant to their roles, duties and functions as director of a listed company.

In addition, the Company invited professionals to provide trainings to the Directors from time to time regarding the latest developments on the GEM Listing Rules to refresh their knowledge, if and when necessary.

Board Committee

Audit Committee

The Audit Committee comprises three Independent Non-executive Directors, namely:

Ms. Tsang Wai Chun, Marianna *(Chairman)*
Mr. Chan Mei Ying, Spencer
Mr. Lam Kwai Yan

The primary duties of the Audit Committee are to review and supervise the financial reporting process and internal control system of the Group.

Under the terms of reference of the Audit Committee, the committee is required, amongst other things, to oversee the relationship with the external auditors, review the Group's preliminary results, interim results and annual financial statements and the connected transactions, monitor compliance with statutory and GEM Listing Rules requirements, review the scope, extent and effectiveness of the activities of the Group's internal control, engage independent legal or other advisers as it determines is necessary and perform investigations.

For the year ended 31 March 2014, the Audit Committee held 4 meetings. Details of the attendance of the members of the Audit Committee in the said meetings are set out under the sub-heading "Directors' Attendance at Board/Board Committee/General Meetings" above.

The summary of work of the Audit Committee during the year:

– To make recommendation to the Board on reappointment of the external auditor;

– To monitor the external auditor's independence and objectivity and the effectiveness of the audit process in accordance with applicable standards, and to discuss with the external auditor the nature and scope of the audit and reporting obligations before the audit commences;

– To monitor integrity of the Company's financial statements, annual report, accounts and the half-year report, and to review significant financial reporting judgments contained in them.

The accounts for the year ended 31 March 2014 were audited by HLB Hodgson Impey Cheng Limited whose term of office will expire upon the AGM. The audit committee has recommended to the Board that HLB Hodgson Impey Cheng Limited be re-appointed as the auditors of the Company at the AGM.

Remuneration Committee

The Remuneration Committee was set up in March 2006 and comprises three Independent Non-executive Directors, namely:

Mr. Chan Mei Ying, Spencer *(Chairman)*
Ms. Tsang Wai Chun, Marianna
Mr. Lam Kwai Yan

Board Committee (Continued)

Remuneration Committee (Continued)

The primary aim of the Remuneration Committee is to formulate transparent procedures for developing remuneration policies and compensation packages for the employees of the Group.

For the year ended 31 March 2014, the Remuneration Committee held 1 meeting. Details of the attendance of the members of the Remuneration Committee in the said meetings are set out under the sub-heading "Directors' Attendance at Board/Board Committee/General Meetings" above.

The summary of work of the Remuneration Committee during the year:

– To determine the policy for the remuneration of executive directors, assessing performance of executive directors and approving the terms of executive directors' service contracts;

– To make recommendations to the Board on the Company's policy and structure for all remuneration of directors and senior management and on the establishment of a formal and transparent procedure for developing policy on such remuneration and to place recommendations before the Board concerning the total remuneration and/or benefits granted to the Directors from time to time;

– To review and approve the senior management's remuneration proposals with reference to the corporate goals and objectives resolved by the Board from time to time.

Nomination Committee

The Company has established the Nomination Committee in March 2006 in compliance with the GEM Listing Rules, terms of reference of which have been adopted by the Company are consistent with the requirements of the Code. The Nomination Committee comprises three Independent Non-executive Directors, namely:

Mr. Lam Kwai Yan *(Chairman)*
Ms. Tsang Wai Chun, Marianna
Mr. Chan Mei Ying, Spencer

The primary aim of the Nomination Committee is to review and make recommendation to the Board when the vacancies occurred. The Nomination Committee meets at least once a year or as needed where vacancies arise at the Board.

For the year ended 31 March 2014, the Nomination Committee held 1 meeting. Details of the attendance of the members of the Nomination Committee in the said meetings are set out under the sub-heading "Directors' Attendance at Board/Board Committee/General Meetings" above.

Board Committee (Continued)

Nomination Committee (Continued)

The summary of work of the Nomination Committee during the year:

– To review and monitor the structure, size and composition (including the skills, knowledge and experience) of the Board at least annually and make recommendations to the Board regarding any proposed changes;

– To identify and nominate qualified individuals for appointment as additional Directors or to fill Board vacancies as and when they arise. The criteria to be adopted by the Board in considering each individual shall be their ability to contribute to the effective carrying out by the Board of its responsibilities;

– To make recommendations to the Board on matters relating to the appointment or re-appointment of Directors and succession planning for Directors in particular the chairman and the chief executive officer.

Auditors' Remuneration

For the year ended 31 March 2014, the fees payable to the auditors in respect of the audit and non-audit services were as follows:

Types of services	Amount (HK$)
Annual audit services	950,000
Non-audit services – Taxation	77,000
Non-audit services – Interim review	280,000

Accountability and Audit

Directors' Responsibility for the Financial Statements

The following statements, which set out the responsibilities of the Directors in relation to the financial statements, should be read in conjunction with, but distinguished from, the Independent Auditors' Report on page 36 of this annual report which acknowledges the reporting responsibilities of the Group's auditors.

Accountability and Audit (Continued)

Directors' Responsibility for the Financial Statements (Continued)

The Directors acknowledge that they are responsible for the preparation of financial statements which give a true and fair view. In preparing the financial statements which give a true and fair view, the Directors consider that the Group uses appropriate accounting policies that are consistently applied, makes judgments and estimates that are reasonable and prudent, and that all applicable accounting standards are followed. The Directors are responsible for ensuring that the Group keeps accounting records which disclose the financial position of the Group and enable the preparation of financial statements in accordance with Hong Kong Companies Ordinance and the applicable Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants. The Directors are responsible for taking all reasonable and necessary steps to safeguard the assets of the Group and to prevent and detect fraud and other irregularities. Having made appropriate enquiries, the Directors consider that the Group has adequate resources to continue in operational existence for the foreseeable future and that, for this reason, it is appropriate to adopt the going concern basis in preparing the financial statements. The Directors in particular consider the adequacy of resources, qualifications and experience of staff to the Group's accounting and financial reporting function, and their training programmes and budget.

Review of Risk Management and Internal Control

The Audit Committee assists the Board in meeting its responsibilities for maintaining an effective system of internal control. It reviews the process by which the Group evaluates its control environment and risk assessment process, and the way in which business and control risks are managed.

The Board recognises its responsibility for maintaining an adequate system of internal control and prompt and transparent reporting of the Company's activities to the shareholders and to the public.

The internal control system is designed to facilitate the effectiveness and efficiency of operations, safeguard assets against unauthorised use and disposition, ensure the maintenance of proper accounting records and the truth and fairness of the financial statements, and ensure compliance with relevant legislation and regulations. It aims to achieve reasonable assurance against material mis-statement or loss in the management of the Group's business activities.

Company Secretary

For the year ended 31 March 2014, the Company Secretary undertook over 15 hours' professional training to update her skill and knowledge in compliance with the Corporate Governance Code.

Changes in Constitutional Documents

For the year ended 31 March 2014, there is no significant change in its constitutional documents.

Shareholders' Rights

The Way by Which Shareholders Can Convene Extraordinary General Meeting ("EGM")/ Put Forward Proposal

According to the Company's Articles of Association and as provided by the Hong Kong Companies Ordinance, any one or more shareholders of the Company holding at the date of deposit of the requisition not less than one-twentieth of the paid up capital of the Company carrying the right of voting at general meetings of the Company shall at all times have the right, by written requisition to the Board, to require an EGM to be called by the Board for the transaction of any business specified in such requisition; and such meeting shall be held within three (3) months after the deposit of such requisition. If within twenty-one (21) days of such deposit the Board fails to proceed to convene such meeting the requisitionist(s) himself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to the requisitionist(s) by the Company.

And, if a shareholder wishes to propose a person other than a Director retiring for election as a Director at the coming annual general meeting of the Company ("AGM"), the shareholder should deposit a written notice of nomination at the head office of the Company or at the office of the Company's Branch Share Registrar within 7-day period commencing from the day after the dispatch of the AGM notice (or such other period as may be determined and announced by the Director from time to time).

The Procedures for Sending Enquiries to the Board

Specific enquiries from shareholders to the Board can be sent in writing to the Company at our head office in Hong Kong or by email through info@timeless.com.hk stated on the Company's website.

Directors' Report

The directors present their annual report and the audited financial statements for the year ended 31 March 2014.

Principal Activities

The Company acts as an investment holding company and is engaged in the provision of computer consultancy and software maintenance services, software development and sales of computer hardware and software.

The principal activities of the Company's principal subsidiaries are set out in note 39 to the financial statements.

Results and Appropriations

The results of the Group for the year are set out in the consolidated statement of profit or loss and other comprehensive income on page 37.

The directors do not recommend the payment of dividend nor transfer of any amount to reserves (2013: nil).

Share Capital

Details of the movement in share capital of the Company during the year are set out in note 31 to the financial statements.

Reserves

Details of the movements in reserves of the Group and the Company during the year are set out on page 40 and note 40 to the financial statements, respectively.

The Company had no reserves available for distribution to shareholders as at 31 March 2014 (2013: nil).

Investment Properties and Property, Plant and Equipment

Details of the movements in investment properties and property, plant and equipment of the Group and the Company during the year are set out in notes 13 and 14 to the financial statements, respectively.

Directors and Directors' Service Contracts

The directors of the Company during the year and up to the date of this report were:

Executive directors:

Cheng Kin Kwan (Chairman and Chief Executive Officer)
Law Kwai Lam
Leung Mei Sheung, Eliza
Zheng Ying Yu
Fung Chun Pong, Louis
Liao Yun
Felipe Tan
Zhang Ming

Independent non-executive directors:

Tsang Wai Chun, Marianna
Chan Mei Ying, Spencer
Lam Kwai Yan
Chan Choi Ling

In accordance with Article 105(A) of the Company's Articles of Association, Mr. Law Kwai Lam, Mr. Liao Yun, Ms. Leung Mei Sheung, Eliza and Mr. Lam Kwai Yan retire and, being eligible, offer themselves for re-election.

Each of the executive directors has entered into a service contract with the Company when he or she is appointed as a director of the Company. These service contracts will continue thereafter until terminated by either party giving to the other party not less than three months' notice in writing.

Each of the independent non-executive directors was appointed for a term of one year.

Save as disclosed above, none of the directors proposed for re-election at the forthcoming annual general meeting has any service contract with the Company or any of its subsidiaries which is not determinable by the Group within one year without payment of compensation, other than statutory compensation.

Directors' and Chief Executive's Interests and Short Positions in Shares and Underlying Shares of the Company

At 31 March 2014, the interests and short positions of the directors and the chief executive of the Company and their associates in the shares, underlying shares or debentures of the Company and its associated corporations, as recorded in the register maintained by the Company pursuant to Section 352 of the Securities and Futures Ordinance ("SFO"), or otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to Rule 5.46 of the Rules Governing the Listing of Securities on the Growth Enterprise Market (the "GEM") of the Stock Exchange (the "GEM Listing Rules"), were as follows:

Long positions

(a) Interests in the shares of the Company

	Number of ordinary shares held in the capacity of			
Name of director	Beneficial owner	Controlled corporation	Total number of shares	Percentage of shareholding
Cheng Kin Kwan	223,800,000	–	223,800,000	13.78%
Law Kwai Lam	10,000,000	28,325,000*	38,325,000	2.36%
Leung Mei Sheung, Eliza	26,592,000	–	26,592,000	1.64%
Zheng Ying Yu	16,450,000	–	16,450,000	1.01%
Fung Chun Pong, Louis	488,000	–	488,000	0.03%
Liao Yun	8,800,000	–	8,800,000	0.54%
Felipe Tan	5,062,000	304,912,000*	309,974,000	19.08%
Zhang Ming	75,500,000	–	75,500,000	4.65%

* These shares were held by private companies which are wholly-owned by Mr. Law Kwai Lam or owned as to 90.01% by Mr. Felipe Tan respectively.

Directors' and Chief Executive's Interests and Short Positions in Shares and Underlying Shares of the Company (Continued)

Long positions (Continued)

(b) Interests in shares of associated corporation of the Company

Name of director	Name of associated corporation	Capacity	Number of shares/ registered capital	Percentage of interest in the registered capital of the associated corporation
Felipe Tan	Goffers Management Limited	Interest of controlled corporation	200*	100%
	Goffers Resources Limited	Interest of controlled corporation	1,000	100%
	Kangshun HK Limited	Interest of controlled corporation	1,000	100%
	Kangshun Investments Limited	Interest of controlled corporation	1,000	100%
	Xinjiang Tianmu Mineral Resources Development Co. Ltd	Interest of controlled corporation	RMB20,000,000	51%

* 98 shares (representing 49%) are held by Mr. Felipe Tan through Starmax Holdings Limited whereas 102 shares (representing 51%) are pledged to Starmax Holdings Limited as security of the payment obligations of the Group under the promissory note.

(c) Interests in debentures of associated corporation of the Company

Name of director	Name of associated corporation	Capacity	Amount of debentures
Felipe Tan	Time Kingdom Limited	Interest of controlled corporation	HK$60,000,000*

* The outstanding balance of the promissory note issued to Starmax Holdings Limited which is owned as to 90.01% by Mr. Felipe Tan.

Directors' and Chief Executive's Interests and Short Positions in Shares and Underlying Shares of the Company (Continued)

Long positions (Continued)

(d) Options to subscribe for ordinary shares of the Company

Particulars of the directors' interests in share options to subscribe for shares in the Company pursuant to the Company's 2003 share option scheme were as follows:

Name of directors	Date of grant	Exercisable period	Exercise price per share HK$	Number of share options and number of underlying shares: Outstanding at 1.4.2013	Granted during the year	Exercised during the year	Lapsed during the year	Outstanding at 31.3.2014
Cheng Kin Kwan	5.9.2003	5.9.2003–4.9.2013	0.2280	6,960,000	–	–	(6,960,000)	–
	8.12.2003	8.12.2003–7.12.2013	0.2130	800,000	–	–	(800,000)	–
	25.2.2004	25.2.2004–24.2.2014	0.1900	7,700,000	–	–	(7,700,000)	–
Law Kwai Lam	5.9.2003	5.9.2003–4.9.2013	0.2280	2,000,000	–	–	(2,000,000)	–
	9.1.2004	9.1.2004–8.1.2014	0.1900	1,000,000	–	–	(1,000,000)	–
	28.2.2005	28.2.2005–27.2.2015	0.0722	1,000,000	–	–	–	1,000,000
	26.9.2006	26.9.2006–25.9.2016	0.0772	3,500,000	–	–	–	3,500,000
	18.6.2007	18.6.2007–17.6.2017	0.2980	800,000	–	–	–	800,000
Leung Mei Sheung, Eliza	5.9.2003	5.9.2003–4.9.2013	0.2280	5,500,000	–	(5,500,000)	–	–
	8.12.2003	8.12.2003–7.12.2013	0.2130	4,300,000	–	–	(4,300,000)	–
	25.2.2004	25.2.2004–24.2.2014	0.1900	5,800,000	–	(5,800,000)	–	–
Zheng Ying Yu	5.9.2003	5.9.2003–4.9.2013	0.2280	2,000,000	–	(2,000,000)	–	–
	8.12.2003	8.12.2003–7.12.2013	0.2130	400,000	–	(400,000)	–	–
	9.1.2004	9.1.2004–8.1.2014	0.1900	6,100,000	–	(6,100,000)	–	–
	13.12.2004	13.12.2004–12.12.2014	0.0982	50,000	–	(50,000)	–	–
Fung Chun Pong, Louis	5.9.2003	5.9.2003–4.9.2013	0.2280	2,000,000	–	–	(2,000,000)	–
	9.1.2004	9.1.2004–8.1.2014	0.1900	1,000,000	–	–	(1,000,000)	–
	19.4.2004	19.4.2004–18.4.2014	0.2096	300,000	–	–	–	300,000
	24.3.2006	24.3.2006–23.3.2016	0.1530	300,000	–	–	–	300,000
	18.6.2007	18.6.2007–17.6.2017	0.2980	300,000	–	–	–	300,000
Liao Yun	5.9.2003	5.9.2003–4.9.2013	0.2280	800,000	–	(800,000)	–	–
	26.11.2003	26.11.2003–25.11.2013	0.2300	400,000	–	(400,000)	–	–
	9.1.2004	9.1.2004–8.1.2014	0.1900	790,000	–	(790,000)	–	–
	19.4.2004	19.4.2004–18.4.2014	0.2096	300,000	–	(300,000)	–	–
	16.9.2004	16.9.2004–15.9.2014	0.0870	500,000	–	(500,000)	–	–
	30.9.2004	30.9.2004–29.9.2014	0.0900	500,000	–	(500,000)	–	–
	13.12.2004	13.12.2004–12.12.2014	0.0982	300,000	–	(300,000)	–	–
	22.9.2005	22.9.2005–21.9.2015	0.0920	400,000	–	(400,000)	–	–
	24.3.2006	24.3.2006–23.3.2016	0.1530	300,000	–	(300,000)	–	–
Tsang Wai Chun, Marianna	24.3.2006	24.3.2006–23.3.2016	0.1530	500,000	–	–	–	500,000
	26.9.2006	26.9.2006–25.9.2016	0.0772	1,500,000	–	–	–	1,500,000
Chan Mei Ying, Spencer	24.3.2006	24.3.2006–23.3.2016	0.1530	500,000	–	–	–	500,000
				58,600,000	–	(24,140,000)	(25,760,000)	8,700,000

Directors' and Chief Executive's Interests and Short Positions in Shares and Underlying Shares of the Company (Continued)

Long positions (Continued)

(d) Options to subscribe for ordinary shares of the Company (Continued)

Particulars of the directors' interests in share options to subscribe for shares in the Company pursuant to the Company's 2013 share option scheme were as follows:

				Number of share options and number of underlying shares				
Name of directors	Date of grant	Exercisable period	Exercise price per share HK$	Outstanding at 1.4.2013	Granted during the year	Exercised during the year	Lapsed during the year	Outstanding at 31.3.2014
Zheng Ying Yu	3.10.2013	3.10.2013–2.10.2023	0.1490	–	3,000,000	(3,000,000)	–	–
Fung Chun Pong, Louis	3.10.2013	3.10.2013–2.10.2023	0.1490	–	1,000,000	–	–	1,000,000
Liao Yun	3.10.2013	3.10.2013–2.10.2023	0.1490	–	3,000,000	–	–	3,000,000
Zhang Ming	3.10.2013	3.10.2013–2.10.2023	0.1490	–	3,000,000	–	–	3,000,000
Chan Mei Ying, Spencer	3.10.2013	3.10.2013–2.10.2023	0.1490	–	1,000,000	–	–	1,000,000
Lam Kwai Yan	3.10.2013	3.10.2013–2.10.2023	0.1490	–	1,000,000	–	–	1,000,000
Chan Choi Ling	3.10.2013	3.10.2013–2.10.2023	0.1490	–	1,000,000	–	–	1,000,000
				–	13,000,000	(3,000,000)	–	10,000,000

Save as disclosed above and other than nominee shares in certain wholly-owned subsidiaries held by certain directors in trust for the Group, at 31 March 2014, none of the directors or chief executive or any of their respective associates had any interests or short positions in the shares, underlying shares or debentures of the Company or its associated corporations which fall to be notified to the Company and the Stock Exchange pursuant to Part XV of the SFO, or which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein or which were required to be notified to the Company and the Stock Exchange pursuant to Rule 5.46 of the GEM Listing Rules.

Substantial Shareholders' Interests and Short Positions in Shares and Underlying Shares

As at 31 March 2014, the register maintained by the Company pursuant to Section 336 of the SFO shows that other than the interests disclosed above in respect of certain directors and the chief executive, the following shareholders had notified the Company of relevant interest in the issued share capital of the Company.

Name of substantial shareholder	Number of ordinary shares held	Number of share options and underlying shares held	Aggregate long position	Percentage of the issued share capital as at 31 March 2014
Educational Information Technology (HK) Company Limited (note 1)	108,057,374	–	108,057,374	6.65%
Starmax Holdings Limited (note 2)	304,912,000	–	304,912,000	18.77%

Notes:

(1) These shares were held in trust for 寧夏教育信息技術股份有限公司 (Ningxia Educational Information Technology Company Limited), a company which is owned as to 25.035% by the Group.

(2) Starmax Holdings Limited is beneficially owned as to 90.01% by Mr. Felipe Tan who also directly holds 5,062,000 shares.

Save as disclosed in the section "Directors' and chief executive's interests and short positions in shares and underlying shares of the Company", at 31 March 2014, the Company has not been notified of any other interests or short positions in the issued share capital as at 31 March 2014.

Share Options

Details of the Company's share option schemes adopted on 28 April 2003 and 25 September 2013 are set out in note 32 to the financial statements.

Directors' Interests in Contracts

There were no contracts of significance to which the Company or any of its subsidiaries was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

Independence of Independent Non-Executive Directors

The Company has received written confirmation from each of its independent non-executive directors in respect of their independence during the year and all independent non-executive directors are still being considered to be independent.

Connected Transaction

None of the "Related party transactions" as disclosed in the note 42 to the financial statements for the year ended 31 March 2014 constituted discloseable non-exempted connected transaction or non-exempted continuing connected transaction under the GEM Listing Rules.

To the extent of the above "Related party transactions" constituted connected transactions as defined in the GEM Listing Rules, the Company had complied with the relevant requirements under Chapter 20 of the GEM Listing Rules during the year.

Major Customers and Suppliers

During the year, the aggregate sales attributable to the Group's five largest customers comprised approximately 91% (2013: 92%) of the Group's total sales while the sales attributable to the Group's largest customer was approximately 55% (2013: 74%) of the Group's total sales.

The aggregate purchases during the year attributable to the Group's five largest suppliers comprised approximately 67% (2013: 75%) of the Group's total purchases while the purchases attributable to the Group's largest supplier was approximately 44% (2013: 42%) of the Group's total purchases.

Save as disclosed above, none of the directors, their associates or any shareholder, which to the knowledge of the directors owned more than 5% of the Company's issued share capital, had any interest in the share capital of any of the five largest customers or suppliers of the Group.

Purchase, Sale or Redemption of the Company's Listed Securities

During the year, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

Emolument Policy

The emolument policy of the employees of the Group is set up on the basis of their merit, qualifications and competence.

The emoluments of the directors of the Company are decided by the remuneration committee, having regard to the Company's operating results, individual performance and comparable market statistics.

The Company has adopted a share option scheme as an incentive to directors and eligible employees, details of the share option scheme are set out in note 32 to the financial statements.

Corporate Governance

Principal corporate governance policies adopted by the Company are set out in the Corporate Governance Report on pages 18 to 26.

Competing Interest

Mr. Felipe Tan and Mr. Zhang Ming hold shareholdings and directorships in GobiMin Inc., the shares of which are listed on the TSX Venture Exchange in Canada (stock code: GMV. N). Its subsidiaries and associate companies are principally engaged in exploration of a gold mine and prospecting exploration projects of gold, copper and nickel in Xinjiang, PRC. All of them are in exploration or prospecting stage and are not yet in production, whereas the mining business of the Group are in production stage. In this regard, Mr. Felipe Tan and Mr. Zhang Ming are considered to have interests in businesses which might compete, either directly or indirectly with the businesses of the Group.

The abovementioned competing businesses are operated and managed by companies with independent management and administration. In addition, the Board is independent from the boards of the abovementioned companies. Accordingly, the Group is therefore capable of carrying on business independently, and at arm's length from the said competing business.

Management Contract

No management contract in force during the year for the management and administration of the whole or any substantial part of the Group's business subsisted at the end of the year or at any time during the year.

Sufficiency of Public Float

Based on information that is publicly available to the Company and within the knowledge of its directors as at the date of this report, the Company has maintained sufficient public float as required under the GEM Listing Rules.

Event After the Reporting Period

Details of significant events occurring after the reporting period are set out in note 43 to the financial statements.

Auditors

The accounts for the year ended 31 March 2014 were audited by HLB Hodgson Impey Cheng Limited whose term of office will expire upon the AGM. A resolution for the re-appointment of HLB Hodgson Impey Cheng Limited as the auditors of the Company for the subsequent year is to be proposed at the AGM. The accounts for the year ended 31 March 2013 were audited by HLB Hodgson Impey Cheng Limited and the accounts for the year ended 31 March 2012 were audited by HLB Hodgson Impey Cheng. In March 2012, the practice of HLB Hodgson Impey Cheng was reorganised as HLB Hodgson Impey Cheng Limited. Save for the above, there has been no other change in the auditors of the Company in any of the preceding three years.

On behalf of the Board
Cheng Kin Kwan
Chairman and Chief Executive Officer

Hong Kong, 24 June 2014

Independent Auditors' Report

HLB 國衛會計師事務所有限公司
Hodgson Impey Cheng Limited

31/F Gloucester Tower
The Landmark
11 Pedder Street
Central
Hong Kong

TO THE SHAREHOLDERS OF TIMELESS SOFTWARE LIMITED

(Incorporated in Hong Kong with limited liability)

We have audited the consolidated financial statements of Timeless Software Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 37 to 122, which comprise the consolidated and company statements of financial position as at 31 March 2014, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Directors' Responsibility for the Consolidated Financial Statements

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, in accordance with section 80 of Schedule 11 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 this report. We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation of consolidated financial statements that give a true and fair view 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

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

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 March 2014, and of the Group's loss and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the Hong Kong Companies Ordinance.

HLB Hodgson Impey Cheng Limited
Certified Public Accountants

Jonathan T. S. Lai
Practising Certificate Number: P04165

Hong Kong, 24 June 2014

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 March 2014

	Notes	**2014 HK$'000**	2013 HK$'000
Turnover	7	**127,981**	204,866
Other income and gains		**1,641**	2,367
Purchase and production costs		**(90,308)**	(105,404)
Staff costs		**(34,337)**	(30,423)
Depreciation and amortisation		**(5,650)**	(26,670)
Acquisition-related costs		**–**	(7,146)
Other expenses		**(21,808)**	(18,833)
Fair value losses on investment properties	13	**(1,782)**	–
Loss on disposal of an investment property		**–**	(588)
Write off/impairment of goodwill	16	**–**	(5,436)
Impairment loss on other intangible assets	17	**(62,134)**	–
Net (losses)/gains on investments held for trading		**(3,123)**	7,709
Finance costs	8	**(2,504)**	(1,578)
Share of (losses)/profits of associates	18	**(322)**	1,657
(Loss)/profit before tax		**(92,346)**	20,521
Income tax credit/(expense)	11	**2,471**	(22,371)
Loss for the year	9	**(89,875)**	(1,850)
Other comprehensive (loss)/income, net of income tax			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translating foreign operations		**(1,036)**	4,932
Share of other comprehensive (loss)/income of associates	18	**(632)**	484
Other comprehensive (loss)/income for the year, net of income tax		**(1,668)**	5,416
Total comprehensive (loss)/income for the year		**(91,543)**	3,566
(Loss)/profit attributable to:			
Owners of the Company		**(56,903)**	(27,611)
Non-controlling interests		**(32,972)**	25,761
		(89,875)	(1,850)
Total comprehensive (loss)/income attributable to:			
Owners of the Company		**(57,919)**	(25,657)
Non-controlling interests		**(33,624)**	29,223
		(91,543)	3,566
		HK cents	HK cents
Loss per share			
– Basic and diluted	12	**(3.56)**	(1.78)

Consolidated Statement of Financial Position

At 31 March 2014

	Notes	2014 HK$'000	2013 HK$'000
Non-current assets			
Investment properties	13	**19,600**	–
Property, plant and equipment	14	**49,785**	47,391
Goodwill	16	**510**	–
Other intangible assets	17	**316,157**	363,904
Interests in associates	18	**6,617**	7,571
Prepaid lease payments	19	**7,192**	7,394
Deposits	22	**21,461**	20,235
Land rehabilitation costs	20	**6,946**	7,763
		428,268	454,258
Current assets			
Inventories	21	**40,752**	33,550
Prepaid lease payments	19	**186**	186
Trade and other receivables	22	**38,173**	68,229
Investments held for trading	23	**4,192**	17,985
Bank balances and cash	24	**33,707**	55,242
		117,010	175,192
Current liabilities			
Trade and other payables	25	**34,320**	28,349
Amount due to a related company	26	**700**	700
Dividends payable to non-controlling interests		**42,244**	46,816
Bank borrowing	27	**9,786**	–
Promissory note	28	**23,560**	11,317
Current tax liabilities		**2,524**	4,326
		113,134	91,508
Net current assets		**3,876**	83,684
Total assets less current liabilities		**432,144**	537,942
Non-current liabilities			
Promissory note	28	**39,879**	49,809
Provision for land rehabilitation	29	**9,849**	9,872
Deferred tax liabilities	30	**41,824**	50,947
		91,552	110,628
Net assets		**340,592**	427,314
Capital and reserves			
Share capital	31	**773,715**	79,013
Reserves		**(687,697)**	54,211
Equity attributable to owners of the Company		**86,018**	133,224
Non-controlling interests		**254,574**	294,090
Total equity		**340,592**	427,314

The consolidated financial statements were approved and authorised for issue by the Board of Directors on 24 June 2014 and are signed on its behalf by:

CHENG KIN KWAN	**FUNG CHUN PONG, LOUIS**
Chairman and Chief Executive Officer	*Director*

Statement of Financial Position

At 31 March 2014

	Notes	2014 HK$'000	2013 HK$'000
Non-current assets			
Investment properties	13	**19,600**	–
Property, plant and equipment	14	**538**	642
Investments in subsidiaries	15	**8,100**	8,100
Interests in associates	18	**6,617**	7,571
		34,855	16,313
Current assets			
Trade and other receivables	22	**3,353**	3,298
Amounts due from subsidiaries	26	**58,578**	68,877
Investments held for trading	23	**4,192**	17,985
Bank balances and cash	24	**3,673**	19,334
		69,796	109,494
Current liabilities			
Trade and other payables	25	**2,376**	1,840
Amounts due to subsidiaries	26	**42,790**	42,791
Bank borrowing	27	**9,786**	–
		54,952	44,631
Net current assets		**14,844**	64,863
Total assets less current liabilities		**49,699**	81,176
Net assets		**49,699**	81,176
Capital and reserves			
Share capital	31	**773,715**	79,013
Reserves	40	**(724,016)**	2,163
Total equity		**49,699**	81,176

CHENG KIN KWAN
Chairman and Chief Executive Officer

FUNG CHUN PONG, LOUIS
Director

Consolidated Statement of Changes in Equity

For the year ended 31 March 2014

	Share capital HK$'000	Share premium HK$'000	Share options reserve HK$'000	Investment revaluation reserve HK$'000	Property revaluation reserve HK$'000	Translation reserve HK$'000	Accumulated deficit HK$'000	Attributable to owners of the Company HK$'000	Non-controlling interests HK$'000	Total HK$'000
Balance at 1 April 2012	65,316	654,107	2,191	2,111	1,061	8,104	(622,580)	110,310	199	110,509
Profit/(loss) for the year	–	–	–	–	–	–	(27,611)	(27,611)	25,761	(1,850)
Other comprehensive income/(loss) for the year	–	–	–	416	(1,061)	1,538	1,061	1,954	3,462	5,416
Total comprehensive income/(loss) for the year	–	–	–	416	(1,061)	1,538	(26,550)	(25,657)	29,223	3,566
Recognition of equity-settled share-based payments	–	–	2,301	–	–	–	–	2,301	–	2,301
Issue of ordinary shares under employee share option plan	197	315	(173)	–	–	–	–	339	–	339
Issue of Consideration Shares (note 31)	13,500	31,590	–	–	–	–	–	45,090	–	45,090
Non-controlling interests arising on business combination (note 38(b))	–	–	–	–	–	–	–	–	282,690	282,690
Transaction costs attributable to issue of new ordinary shares	–	(206)	–	–	–	–	–	(206)	–	(206)
Release of reserve upon share options forfeited	–	–	(158)	–	–	–	158	–	–	–
Dividends payable to non-controlling interests	–	–	–	–	–	–	–	–	(18,225)	(18,225)
Disposal of interest in a subsidiary without loss of control (note 37)	–	–	–	–	–	(61)	1,108	1,047	203	1,250
Balance at 31 March 2013 and 1 April 2013	79,013	685,806	4,161	2,527	–	9,581	(647,864)	133,224	294,090	427,314
Loss for the year	–	–	–	–	–	–	(56,903)	(56,903)	(32,972)	(89,875)
Other comprehensive loss for the year	–	–	–	(613)	–	(403)	–	(1,016)	(652)	(1,668)
Total comprehensive loss for the year	–	–	–	(613)	–	(403)	(56,903)	(57,919)	(33,624)	(91,543)
Recognition of equity-settled share-based payments	–	–	3,372	–	–	–	–	3,372	–	3,372
Issue of ordinary shares under employee share option plan	2,215	6,733	(1,555)	–	–	–	–	7,393	–	7,393
Non-controlling interests arising on business combination (note 38(a))	–	–	–	–	–	–	–	–	1,307	1,307
Transaction costs attributable to issue of new ordinary shares	–	(52)	–	–	–	–	–	(52)	–	(52)
Release of reserve upon share options lapsed	–	–	(218)	–	–	–	218	–	–	–
Dividends payable to non-controlling interests	–	–	–	–	–	–	–	–	(7,199)	(7,199)
Transfer to share capital (note 31, 40)	692,487	(692,487)	–	–	–	–	–	–	–	–
Balance at 31 March 2014	**773,715**	**-**	**5,760**	**1,914**	**-**	**9,178**	**(704,549)**	**86,018**	**254,574**	**340,592**

Consolidated Statement of Cash Flows

For the year ended 31 March 2014

	Notes	2014 HK$'000	2013 HK$'000
Cash flows from operating activities			
(Loss)/profit before tax		**(92,346)**	20,521
Adjustments for:			
Interest income		**(215)**	(502)
Interest expense		**2,504**	1,578
Share of losses/(profits) of associates		**322**	(1,657)
Acquisition–related costs		**–**	7,146
Depreciation and amortisation		**5,650**	26,670
Loss on disposal of property, plant and equipment		**3**	2
Write off/impairment of goodwill	16	**–**	5,436
Fair value losses on investment properties	13	**1,782**	–
Impairment loss on other intangible assets	17	**62,134**	–
Impairment loss on trade receivables	22	**1,578**	–
Provision for slow–moving inventories		**2,130**	–
Loss on disposal of investment property		**–**	588
Net losses/(gains) on investments held for trading		**3,123**	(7,709)
Share–based payment expense		**3,372**	2,301
		(9,963)	54,374
Movements in working capital:			
Increase in inventories		**(7,941)**	(6,075)
Decrease/(increase) in trade and other receivables		**27,219**	(18,654)
Decrease in investments held for trading		**10,342**	6,253
Increase/(decrease) in trade and other payables		**5,900**	(12,748)
Decrease in amount due to a related company		**–**	(9,964)
Cash generated from operations		**25,557**	13,186
Income taxes paid		**(8,383)**	(26,455)
Net cash generated by/(used in) operating activities		**17,174**	(13,269)
Cash flows from investing activities			
Interest received		**215**	502
Dividends received		**328**	1,004
Payments for property, plant and equipment		**(6,885)**	(17,210)
Additions to mining rights		**(10,914)**	(168)
Additions to exploration rights and assets		**(5,825)**	(2,378)
Additions to investment properties		**(21,382)**	–
Proceeds from disposal of property, plant and equipment		**28**	–
Proceeds from disposal of investment property		**–**	8,877
Net cash inflows on acquisition of subsidiaries	38(a)	**664**	53,134
Payments for acquisition–related costs		**–**	(7,146)
Net cash (used in)/generated by investing activities		**(43,771)**	36,615

Consolidated Statement of Cash Flows (Continued)

For the year ended 31 March 2014

	Notes	2014 HK$'000	2013 HK$'000
Cash flows from financing activities			
Proceeds from issue of equity shares		**7,393**	339
Payment for transaction costs attributable to issue of new ordinary shares		**(52)**	(206)
Proceeds from disposal of partial interest in a subsidiary (without losing control)	37	**–**	1,250
Proceeds from bank borrowing		**10,270**	–
Repayments of bank borrowing		**(484)**	–
Repayment of promissory note		**–**	(3,000)
Repayment of obligations under a finance lease		**–**	(24)
Interest paid		**(191)**	(472)
Dividends paid to non–controlling interests		**(11,700)**	(29,499)
Net cash generated by/(used in) financing activities		**5,236**	(31,612)
Net decrease in cash and cash equivalents		**(21,361)**	(8,266)
Cash and cash equivalents at the beginning of year		**55,118**	62,921
Effect of foreign exchange rate changes		**(174)**	463
Cash and cash equivalents at the end of year		**33,583**	55,118
Analysis of the balances of cash and cash equivalents			
Bank balances and cash	24	**33,707**	55,242
Time deposit with original maturity of three months or more and pledged bank deposits	24	**(124)**	(124)
		33,583	55,118

1. General

Timeless Software Limited (the "Company") is a public limited company incorporated in Hong Kong and its shares are listed on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The address of the registered office and principal place of business of the Company are disclosed in the corporate information section of the annual report.

The Company acts as an investment holding company and is principally engaged in the provision of computer consultancy and software maintenance services, software development and sales of computer hardware and software.

The principal activities of the Company's principal subsidiaries are set out in note 39.

These financial statements are presented in Hong Kong dollars ("HK$"), which is the Company's functional and presentation currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency.

2. Application of New and Revised Hong Kong Financial Reporting Standards ("HKFRSs")

In the current year, the Company and its subsidiaries (collectively, the "Group") has applied the following new and revised Hong Kong Accounting Standards ("HKAS(s)"), HKFRS(s), amendments and interpretations ("HK(IFRIC)-Int") (hereinafter collectively referred to as the "new and revised HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"):

Amendments to HKFRS	*Annual Improvements 2009-2011 Cycle*
Amendments to HKFRS 1	*Government Loans*
Amendments to HKFRS 7	*Disclosure – Offsetting Financial Assets and Financial Liabilities*
HKFRS 10	*Consolidated Financial Statements*
HKFRS 11	*Joint Arrangements*
HKFRS 12	*Disclosure of Interests in Other Entities*
Amendments to HKFRS 10, HKFRS 11 and HKFRS 12	*Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance*
HKFRS 13	*Fair Value Measurement*
Amendments to HKAS 1	*Presentation of Items of Other Comprehensive Income*
HKAS 19 (as revised in 2011)	*Employee Benefits*
HKAS 27 (as revised in 2011)	*Separate Financial Statements*
HKAS 28 (as revised in 2011)	*Investments in Associates and Joint Ventures*
HK(IFRIC) – Int 20	*Stripping Costs in the Production Phase of a Surface Mine*

HKFRS 13 *Fair Value Measurements*

The Group has applied HKFRS 13 for the first time in the current year. HKFRS 13 establishes a single source of guidance for fair value measurements and disclosures about fair value measurements. The scope of HKFRS 13 is broad; the fair value measurement requirements of HKFRS 13 apply to both financial instrument items and non-financial instrument items for which other HKFRSs require or permit fair value measurements and disclosures about fair value measurements, except for share-based payment transactions that are within the scope of HKFRS 2 *Share-based Payment*, leasing transactions that are within the scope of HKAS 17 *Leases*, and measurements that have some similarities to fair value but are not fair value (e.g. net realisable value for the purposes of measuring inventories or value in use for impairment assessment purposes).

2. Application of New and Revised Hong Kong Financial Reporting Standards ("HKFRSs") (Continued)

HKFRS 13 *Fair Value Measurements* (Continued)

HKFRS 13 defines the fair value of an asset as the price that would be received to sell an asset (or paid to transfer a liability, in the case of determining the fair value of a liability) in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market conditions. Fair value under HKFRS 13 is an exit price regardless of whether that price is directly observable or estimated using another valuation technique. Also, HKFRS 13 includes extensive disclosure requirements.

HKFRS 13 requires prospective application from 1 January 2013. In addition, specific transitional provisions were given to entities such that they need not apply the disclosure requirements set out in the standard in comparative information provided for periods before the initial application of the standard. In accordance with these transitional provisions, the Group has not made any new disclosures required by HKFRS 13 for the 2012 comparative period. Other than the additional disclosures, the application of HKFRS 13 has not had any material impact on the amounts recognised in the consolidated financial statements.

Amendments to HKAS 1 *Presentation of Items of Other Comprehensive Income*

The Group has applied the amendments to HKAS 1 *Presentation of Items of Other Comprehensive Income*. The amendments introduce new terminology for the statement of comprehensive income and income statement. Under the amendments to HKAS 1, the "statement of comprehensive income" is renamed as the "statement of profit or loss and other comprehensive income" and the "income statement" is renamed as the "statement of profit or loss". The amendments to HKAS 1 retain the option to present profit or loss and other comprehensive income in either a single statement or in two separate but consecutive statements. However, the amendments to HKAS 1 require additional disclosures to be made in the other comprehensive income section such that items of other comprehensive income are grouped into two categories: (a) items that will not be reclassified subsequently to profit or loss and (b) items that may be reclassified subsequently to profit or loss when specific conditions are met. Income tax on items of other comprehensive income is required to be allocated on the same basis – the amendments do not change the option to present items of other comprehensive income either before tax or net of tax. The amendments have been applied retrospectively, and hence the presentation of items of other comprehensive income has been modified to reflect the changes. Other than the above mentioned presentation changes, the application of the amendments to HKAS 1 does not result in any impact on profit or loss, other comprehensive income and total comprehensive income.

The directors consider that other than the additional disclosures, the adoption of the new and revised of HKFRSs has no material effect on the consolidated financial statements of the Group for the current or prior years.

2. Application of New and Revised Hong Kong Financial Reporting Standards ("HKFRSs") (Continued)

The Group has not early applied the following new and revised HKFRSs that have been issued but are not yet effective:

Amendments to HKFRSs	*Annual Improvements 2010–2012 Cycle*[2]
Amendments to HKFRSs	*Annual Improvements 2011–2013 Cycle*[3]
HKFRS 9	*Financial Instruments*[5]
Amendments to HKFRS 9 and HKFRS 7	*Mandatory Effective Date of HKFRS 9 and Transitional Disclosures*[5]
HKFRS 9, HKFRS 7 and HKAS 39	*Hedge Accounting and amendments to HKFRS 9, HKFRS 7 and HKAS 39*[5]
Amendments to HKFRS 10, HKFRS 12 and HKAS 27 (as revised in 2011)	*Investment Entities*[1]
Amendments to HKFRS 11	*Accounting for Acquisitions of Interests in Joint Operations*[4]
HKFRS 14	*Regulatory Deferral Accounts*[4]
Amendments to HKAS 16 and HKAS 38	*Clarification of Acceptable Methods of Depreciation and Amortisation*[4]
Amendments to HKAS 19	*Defined Benefit Plans: Employee Contributions*[3]
Amendments to HKAS 32	*Offsetting Financial Assets and Financial Liabilities*[1]
Amendments to HKAS 36	*Recoverable Amount Disclosures for Non-financial Assets*[1]
Amendments to HKAS 39	*Novation of Derivatives and Continuation of Hedge Accounting*[1]
HK(IFRIC) – Int 21	*Levies*[1]

1 Effective for annual periods beginning on or after 1 January 2014, with earlier application permitted.
2 Effective for grant date, acquisition date or annual periods beginning on or after 1 July 2014 as appropriate, with earlier application permitted.
3 Effective for annual periods beginning on or after 1 July 2014, with earlier application permitted.
4 Effective for annual periods beginning on or after 1 January 2016, with earlier application permitted.
5 No mandatory effective date yet determined but is available for adoption.

2. Application of New and Revised Hong Kong Financial Reporting Standards ("HKFRSs") (Continued)

HKFRS 9 *Financial Instruments*

HKFRS 9 issued in 2009 introduces new requirements for the classification and measurement of financial assets. HKFRS 9 amended in 2010 includes the requirements for the classification and measurement of financial liabilities and for derecognition and further amended in 2013 to include the new requirements for hedge accounting. Key requirements of HKFRS 9 are described as follows:

- All recognised financial assets that are within the scope of HKAS 39 *Financial Instruments: Recognition and Measurement* are subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. All other debt investments and equity investments are measured at their fair values at the end of subsequent reporting periods.

- With regard to the measurement of financial liabilities designated as at fair value through profit or loss, HKFRS 9 requires that the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value of financial liabilities attributable to changes in the financial liabilities' credit risk are not subsequently reclassified to profit or loss. Under HKAS 39, the entire amount of the change in fair value of the financial liabilities designated as at fair value through profit or loss was presented in profit or loss.

The new general hedge accounting requirements retain the three types of hedge account. However, greater flexibility has been introduced to the types of transactions eligible for hedge accounting, specifically broadening the types of instruments that qualify for hedge accounting and the types of risk components of non-financial items that are eligible for hedge accounting. In addition, the effectiveness test has been overhauled and replaced with the principle of an "economic relationship". Retrospective assessment of hedge effectiveness is also no longer required. Enhanced disclosure requirements about an entity's risk management activities have also been introduced.

The directors anticipate that the application of HKFRS 9 may have significant impact on amounts reported in respect of the Group's financial assets and financial liabilities. Regarding the Group's financial assets and financial liabilities, it is not practicable to provide a reasonable estimate of that effect until a detailed review has been completed.

The Group is in the process of making an assessment of what the impact of the other new or revised HKFRS is expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the Group's results of operations and financial position.

3. Significant Accounting Policies

Statement of compliance

These consolidated financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards, the collective term which includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations issued by the HKICPA and accounting principles generally accepted in Hong Kong. These consolidated financial statements also comply with the applicable requirements of the Hong Kong Companies Ordinance, which or this financial year and the comparative period continue to be those of the predecessor Companies Ordinance (Cap. 32), in accordance with transitional and saving arrangements for Part 9 of the new Hong Kong Companies Ordinance (Cap. 622), "Accounts and Audit", which are set out in sections 76 to 87 of Schedule 11 to that Ordinance. These consolidated financial statements also comply with the applicable disclosures required by the Rules Governing the Listing of Securities on the Growth Enterprise Market of the Stock Exchange.

Basis of preparation

The consolidated financial statements have been prepared on the historical cost basis except for certain properties and financial instruments that are measured by fair values at the end of each reporting period, as explained in the accounting policies below.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of HKFRS 2, leasing transactions that are within the scope of HKAS 17, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in HKAS 2 or value in use in HKAS 36.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;

- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and

- Level 3 inputs are unobservable inputs for the asset or liability.

The principal accounting policies are set out below.

3. Significant Accounting Policies (Continued)

Basis of consolidation

The consolidation financial statements incorporate the financial statements of the Company and entities controlled by the Company and its subsidiaries. Control is achieved where the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

When the Group has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Group considers all relevant facts and circumstances in assessing whether or not the Group's voting rights in an investee are sufficient to give it power, including:

- the size of the Group's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Group, other vote holders or other parties;
- rights arising from other contractual arrangements; and
- any additional facts and circumstances that indicate that the Group has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Group gains control until the date when the Group ceases to control the subsidiary.

Profit or loss and each item of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

In the company statement of financial position, investments in subsidiaries are stated at cost less any impairment losses. The results of subsidiaries are accounted for by the Company on the basis of dividends received and receivable.

3. Significant Accounting Policies (Continued)

Basis of consolidation (Continued)

Changes in the Group's ownership interests in existing subsidiaries

Changes in the Group's ownership interests in existing subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

When the Group loses control of a subsidiary, a gain or loss is recognised in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable HKFRSs). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under HKAS 39, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

Business combinations

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are generally recognised in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value, except that:

- deferred tax assets or liabilities, and assets or liabilities related to employee benefit arrangements are recognised and measured in accordance with HKAS 12 *Income Taxes* and HKAS 19 *Employee Benefits* respectively;

- liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with HKFRS 2 *Share-based Payment* at the acquisition date (see the accounting policy below); and

- assets (or disposal groups) that are classified as held for sale in accordance with HKFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* are measured in accordance with that standard.

3. Significant Accounting Policies (Continued)

Business combinations (Continued)

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after reassessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis. Other types of non-controlling interests are measured at their fair value or, when applicable, on the basis specified in another HKFRS.

When the consideration transferred by the Group in a business combination includes assets or liabilities resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and included as part of the consideration transferred in a business combination. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with the corresponding adjustments against goodwill. Measurement period adjustments are adjustments that arise from additional information obtained during the "measurement period" (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is remeasured at subsequent reporting dates in accordance with HKAS 39, or HKAS 37 *Provisions, Contingent Liabilities and Contingent Assets*, as appropriate, with the corresponding gain or loss being recognised in profit or loss.

When a business combination is achieved in stages, the Group's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date (i.e. the date when the Group obtains control) and the resulting gain or loss, if any, is recognised in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to profit or loss where such treatment would be appropriate if that interest were disposed of.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (see above), and additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed at the acquisition date that, if known, would have affected the amounts recognised at that date.

3. Significant Accounting Policies (Continued)

Goodwill

Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of the business (see the accounting policy above) less accumulated impairment losses, if any.

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units (or groups of cash-generating units) that is expected to benefit from the synergies of the combination.

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

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

The Group's policy for goodwill arising on the acquisition of an associate is described below.

Investments in associates

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

The results and assets and liabilities of associates are incorporated in these consolidated financial statements using the equity method of accounting, except when the investment, or a portion thereof, is classified as held for sale, in which case it is accounted for in accordance with HKFRS 5. Under the equity method, an investment in an associate is initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associate. When the Group's share of losses of an associate exceeds the Group's interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate.

An investment in an associate is accounted for using the equity method from the date on which the investee becomes an associate. On acquisition of the investment in an associate, any excess of the cost of the investment over the Group's share of the net fair value of the identifiable assets and liabilities of the investee is recognised as goodwill, which is included within the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of the investment, after reassessment, is recognised immediately in profit or loss in the period in which the investment is acquired.

3. Significant Accounting Policies (Continued)

Investments in associates (Continued)

The requirements of HKAS 39 are applied to determine whether it is necessary to recognise any impairment loss with respect to the Group's investment in an associate. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with HKAS 36 *Impairment of Assets* as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs of disposal) with its carrying amount, Any impairment loss recognised forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with HKAS 36 to the extent that the recoverable amount of the investment subsequently increases.

The Group discontinues the use of the equity method from the date when the investment ceases to be an associate, or when the investment (or a portion thereof) is classified as held for sale. When the Group retains an interest in the former associate and the retained interest is a financial asset, the Group measures the retained interest at fair value at that date and the fair value is regarded as its fair value on initial recognition in accordance with HKAS 39. The difference between the carrying amount of the associate at the date the equity method was discontinued, and the fair value of any retained interest and any proceeds from disposing of a part interest in the associate is included in the determination of the gain or loss on disposal of the associate. In addition, the Group accounts for all amounts previously recognised in other comprehensive income in relation to that on the same basis as would be required if that associate had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognised in other comprehensive income by that would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Group reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) when the equity method is discontinued.

The Group continues to use the equity method when an investment in an associate becomes an investment in a joint venture or an investment in a joint venture becomes an investment in an associate. There is no remeasurement to fair value upon such changes in ownership interests.

When the Group reduces its ownership interest in an associate but the Group continues to use the equity method, the Group reclassifies to profit or loss the proportion of the gain or loss that had previously been recognised in other comprehensive income relating to that reduction in ownership interest if that gain or loss would be reclassified to profit or loss on the disposal of the related assets or liabilities.

When a group entity transacts with an associate of the Group (such as a sale or contribution of assets), profits and losses resulting from the transactions with the associate are recognised in the Group's consolidated financial statements only to the extent of interests in the associate that are not related to the Group.

3. Significant Accounting Policies (Continued)

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated customer returns, rebates and other similar allowances.

Revenue from the sale of goods is recognised when the goods are delivered and titles have passed, at which time all the following conditions are satisfied:

- the Group has transferred to the buyer the significant risks and rewards of ownership of the goods;
- the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the Group; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Revenue from rendering of services is recognised when the relevant services have been rendered.

When the outcome of software development services can be measured reliably, revenue is recognised on the percentage of completion method, measured by reference to the proportion that costs incurred to date bear to estimated total costs for each contract. When the outcome of the transaction involving the rendering of services cannot be estimated reliably, revenue is recognised only to the extent of the expenses recognised that are recoverable.

Dividend income from investments is recognised when the shareholder's right to receive payment has been established (provided that it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably).

Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

The Group's accounting policy for recognition of revenue from operating leases is described in the accounting policy below.

3. Significant Accounting Policies (Continued)

Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Group as lessor

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term.

The Group as lessee

Assets held under finance leases are initially recognised as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the consolidated statement of financial position as a finance lease obligation.

Lease payments are apportioned between finance expenses and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance expenses are recognised immediately in profit or loss, unless they are directly attributable to qualifying assets, in which case they are capitalised in accordance with the Group's general policy on borrowing costs (see the accounting policy below). Contingent rentals are recognised as expenses in the periods in which they are incurred.

Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

Leasehold land for own use

When a lease includes both land and building elements, the Group assesses the classification of each element as a finance or an operating lease separately based on the assessment as to whether substantially all the risks and rewards incidental to ownership of each element have been transferred to the Group, unless it is clear that both elements are operating leases in which case the entire lease is classified as an operating lease. Specifically, the minimum lease payments (including any lump-sum upfront payments) are allocated between the land and the building elements in proportion to the relative fair values of the leasehold interests in the land element and building element of the lease at the inception of the lease.

3. Significant Accounting Policies (Continued)

Leasing (Continued)

Leasehold land for own use (Continued)

To the extent the allocation of the lease payments can be made reliably, interest in leasehold land that is accounted for as an operating lease is presented as “prepaid lease payments” in the consolidated statement of financial position and is amortised over the lease term on a straight-line basis. When the lease payments cannot be allocated reliably between the land and building elements, the entire lease is generally classified as a finance lease and accounted for as property, plant and equipment.

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the entity’s functional currency (foreign currencies) are recognised at the rates of exchange prevailing at the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

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

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

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

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

For the purposes of presenting consolidated financial statements, the assets and liabilities of the Group’s foreign operations are translated into the presentation currency of the Group (i.e. Hong Kong dollars) using exchange rates prevailing at the end of each reporting period. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly during that period, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of translation reserve (attributed to non-controlling interests as appropriate).

3. Significant Accounting Policies (Continued)

Foreign currencies (Continued)

On the disposal of a foreign operation (i.e. a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, or a partial disposal of an interest in a joint arrangement or an associate that includes a foreign operation of which the retained interest becomes a financial asset), all of the exchange differences accumulated in equity in respect of that operation attributable to the owners of the Company are reclassified to profit or loss.

In addition, in relation to a partial disposal of a subsidiary that includes a foreign operation that does not result in the Group losing control over the subsidiary, the proportionate share of accumulated exchange differences are re-attributed to non-controlling interests and are not recognised in profit or loss. For all other partial disposals (i.e. partial disposals of associates or joint arrangements that do not result in the Group losing significant influence or joint control), the proportionate share of the accumulated exchange differences is reclassified to profit or loss.

Goodwill and fair value adjustments to identifiable assets acquired and liabilities assumed through acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the rate of exchange prevailing at the end of each reporting period. Exchange differences arising are recognised in other comprehensive income.

Borrowing costs

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

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

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

Retirement benefit costs

Payments to defined contribution retirement benefit schemes (Mandatory Provident Fund scheme and state-managed retirement benefit schemes) are recognised as an expense when employees have rendered services entitling them to the contributions.

3. Significant Accounting Policies (Continued)

Share-based payment arrangements

Equity-settled share-based payment transactions

Share options granted to employees of the Company after 7 November 2002 and vested on or after 1 April 2005

For grants of share options that are conditional upon satisfying specified vesting conditions, the fair value of services received is determined by reference to the fair value of share options granted at the grant date and is expensed on a straight-line basis over the vesting period, with a corresponding increase in equity (share options reserve).

At the end of the reporting period, the Group revises its estimates of the number of options that are expected to ultimately vest. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to share options reserve.

For share options that vest immediately at the date of grant, the fair value of the share options granted is expensed immediately to profit or loss.

When share options are exercised, the amount previously recognised in share options reserve will be transferred to share premium (transferred to share capital on or after the commencement date of the New Co on 3 March 2014). When share options are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognised in share options reserve will be transferred to accumulated deficit.

Share options granted to employees of the Company on or before 7 November 2002, or granted after 7 November 2002 and vested before 1 April 2005

The financial impact of share options granted is not recorded in the financial statements until such time as the options are exercised, and no charge is recognised in profit or loss in respect of the value of options granted. Upon the exercise of the share options, the resulting shares issued are recorded as additional share capital at the nominal value of the shares, and the excess of the exercise price per share over the nominal value of the shares is recorded as share premium (recorded as share capital on or after the commencement date of the New Co on 3 March 2014). Options which lapse or are cancelled prior to their exercise date are deleted from the register of outstanding options.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from "(loss)/profit before tax" as reported in the consolidated statement of profit or loss and other comprehensive income because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

3. Significant Accounting Policies (Continued)

Taxation (Continued)

Deferred tax

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and associates, and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

For the purposes of measuring deferred tax liabilities or deferred tax assets for investment properties that are measured using the fair value model, the carrying amounts of such properties are presumed to be recovered entirely through sale, unless the presumption is rebutted. The presumption is rebutted when the investment property is depreciable and is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale.

Current and deferred tax for the year

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

3. Significant Accounting Policies (Continued)

Property, plant and equipment

Property, plant and equipment including buildings and leasehold land (classified as finance leases) held for use in the production or supply of goods or services, or for administrative purposes (other than construction in progress as described below), are stated in the consolidated statement of financial position at cost, less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

Properties in the course of construction for production, supply or administrative purposes (construction in progress) are carried at cost, less any recognised impairment loss. Cost includes professional fees and, for qualifying assets, borrowing costs capitalised in accordance with the Group's accounting policy. Such properties are classified to the appropriate categories of property, plant and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

Depreciation is recognised so as to write off the cost of assets (other than construction in progress) less their residual values over their useful lives, using the straight-line method as follows:

Land and buildings	20 years
Leasehold improvements	Over the shorter of the term of lease, and 8 to 20 years
Plant and machinery	8 years
Computer equipment	3 to 5 years
Furniture and fixtures	5 years
Office equipment	3 to 5 years
Motor vehicles	5 to 8 years

The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

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

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

Investment properties

Investment properties are properties held to earn rentals and/or for capital appreciation (including property under construction for such purposes). Investment properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are measured at fair value. Gains and losses arising from changes in the fair value of investment properties are included in profit or loss in the period in which they arise.

3. Significant Accounting Policies (Continued)

Investment properties (Continued)

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from the disposal. Any gain or loss arising on derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the period in which the property is derecognised.

Intangible assets

Intangible assets acquired separately

Intangible assets with finite useful lives that are acquired separately are carried at cost less accumulated amortisation and accumulated impairment losses. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis. Intangible assets with indefinite useful lives that are acquired separately are carried at cost less accumulated impairment losses.

Intangible assets acquired in a business combination

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

Subsequent to initial recognition, intangible assets acquired in a business combination are reported at cost less accumulated amortisation and accumulated impairment losses, on the same basis as intangible assets that are acquired separately.

Exploration rights and assets

Exploration rights and assets are stated at cost less impairment losses. Exploration rights and assets include the cost of acquiring exploration rights, topographical and geological surveys, exploratory drilling, sampling and trenching and activities in relation to commercial and technical feasibility studies, and expenditure incurred to secure further mineralisation in existing ore bodies as well as in new areas of interest. Expenditure incurred prior to acquiring legal rights to explore an area is written off as incurred.

When it can be reasonably ascertained that an exploration property is capable of commercial production, exploration and evaluation costs capitalised are transferred to mining rights. The Group assesses exploration rights and assets for impairment when facts and circumstances suggest that the carrying amount of an asset may exceed its recoverable amount. The recoverable amount is the higher of the asset's fair value less costs of disposal and value in use. Those exploration and evaluation expenditure costs, in excess of the estimated recoverable amount, are written off to profit or loss.

3. Significant Accounting Policies (Continued)

Intangible assets (Continued)

Mining rights

Mining rights are stated at cost less accumulated amortisation and any impairment losses. Mining rights include the cost of acquiring mining licences, exploration and evaluation costs, and the cost of acquiring interests in the mining reserves of existing mining properties. The mining rights are amortised using the units of production method based on the proven and probable mineral reserves.

Derecognition of intangible assets

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

Impairment of tangible and intangible assets other than goodwill

At the end of each reporting period, the Group reviews the carrying amounts of its tangible and intangible assets with finite useful lives to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at least annually, and whenever there is an indication that the asset may be impaired.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or the cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

When an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

3. Significant Accounting Policies (Continued)

Inventories

Inventories are stated at the lower of cost and net realisable value. Costs are determined on a first-in-first-out basis. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts (if any).

Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect of the time value of money is material).

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

Provision for land rehabilitation

The Group is required to incur costs for restoration of the land after the underground sites have been mined. Provision for land rehabilitation is recognised when the Group has a present obligation as a result of past event, and it is probable that the Group will be required to settle that obligation. Provision is measured by reference to relevant rules and regulations applicable in the People's Republic of China ("PRC") at the end of the reporting period, and is discounted to their present value where the effect is material.

Land rehabilitation costs are provided in the period in which the obligation is identified and is capitalised to the land rehabilitation costs. The costs are amortised on the straight-line basis over their estimate useful lives.

3. Significant Accounting Policies (Continued)

Financial instruments

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets 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 recognised immediately in profit or loss.

Financial assets

Financial assets are classified into the following specified categories: financial assets "at fair value through profit or loss" (FVTPL), "held-to-maturity investments", "available-for-sale" (AFS) financial assets and "loans and receivables". The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

Effective interest method

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

Income is recognised on an effective interest basis for debt instruments other than those financial assets classified as at FVTPL.

Financial assets at FVTPL

Financial assets are classified as at FVTPL when the financial asset is either held for trading or it is designated as at FVTPL.

A financial asset 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 Group 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.

3. Significant Accounting Policies (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Financial assets at FVTPL (Continued)

A financial asset other than a financial asset held for trading may be designated as at FVTPL 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 Group'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 one or more embedded derivatives, and HKAS 39 *Financial Instruments: Recognition and Measurement* permits the entire combined contract (asset or liability) to be designated as at FVTPL.

Financial assets at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any dividend or interest earned on the financial asset and is included in the statement of profit or loss and other comprehensive income. Fair value is determined in the manner as described in note 4.

Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturity dates that the Group has the positive intention and ability to hold to maturity other than:

a) those that the entity upon initial recognition designates as at fair value through profit or loss;

b) those that the entity designates as available for sale; and

c) those that meet the definition of loans and receivables.

Subsequent to initial recognition, held-to-maturity investments are measured at amortised cost using the effective interest method less any impairment (see the accounting policy in respect of impairment losses on financial assets below).

3. Significant Accounting Policies (Continued)

Financial instruments (Continued)

Financial assets (Continued)

AFS financial assets

AFS financial assets are non-derivatives that are either designated as available-for-sale or are not classified as (a) loans and receivables, (b) held-to-maturity investments or (c) financial assets at FVTPL.

Equity and debt securities held by the Group that are classified as AFS financial assets and are traded in an active market are measured at fair value at the end of each reporting period. Changes in the carrying amount of AFS monetary financial assets relating to interest income calculated using the effective interest method and dividends on AFS equity investments are recognised in profit or loss. Other changes in the carrying amount of AFS financial assets are recognised in other comprehensive income and accumulated under the heading of investment revaluation reserve. When the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously accumulated in the investment revaluation reserve is reclassified to profit or loss (see the accounting policy in respect of impairment loss on financial assets below).

Dividends on AFS equity investments are recognised in profit or loss when the Group's right to receive the dividends is established.

AFS equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured and derivatives that are linked to and must be settled by delivery of such unquoted equity investments are measured at cost less any identified impairment losses at the end of each reporting period (see the accounting policy in respect of impairment loss on financial assets below).

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables (including deposits, trade and other receivables, amounts due from subsidiaries and bank balances and cash) are measured at amortised cost using the effective interest method, less any impairment.

Interest income is recognised by applying the effective interest rate, except for short-term receivables where the recognition of interest would be immaterial.

Impairment of financial assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected.

For AFS equity investments, a significant or prolonged decline in the fair value of the security below its cost is considered to be objective evidence of impairment.

3. Significant Accounting Policies (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets (Continued)

For all other financial assets, objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as a default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation; or
- the disappearance of an active market for that financial asset because of financial difficulties.

For certain categories of financial assets, such as trade receivables, assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period, as well as observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, the amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

For financial assets carried at cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent periods (see the accounting policy below).

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

When an AFS financial asset is considered to be impaired, cumulative gains or losses previously recognised in other comprehensive income are reclassified to profit or loss in the period.

For financial assets measured at amortised cost, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

3. Significant Accounting Policies (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets (Continued)

In respect of AFS equity investments, impairment losses previously recognised in profit or loss are not reversed through profit or loss. Any increase in fair value subsequent to an impairment loss is recognised in other comprehensive income and accumulated under the heading of investment revaluation reserve. In respect of AFS debt investments, impairment losses are subsequently reversed through profit or loss if an increase in the fair value of the investment can be objectively related to an event occurring after the recognition of the impairment loss.

Financial liabilities and equity instruments

Classification as debt or equity

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

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Group are recognised at the proceeds received, net of direct issue costs.

Repurchase of the Company's own equity instruments is recognised and deducted directly in equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments.

Financial liabilities at FVTPL

Financial liabilities are classified as at FVTPL when the financial liability is either held for trading or it is designated as at FVTPL on initial recognition.

A financial liability is classified as held for trading if:

- it has been acquired principally for the purpose of repurchasing it in the near term; or
- on initial recognition it is part of a portfolio of identified financial instruments that the Group 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.

3. Significant Accounting Policies (Continued)

Financial instruments (Continued)

Financial liabilities and equity instruments (Continued)

Financial liabilities at FVTPL (Continued)

A financial liability other than a financial liability held for trading may be designated as at FVTPL 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 Group'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 one or more embedded derivatives, and HKAS 39 *Financial Instruments: Recognition and Measurement* permits the entire combined contract (asset or liability) to be designated as at FVTPL.

Financial liabilities at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any interest paid on the financial liability and is included in the consolidated statement of profit or loss and other comprehensive income. Fair value is determined in the manner as described in note 4.

Other financial liabilities

Other financial liabilities (including trade and other payables, amounts due to subsidiaries, amount due to a related company, dividends payable to non-controlling interests, bank borrowing and promissory note) are subsequently measured at amortised cost using the effective interest method.

Effective interest method

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

Interest expense is recognised on an effective interest basis other than financial liabilities classified as at FVTPL.

3. Significant Accounting Policies (Continued)

Financial instruments (Continued)

Derecognition

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group continues to recognise the asset to the extent of its continuing involvement and recognises an associated liability. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

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

On derecognition of a financial asset other than in its entirety, the Group allocates the previous carrying amount of the financial asset between the part it continues to recognise, and the part it no longer recognises on the basis of the relative fair values of those parts on the date of the transfer. The difference between the carrying amount allocated to the part that is no longer recognised and the sum of the consideration received for the part no longer recognised and any cumulative gain or loss allocated to it that had been recognised in other comprehensive income is recognised in profit or loss. A cumulative gain or loss that had been recognised in other comprehensive income is allocated between the part that continues to be recognised and the part that is no longer recognised on the basis of the relative fair values of those parts.

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

3. Significant Accounting Policies (Continued)

Related parties

A party is considered to be related to the Group if:

(a) the party is a person or a close member of that person's family and that person,

(i) has controls or joint control over the Group;

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Group or of a parent of the Group;

or

(b) the party is an entity where any of the following conditions applies:

(i) the entity and the Group are members of the same group;

(ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);

(iii) the entity and the Group are joint ventures of the same third party;

(iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;

(v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;

(vi) the entity is controlled or jointly controlled by a person identified in (a); and

(vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

4. Financial Instruments

(a) Categories of financial instruments

	THE GROUP		THE COMPANY	
	2014	2013	**2014**	2013
	HK$'000	HK$'000	**HK$'000**	HK$'000
Financial assets				
Fair value through profit or loss				
Investments held for trading	**4,192**	17,985	**4,192**	17,985
Loans and receivables (including cash and cash equivalents)	**74,756**	112,545	**65,373**	91,241
Financial liabilities				
Amortised cost	**148,528**	135,050	**54,907**	44,586

(b) Financial risk management objectives and policies

The Group's and the Company's major financial instruments include deposits, trade and other receivables, amounts due from subsidiaries, investments held for trading, bank balances and cash, trade and other payables, amounts due to subsidiaries, amount due to a related company, dividends payable to non-controlling interests, bank borrowing and promissory note. Details of the financial instruments are disclosed in respective notes. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

There has been no change to the types of the Group's exposure in respect of financial instruments or the manner in which it manages and measures the risks.

Market risk

Foreign currency risk management

Foreign currency risk refers to the risk that movement in foreign currency exchange rate will affect the Group's financial results and its cash flows. The management considers that the Group is not exposed to significant foreign currency risk as majority of its transactions are denominated in Hong Kong dollars and Renminbi (functional currencies of the major group entities).

The Group currently does not have a foreign currency hedging policy. However, the management monitors foreign currency exposure and will consider hedging significant foreign currency exposure should the need arise.

4. Financial Instruments (Continued)

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

Market risk (Continued)

Foreign currency risk management (Continued)

At the end of the reporting period, the carrying amounts of the Group's major monetary assets denominated in currencies other than the functional currencies of the relevant group entities are as follows:

	THE GROUP		THE COMPANY	
	2014	2013	**2014**	2013
	HK$'000	HK$'000	**HK$'000**	HK$'000
Assets				
US dollar	**40**	6,259	**33**	33
Renminbi ("RMB")	**297**	11,656	**1**	1
HK$	**842**	2,724	**–**	–

Foreign currency sensitivity analysis

Since HK$ is pegged to US$, relevant foreign currency risk is minimal. Accordingly, their fluctuation is excluded from the sensitivity analysis. The following table details the Group's sensitivity to a 5% increase and decrease in the RMB against HK$ and HK$ against RMB. 5% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the possible change in foreign exchange rate. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the end of the reporting period for a 5% change in foreign currency rate. A positive number below indicates a decrease in loss where RMB strengthens against HK$ and HK$ strengthens against RMB. For a 5% weakening of RMB against HK$ and HK$ weakening against RMB, there would be an equal and opposite impact on the loss.

	THE GROUP		THE COMPANY	
	2014	2013	**2014**	2013
	HK$'000	HK$'000	**HK$'000**	HK$'000
RMB	**15**	583	**–**	–
HK$	**42**	136	**–**	–

In management's opinion, the sensitivity analysis is unrepresentative of the inherent exchange risk as the year end exposure does not reflect the exposure during the year.

4. Financial Instruments (Continued)

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

Market risk (Continued)

Interest rate risk management

The Group's fair value interest rate risk relates to primarily to its fixed-rate borrowings. The cash flow interest rate risk of the Group and the Company relates primarily to their variable-rate bank deposits. The management considers that the exposure to interest rate risk on bank deposits is insignificant. For borrowings which are fixed-rate instruments is insensitive to any change in interest rates. A change in interest rates at the end of the reporting period would not affect profit or loss. The Group currently does not have an interest rate hedging policy. However, the management monitors interest rate exposure and will consider hedging significant interest rate exposure should the need arise.

Other price risks

The Group and the Company are exposed to equity price risk through their investments in listed equity securities. The management manages this exposure by maintaining a portfolio of investments with different risks. The Group's and the Company's equity price risk is mainly concentrated on the fluctuation of market price of equity securities listed in the Stock Exchange. In addition, the Group has appointed a special team to monitor the price risk and will consider hedging the risk exposure should the need arise.

Equity price sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to equity price risk at the end of the reporting period.

If the prices of the respective equity instruments had been 10% higher/lower, loss for the year ended 31 March 2014 would decrease/increase by approximately HK$419,000 (2013: HK$1,799,000). This is mainly due to the changes in fair value of investments held for trading.

The Group's and the Company's sensitivity to investments held for trading increased during the year mainly due to the violent fluctuation in the stock market during the year. In management's opinion, the sensitivity analysis is unrepresentative of the inherent other price risk as the year end exposure does not reflect the exposure during the year.

Credit risk management

The Group's and the Company's maximum exposure to credit risk which will cause a financial loss to the Group and the Company due to failure to discharge an obligation by the counterparties is arising from the carrying amount of the respective recognised financial assets as stated in the consolidated and company statements of financial position respectively.

4. Financial Instruments (Continued)

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

Credit risk management (Continued)

In order to minimise the credit risk, the management of the Group and the Company have delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group and the Company review the recoverable amount of each individual trade debt at the end of the reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors consider that the Group's and the Company's credit risk is significantly reduced.

The credit risk on liquid funds is limited because majority of the counterparties are banks with high credit ratings assigned by international credit-rating agencies and state-owned banks with good reputation.

The Group's concentration of credit risk on trade receivables by geographical locations is in Hong Kong and in the PRC, which accounted for 7% and 93% respectively (2013: 7% and 93% respectively) of the total trade receivables as at 31 March 2014. In addition, the Group has certain concentration of credit risk by customers as 41% (2013: 64%) of the Group's trade receivables were due from the Group's five largest customers. The management closely monitors the settlement of trade receivables and reviews their recoverability to ensure that adequate impairment losses are recognised for irrecoverable amounts.

Other than concentration of credit risk on liquid funds which are deposited with several banks with high credit ratings or good reputation and on trade receivables, the Group does not have any other significant concentration of credit risk.

The Group does not hold any collateral or other credit enhancements to cover its credit risks associated with its financial assets.

Liquidity risk management

In the management of liquidity risk, the Group and the Company monitor and maintain a level of cash and cash equivalents deemed adequate by the management to finance the Group's and the Company's operations and mitigate the effects of fluctuations in cash flows.

The following tables detail the Group's remaining contractual maturity for its non-derivative financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay and include both interest and principal cash flows.

For bank borrowing with a repayment on demand clause are included in the earliest time band regardless of the probability of the bank choosing to exercise its rights within one year after the reporting date. The maturity analysis for other non-derivative financial liabilities is prepared based on the scheduled repayment dates.

4. Financial Instruments (Continued)

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

Liquidity risk management (Continued)

THE GROUP

	Weighted average effective interest rate %	On demand HK$'000	Less than 1 year HK$'000	1-5 years HK$'000	Over 5 years HK$'000	Total undiscounted cash flows HK$'000	Carrying amounts at 31 March HK$'000
2014							
Non-derivative financial liabilities							
Trade and other payables	**N/A**	**–**	**32,359**	**–**	**–**	**32,359**	**32,359**
Amount due to a related company	**N/A**	**700**	**–**	**–**	**–**	**700**	**700**
Dividends payable to non-controlling interests	**N/A**	**42,244**	**–**	**–**		**42,244**	**42,244**
Bank borrowing (note (i))	**2.25**	**9,804**	**–**	**–**	**–**	**9,804**	**9,786**
Promissory note	**3.16**	**–**	**23,634**	**43,009**	**–**	**66,643**	**63,439**
		52,748	**55,993**	**43,009**	**–**	**151,750**	**148,528**
2013							
Non-derivative financial liabilities							
Trade and other payables	N/A	–	26,408	–	–	26,408	26,408
Amount due to a related company	N/A	700	–	–	–	700	700
Dividends payable to non-controlling interests	N/A	46,816	–	–	–	46,816	46,816
Promissory note	2.93	–	11,351	44,200	10,300	65,851	61,126
		47,516	37,759	44,200	10,300	139,775	135,050

4. Financial Instruments (Continued)

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

Liquidity risk management (Continued)

THE COMPANY

	Weighted average effective interest rate %	On demand HK$'000	Less than 1 year HK$'000	Total undiscounted cash flows HK$'000	Carrying amounts at 31 March HK$'000
2014					
Non-derivative financial liabilities					
Trade and other payables	**N/A**	**–**	**2,331**	**2,331**	**2,331**
Amounts due to subsidiaries	**N/A**	**42,790**	**–**	**42,790**	**42,790**
Bank borrowing (note (i))	**2.25**	**9,804**	**–**	**9,804**	**9,786**
		52,594	**2,331**	**54,925**	**54,907**
2013					
Non-derivative financial liabilities					
Trade and other payables	N/A	–	1,795	1,795	1,795
Amounts due to subsidiaries	N/A	42,791	–	42,791	42,791
		42,791	1,795	44,586	44,586

Note:

(i) Bank borrowing with a repayment on demand clause are included in the "On demand" time band in the above maturity analysis. As at 31 March 2014, the aggregate undiscounted principal amounts of this bank borrowing amounted to approximately HK$9,804,000. Taking into account the Group's financial position, the directors do not believe that it is probable that the bank will exercise its discretionary rights to demand immediate repayment. The directors believe that such bank borrowing will be repaid in accordance with the scheduled repayment dates set out in the loan agreement and the aggregate principal and interest cash outflows will amount to approximately HK$11,437,000.

4. Financial Instruments (Continued)

(c) Fair value measurements

Fair value of financial assets and financial liabilities that are not measured at fair value on a recurring basis (but fair value disclosures are required)

The carrying amount of the Promissory Note as at 31 March 2014 amounted to approximately HK$63,439,000, whereas its fair value amounted to approximately HK$62,806,000. The fair value of the Promissory Note has been arrived using the effective interest method by discounting future estimated repayments at discount rate of 3.63% with reference to the Hong Kong Exchange Fund Notes yields and credit spreads of comparable financial instruments with similar characteristics. The directors consider that the carrying amount of the Promissory Note approximated to its fair value as at 31 March 2013.

Fair value hierarchy as at 31 March 2014

	Level 1 HK$'000	Level 2 HK$'000	Level 3 HK$'000	Total HK$'000
Financial assets				
Investments held for trading	4,192	–	–	4,192
Financial liabilities				
Promissory note	–	62,806	–	62,806

5. Capital Management

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged from prior year.

The capital structure of the Group consists of debts (which includes bank borrowing and promissory note) and equity attributable to owners of the Company (comprising issued share capital and reserves).

The Group is not subject to any externally imposed capital requirements.

5. Capital Management (Continued)

Gearing ratio

The directors review the capital structure regularly. As part of this review, the directors consider the cost of capital and the risks associated with each class of capital. The Group will balance its overall capital structure through the payment of dividends, new share issues and as well as the issue of new debts.

The gearing ratio at the end of the reporting period was as follows:

	2014 **HK$'000**	2013 HK$'000
Debts	**73,225**	61,126
Equity attributable to owners of the Company	**86,018**	133,224
Gearing ratio	**85.13%**	45.88%

6. Critical Accounting Judgements and Key Sources of Estimation Uncertainty

In the application of the Group's accounting policies, which are described in note 3, management is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and underlying assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised if the revisions affect only that period, or in the period of the revisions and future periods if the revisions affect both current and future periods.

Critical judgements in applying accounting policies

The following are the critical judgements, apart from those involving estimations (see below), that management has made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in the consolidated financial statements.

6. Critical Accounting Judgements and Key Sources of Estimation Uncertainty (Continued)

Critical judgements in applying accounting policies (Continued)

Deferred taxation on investment properties

For the purposes of measuring deferred tax liabilities or deferred tax assets arising from investment properties that are measured using the fair value model, the directors have reviewed the Group's investment property portfolios and concluded that the Group's investment properties are not held under a business model whose objective is to consume substantially all of the economic benefits embodied in the investment properties over time, rather than through sale. Therefore, in measuring the Group's deferred taxation on investment properties, the directors have determined that the presumption that the carrying amounts of investment properties measured using the fair value model are recovered entirely through sale is not rebutted. As a result, the Group has not recognised any deferred taxes on changes in fair value of investment properties as the Group is not subject to any income taxes on disposal of its investment properties.

Withholding taxes arising from the distributions of dividends

The Group's determination as to whether to accrue for withholding taxes from the distribution of dividends from subsidiaries in the PRC according to the relevant tax jurisdictions is subject to judgement on the timing of the payment of the dividend, where the Group considers that if it is probable that the profits of the subsidiaries in the PRC will not be distributed in the foreseeable future, then no withholding taxes are provided.

Key sources of estimation uncertainty

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating units to which goodwill has been allocated. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the cash-generating units and a suitable discount rate in order to calculate the present value. Where the actual future cash flows are less than expected, a material impairment loss may arise.

Impairment of mining and exploration assets and property, plant and equipment

The carrying amounts of mining and exploration assets and property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying amounts may not be recoverable in accordance with the accounting policy as disclosed in note 3. The recoverable amount of these assets, or, where appropriate, the cash-generating unit to which they belong, is calculated as the higher of its fair value less costs of disposal and value in use. Estimating the value in use requires the Group to estimate the expected future cash flows from the cash-generating units and to choose a suitable discount rate in order to calculate the present value of those cash flows.

6. Critical Accounting Judgements and Key Sources of Estimation Uncertainty (Continued)

Key sources of estimation uncertainty (Continued)

Estimated net realisable value of inventories

Net realisable value of inventories is the estimated selling price in the ordinary course of business, less estimated costs of completion and costs necessary to make the sale. These estimates are based on the current market condition and the historical experience of selling products of similar nature. It could change significantly as a result of changes in customer taste and competitor actions in response to changes to economic conditions.

Estimated impairment of trade and other receivables

The Group estimates the provisions for impairment of trade and other receivables by assessing their recoverability based on credit history and prevailing marking conditions. Provisions are applied to trade and other receivables where events or changes in circumstances indicate that the balances may not be collectible. Where the expectation is different from the original estimate, such difference will affect the carrying amount of trade and other receivables and thus the impairment loss in the period in which such estimate is changed. The Group reassesses the provisions at the end of each reporting period.

Provision for land rehabilitation

Provision for land rehabilitation has been estimated by reference to the current regulatory requirements and the area affected estimated by the management. Significant changes in the regulatory requirements in relation to such costs will result in changes to the provision amounts from period to period. In addition, the expected timing of cash outflows of such rehabilitation costs are estimated based on the expected completion date of the closure of the mines and is subject to any significant changes to the production plan.

Mine reserves

Engineering estimates of the Group's mine reserves are inherently imprecise and represent only approximate amounts because of the significant judgements involved in developing such information. Mine reserves estimates can fluctuate from initial estimates when there are significant changes in any of the factors or assumptions used in estimating mine reserves, notably changes in the geology of the reserves and assumptions used in determining the economic feasibility of the reserves. This change is considered a change in estimates for accounting purposes and is reflected on a prospective basis at related amortisation rates.

7. Segment Information

The Group's operating segments are determined based on information reported to the chief operating decision maker (the "CODM"), being the board of directors, for the purpose of resources allocation and performance assessment. The CODM reviews the Group's internal reporting for the purposes of resource allocation and performance assessment based on two operating segments as (i) the provision of computer consultancy and software maintenance services, software development, sales of computer hardware and software and e-Commerce services ("Computer hardware and software business"); and (ii) the exploration and exploitation of mines ("Mining business").

Segment revenues and results

The following is an analysis of the Group's revenue and results by reportable segments:

	2014	2013
	HK$'000	HK$'000
Segment revenue		
Computer hardware and software business	**33,520**	48,828
Mining business	**94,461**	156,038
	127,981	204,866
Segment results		
Computer hardware and software business	**(31,930)**	(25,732)
Mining business	**(51,037)**	46,513
	(82,967)	20,781
Interest income	**215**	502
Other income and gains	**1,426**	1,865
Unallocated corporate expenses	**(3,289)**	(9,827)
Fair value losses on investment properties	**(1,782)**	–
Loss on disposal of an investment property	**–**	(588)
Net (losses)/gains on investments held for trading	**(3,123)**	7,709
Finance costs	**(2,504)**	(1,578)
Share of (losses)/profits of associates	**(322)**	1,657
(Loss)/profit before tax	**(92,346)**	20,521

Segment revenue reported above represents revenue generated from external customers. There were no inter-segment sales in the current year (2013: nil).

The accounting policies of the reportable segments are the same as the Group's accounting policies described in note 3. Segment results represent the (loss)/profit from each segment without allocation of interest income, other income and gains, unallocated corporate expenses, fair value losses on investment properties, loss on disposal of an investment property, net (losses)/gains on investments held for trading, finance costs and share of (losses)/profits of associates. This is the measure reported to the CODM for the purposes of resource allocation and assessment of segment performance.

7. Segment Information (Continued)

Segment assets and liabilities

	2014 HK$'000	2013 HK$'000
Segment assets		
Computer hardware and software business	**23,161**	33,191
Mining business	**456,203**	513,796
Total segment assets	**479,364**	546,987
Unallocated	**65,914**	82,463
Consolidated assets	**545,278**	629,450
Segment liabilities		
Computer hardware and software business	**10,954**	13,742
Mining business	**120,507**	127,268
Total segment liabilities	**131,461**	141,010
Unallocated	**73,225**	61,126
Consolidated liabilities	**204,686**	202,136

For the purposes of monitoring segment performances and allocating resources between segments:

- all assets are allocated to reportable segments other than interests in associates, investment properties, amount and loan due from an associate, investments held for trading and bank balances and cash. Goodwill is allocated to segments as described in note 16; and
- all liabilities are allocated to reportable segments other than bank borrowing and promissory note.

7. Segment Information (Continued)

Other segment information

	2014 HK$'000	2013 HK$'000
Additions to non-current assets*		
Computer hardware and software business	**1,602**	1,100
Mining business	**22,723**	451,547
	24,325	452,647
Depreciation and amortisation		
Computer hardware and software business	**816**	796
Mining business	**4,834**	25,874
	5,650	26,670
Impairment loss recognised on trade receivables		
Computer hardware and software business	**1,578**	–
Provision for slow-moving inventories		
Computer hardware and software business	**2,130**	–
Impairment loss on other intangible assets		
Mining business	**62,134**	–
Write off/impairment of goodwill		
Mining business	**–**	5,436

* Additions to non-current assets include additions to property, plant and equipment, goodwill, other intangible assets, prepaid lease payments and land rehabilitation costs (including assets from the acquisition through business combination).

7. Segment Information (Continued)

Revenue from major products and services

The Group's revenue from its major products and services were as follows:

	2014 HK$'000	2013 HK$'000
Computer hardware	**7,315**	31,265
Computer software	**1,812**	7,482
Gold dores	**94,461**	152,231
Iron ore	**–**	3,807
Software development	**19,414**	4,498
e-Commerce services	**4,979**	5,583
	127,981	204,866

Geographical information

The Group's operations are mainly situated in Hong Kong and the PRC.

The Group's revenue from external customers by location of operations and information about its non-current assets* by location of assets are detailed below:

	2014 HK$'000	2013 HK$'000
Turnover from external customers		
Hong Kong	**5,814**	8,153
PRC	**122,167**	196,713
	127,981	204,866
Non-current assets*		
Hong Kong	**20,633**	1,337
PRC	**386,174**	432,686
	406,807	434,023

* Non-current assets excluding financial instruments

7. Segment Information (Continued)

Information about major customers

Revenues from customers of the corresponding years contributing over 10% of total revenue of the Group are as follows:

	2014 HK$'000	2013 HK$'000
Customer A[2]	**23,952**	N/A[3]
Customer B[2]	**70,236**	152,142
Customer C[1]	**17,173**	27,705

1 Revenue from computer hardware and software business
2 Revenue from mining business
3 The corresponding revenue did not contribute over 10% of the total revenue of the Group

8. Finance Costs

	2014 HK$'000	2013 HK$'000
Interest on:		
– a finance lease	**–**	2
– bank borrowing not wholly repayable with five years	**191**	–
Effective interest on promissory note	**2,313**	1,576
Total borrowing costs	**2,504**	1,578

9. Loss for the Year

	2014 HK$'000	2013 HK$'000
Loss for the year has been arrived at after charging/(crediting):		
Directors' and chief executive's emoluments (note 10)	**7,579**	6,196
Other staff's retirement benefits scheme contributions	**2,618**	2,157
Other staff's equity-settled share-based payments	**2,275**	2,301
Other staff costs	**21,865**	19,769
Total employee benefits expenses	**34,337**	30,423
Depreciation of property, plant and equipment:		
– owned by the Group	**3,155**	1,920
– held under a finance lease	**–**	20
Amortisation of:		
– prepaid lease payments	**186**	170
– land rehabilitation costs	**799**	918
– other intangible assets	**1,510**	23,642
Total depreciation and amortisation	**5,650**	26,670
Auditors' remuneration	**950**	950
Cost of inventories recognised as an expense	**83,804**	98,428
Loss on disposal of property, plant and equipment	**3**	2
Impairment loss recognised on trade receivables (included in other expenses)	**1,578**	–
Impairment loss on other intangible assets	**62,134**	–
Operating lease rentals in respect of rented premises	**2,496**	2,977
Provision for slow-moving inventories (included in other expenses)	**2,130**	–
Net foreign exchange gains	**(216)**	(247)
Dividends from listed equity securities	**(328)**	(1,004)
Interest income	**(215)**	(502)
Gross rental income from investment properties	**–**	(163)
Less: direct operating expenses from investment properties that generated rental income during the year	**–**	39
direct operating expenses from investment properties that did not generated rental income during the year	**113**	–
	113	(124)

10. Directors', Chief Executive's and Employees' Emoluments

Directors' and chief executive's emoluments

The emoluments paid or payable to each of the directors and the chief executive were as follows:

	2014						2013					
	Fees HK$'000	Salaries and other benefits HK$'000	Retirement benefits scheme contributions HK$'000	Performance and discretionary bonus HK$'000	Share-based payments HK$'000	Total emoluments HK$'000	Fees HK$'000	Salaries and other benefits HK$'000	Retirement benefits scheme contributions HK$'000	Performance and discretionary bonus HK$'000	Share-based payments HK$'000	Total emoluments HK$'000
Executive directors												
Cheng Kin Kwan	-	2,136	-	-	-	2,136	–	2,143	–	–	–	2,143
Law Kwai Lam	-	422	-	-	-	422	–	422	–	–	–	422
Leung Mei Sheung, Eliza	-	680	18	-	-	698	–	608	18	–	–	626
Zheng Ying Yu	-	370	17	-	254	641	–	384	17	–	–	401
Fung Chun Pong, Louis	-	588	18	-	85	691	–	567	18	–	–	585
Liao Yun	-	486	17	-	253	756	–	448	18	–	–	466
Felipe Tan (appointed on 30 September 2012)	120	480	16	-	-	616	60	531	–	–	–	591
Zhang Ming (appointed on 30 September 2012)	120	510	6	-	253	889	60	489	–	–	–	549
Independent non-executive directors												
Tsang Wai Chun, Marianna	126	-	-	-	-	126	121	–	–	–	–	121
Chan Mei Ying, Spencer	126	-	-	-	84	210	121	–	–	–	–	121
Lam Kwai Yan	126	-	-	-	84	210	121	–	–	–	–	121
Chan Choi Ling (appointed on 30 September 2012)	100	-	-	-	84	184	50	–	–	–	–	50
	718	5,672	92	-	1,097	7,579	533	5,592	71	–	–	6,196

10. Directors', Chief Executive's and Employees' Emoluments (Continued)

Directors' and chief executive's emoluments (Continued)

Mr. Cheng Kin Kwan is also the chief executive and his emoluments disclosed above include those for services rendered by him as the chief executive.

During the year, no emoluments were paid by the Group to any of the directors or the chief executive as an inducement to join or upon joining the Group or as compensation for loss of office (2013: nil). None of the directors or the chief executive has waived any emoluments during the year (2013: nil).

Employees' emoluments

Of the five individuals with the highest emoluments in the Group, three (2013: two) were directors or the chief executive of the Company whose emoluments are included in the disclosures above. The emoluments of the remaining two (2013: three) individuals were as follows:

	2014 HK$'000	2013 HK$'000
Basic salaries and allowances	**1,435**	1,513
Retirement benefits scheme contributions	**34**	51
Performance and discretionary bonus	**98**	–
Share-based payment expense	**328**	537
	1,895	2,101

The emoluments of each of these highest paid individuals were within HK$1,000,000.

During the year, no emoluments were paid by the Group to any of the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office (2013: nil).

11. Income Tax (Credit)/Expense

	2014 HK$'000	2013 HK$'000
Current tax		
– PRC Enterprise Income Tax	**6,535**	25,801
Deferred tax (note 30)	**(9,006)**	(3,430)
Total income tax recognised in profit or loss	**(2,471)**	22,371

11. Income Tax (Credit)/Expense (Continued)

Hong Kong Profits Tax is calculated at 16.5% of the estimated profit for both years. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the jurisdictions in which the Group operates. No provision for Hong Kong Profits Tax has been made in the consolidated financial statements as the Group had no assessable profit arising in or derived from Hong Kong for both years.

The tax charge for the year can be reconciled to the (loss)/profit before tax per the consolidated statement of profit or loss and other comprehensive income as follows:

	2014 HK$'000	2013 HK$'000
(Loss)/profit before tax	**(92,346)**	20,521
Tax at the Hong Kong Profits Tax rate of 16.5%	**(15,237)**	3,386
Tax effect of share of (losses)/profits of associates	**53**	(273)
Tax effect of expenses not deductible for tax purposes	**1,564**	8,363
Tax effect of income not taxable for tax purposes	**(3,080)**	(3,251)
Tax effect of unrecognised tax losses	**10,296**	4,210
Effect of different tax rates for subsidiaries operating in jurisdictions other than Hong Kong	**3,246**	5,584
PRC withholding tax	**687**	4,189
Others	**–**	163
Income tax (credit)/expense for the year	**(2,471)**	22,371

12. Loss Per Share

The calculation of the basic and diluted loss per share is based on the following data:

	2014	2013
Loss:		
Loss for the year attributable to owners of the Company for the purpose of basic and diluted loss per share	**HK$(56,903,000)**	HK$(27,611,000)
Number of ordinary shares:		
Weighted average number of ordinary shares for the purpose of basic and diluted loss per share	**1,600,357,805**	1,549,039,997

The computation of diluted loss per share did not assume the exercise of the Company's outstanding share options existed during the years ended 31 March 2014 and 2013 since their exercise would result in a decrease in loss per share.

13. Investment Properties

	2014 HK$'000	2013 HK$'000
At fair value		
Balance at beginning of year	–	9,348
Additions	**21,382**	–
Net loss from fair value adjustment	**(1,782)**	–
Effect of foreign currency exchange differences	–	117
Disposals	–	(9,465)
Balance at end of year	**19,600**	–

As at 31 March 2014, the Group's property interests were held under medium-term operating lease and situated in Hong Kong. As at the end of the reporting period, all of the Group's investment properties have been pledged to secure mortgages granted to the Group. Further details of the borrowing are set out in note 27 to these consolidated financial statements.

Fair value measurement of the Group's investment properties

The fair value of the Group's investment properties as at 31 March 2014 has been arrived at on the basis of a valuation carried out by LCH (Asia-Pacific) Surveyors Limited, independent qualified professional valuers not connected to the Group.

The fair value was determined based on sale comparison approach by direct comparison method that reflects recent transaction prices for similar properties, adjusted for differences in nature, location and condition of the properties under review.

The Group has determined that the highest and best use of investment properties at the measurement date would be to convert these properties for commercial purpose either or capital appreciation or for earning rentals.

Details of the Group's investment properties and information about the fair value hierarchy as at 31 March 2014 are as follows:

	Level 1 HK$'000	Level 2 HK$'000	Level 3 HK$'000	Total HK$'000
Commercial property units located in Hong Kong	–	19,600	–	19,600

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

14. Property, Plant and Equipment

	Land and buildings HK$'000	Leasehold improvements HK$'000	Plant and machinery HK$'000	Computer equipment HK$'000	Furniture and fixtures HK$'000	Office equipment HK$'000	Motor vehicles HK$'000	Construction in progress HK$'000	Total HK$'000
THE GROUP									
Cost									
Balance at 1 April 2012	–	1,373	–	14,395	908	5,398	759	–	22,833
Exchange adjustments	219	–	31	77	5	13	24	105	474
Acquisition through business combination (note 38(b))	17,435	–	2,475	715	–	174	1,942	8,359	31,100
Additions	3,932	–	1,537	367	69	869	794	9,642	17,210
Disposals/write-off	–	–	–	(1,632)	–	(413)	–	–	(2,045)
Balance at 31 March 2013	21,586	1,373	4,043	13,922	982	6,041	3,519	18,106	69,572
Exchange adjustments	(50)	–	(9)	(14)	(1)	(4)	(6)	(42)	(126)
Acquisition through business combination (note 38(a))	–	–	–	191	–	–	–	–	191
Transfer to property, plant and equipment	48	–	–	–	–	–	–	(48)	–
Additions	1,011	–	4,883	216	1	317	425	32	6,885
Disposals/write-off	–	–	(717)	(1,577)	–	(5)	–	–	(2,299)
Balance at 31 March 2014	**22,595**	**1,373**	**8,200**	**12,738**	**982**	**6,349**	**3,938**	**18,048**	**74,223**
Accumulated depreciation and impairment									
Balance at 1 April 2012	–	1,373	–	13,007	826	4,378	411	–	19,995
Exchange adjustments	–	–	–	55	4	6	–	–	65
Provided for the year	2,248	–	416	674	23	291	512	–	4,164
Eliminated on disposals/write-off	–	–	–	(1,630)	–	(413)	–	–	(2,043)
Balance at 31 March 2013	2,248	1,373	416	12,106	853	4,262	923	–	22,181
Exchange adjustments	(5)	–	(1)	(12)	(1)	(1)	(1)	–	(21)
Provided for the year	2,310	–	652	517	28	377	662	–	4,546
Eliminated on disposals/write-off	–	–	(689)	(1,577)	–	(2)	–	–	(2,268)
Balance at 31 March 2014	**4,553**	**1,373**	**378**	**11,034**	**880**	**4,636**	**1,584**	**-**	**24,438**
Carrying amounts									
Balance at 31 March 2014	**18,042**	**-**	**7,822**	**1,704**	**102**	**1,713**	**2,354**	**18,048**	**49,785**
Balance at 31 March 2013	19,338	–	3,627	1,816	129	1,779	2,596	18,106	47,391

Depreciation expenses of approximately HK$3,155,000 (2013: HK$1,940,000) have been included in profit or loss in the depreciation and amortisation line item and HK$1,391,000 (2013: HK$2,224,000) have been capitalised in the cost of inventories for the year ended 31 March 2014.

14. Property, Plant and Equipment (Continued)

	Leasehold improvements HK$'000	Computer equipment HK$'000	Furniture and fixtures HK$'000	Office equipment HK$'000	Motor vehicles HK$'000	Total HK$'000
THE COMPANY						
Cost						
Balance at 1 April 2012	1,373	8,422	477	3,384	759	14,415
Additions	–	150	–	25	–	175
Disposals/write off	–	(1,111)	–	(23)	–	(1,134)
Balance at 31 March 2013	1,373	7,461	477	3,386	759	13,456
Additions	–	105	–	29	–	134
Disposals/write off	–	(1,577)	–	–	–	(1,577)
Balance at 31 March 2014	**1,373**	**5,989**	**477**	**3,415**	**759**	**12,013**
Accumulated depreciation and impairment						
Balance at 1 April 2012	1,373	8,090	477	3,358	411	13,709
Provided for the year	–	119	–	25	95	239
Eliminated on disposals/write off	–	(1,111)	–	(23)	–	(1,134)
Balance at 31 March 2013	1,373	7,098	477	3,360	506	12,814
Provided for the year	–	135	–	9	94	238
Eliminated on disposals/write off	–	(1,577)	–	–	–	(1,577)
Balance at 31 March 2014	**1,373**	**5,656**	**477**	**3,369**	**600**	**11,475**
Carrying amounts						
Balance at 31 March 2014	**–**	**333**	**–**	**46**	**159**	**538**
Balance at 31 March 2013	–	363	–	26	253	642

15. Investments in Subsidiaries

	2014 HK$'000	2013 HK$'000
Unlisted investments, at cost	**22,897**	22,897
Less: Impairment loss recognised	**(14,797)**	(14,797)
	8,100	8,100

Details of the Company's principal subsidiaries at 31 March 2014 and 2013 are set out in note 39.

16. Goodwill

	2014 HK$'000	2013 HK$'000
Cost		
Balance at beginning of year	**6,734**	1,298
Additional amounts recognised from business combination occurring during the year (note 38)	**510**	5,436
Balance at end of year	**7,244**	6,734
Accumulated impairment losses		
Balance at beginning of year	**6,734**	1,298
Write off/impairment recognised in the year	**–**	5,436
Balance at end of year	**6,734**	6,734
Carrying amounts		
Balance at 31 March	**510**	–

Impairment testing on goodwill

At the end of the reporting period, goodwill has been allocated for impairment testing purposes to the following groups of cash-generating units:

- Computer hardware and software business
- Mining business

	2014 HK$'000	2013 HK$'000
Computer hardware and software business	**510**	–
Mining business	**–**	–
	510	–

Computer hardware and software business

The recoverable amount of this cash-generating unit ("CGU") was determined based on a value in use calculation which uses cash flow projections based on financial budgets approved by the directors covering a five-year period, and pre-tax discount rate of 23% which reflects current market assessments of the time value of money and the risks specific to the CGU. Other key assumptions for the value in use relate to the estimation of cash inflows/outflows which include budgeted revenue and operating costs which are determined from past performance and management's expected market development. The directors were of the opinion that based on value in use calculation, there was no impairment of goodwill during the year ended 31 March 2014. The directors believe that any reasonably possible change in the key assumptions on which the recoverable amount is based would not cause the carrying amount of the CGU to exceed its recoverable amount.

16. Goodwill (Continued)

Impairment testing on goodwill (Continued)

Mining business

During the year ended 31 March 2013, the recoverable amount of this group of CGUs was determined based on a value in use calculation which uses cash flow projections based on financial budgets approved by the directors covering a five-year period, and pre-tax discount rate of 22% which reflects current market assessments of the time value of money and the risks specific to the CGUs. Cash flows beyond the five-year period are extrapolated by assuming zero growth rate. Other key assumptions for the value in use relate to the estimation of cash inflows/outflows which include level of production, mining costs and commodity prices. The goodwill arising from the acquisition of the mining business (note 38(b)) was mainly attributable to the difference between the agreed issue price of the Consideration Shares and their acquisition-date fair value. As this factor had no effect on the future cash flows of the mining business, such goodwill was written off to profit or loss immediately upon acquisition at 11 May 2012.

17. Other Intangible Assets

	Mining rights HK$'000	Exploration rights and assets HK$'000	Total HK$'000
Cost			
Balance at 1 April 2012	–	–	–
Acquisition through business combination (note 38(b))	137,037	243,210	380,247
Effect of foreign currency exchange differences	1,713	3,040	4,753
Additions	168	2,378	2,546
Balance at 31 March 2013	138,918	248,628	387,546
Effect of foreign currency exchange differences	(322)	(576)	(898)
Additions	10,914	5,825	16,739
Balance at 31 March 2014	**149,510**	**253,877**	**403,387**
Accumulated amortisation and impairment			
Balance at 1 April 2012	–	–	–
Provided for the year	23,642	–	23,642
Balance at 31 March 2013	23,642	–	23,642
Effect of foreign currency exchange differences	(56)	–	(56)
Provided for the year	1,510	–	1,510
Impairment loss recognised	31,238	30,896	62,134
Balance at 31 March 2014	**56,334**	**30,896**	**87,230**
Carrying amounts			
Balance at 31 March 2014	**93,176**	**222,981**	**316,157**
Balance at 31 March 2013	115,276	248,628	363,904

17. Other Intangible Assets (Continued)

The effective amortisation rate of mining rights for the year approximates to 1% (2013: 17%).

During the year ended 31 March 2014, due to decline in market price of gold, nickel and copper which results in decrease in operating results by a PRC subsidiary which is engaging in mining and processing of gold, iron and nickel-copper and located in Xinjiang of the PRC, the Group carried out a review on the recoverable amounts of the cash-generating units in the Group's mining business.

Gold mining

The recoverable amount of the cash-generating unit is determined based on a value in use calculation which uses projections based on financial budget approved by the directors covering a four-year period, and pre-tax discount rate of 30% which reflects current market assessments of the time value of money and the risks specifics to the cash-generating unit. Other key assumptions for the value in use relate to the estimation of cash inflows/outflows which include level of production, mining costs and gold prices with zero growth rate during the forecasting period which are determined from past performance and expected market developments after taking into consideration of prevailing market spot prices. Based on the value in use calculation, the recoverable amount of the gold mining cash-generating unit was found to be less than its carrying amount. The review led to the recognition of an impairment loss on the mining rights of approximately HK$31,238,000, which have been recognised in profit or loss and included in "impairment loss on other intangible assets".

Nickel-copper mining

The recoverable amount of the cash-generating unit is determined based on a value in use calculation which uses projections based on financial budget approved by the directors covering a five-year period, and pre-tax discount rate of 16% which reflects current market assessments of the time value of money and the risks specifics to the cash-generating unit. Cash flows beyond the five-year period are extrapolated by assuming zero growth rates. Other key assumptions for the value in use relate to the estimation of cash inflows/outflows which include level of production, mining costs and nickel and copper prices with zero growth rate during the forecasting period which are determined from past performance and expected market developments after taking into consideration of prevailing market spot prices. Based on the value in use calculation, the recoverable amount of the mining business cash-generating unit was found to be less than its carrying amount. The review led to the recognition of an impairment loss on the explorations right and assets of approximately HK$30,896,000, which have been recognised in profit or loss and included in "impairment loss on other intangible assets".

18. Interests in Associates

	THE GROUP		THE COMPANY	
	2014 HK$'000	2013 HK$'000	**2014 HK$'000**	2013 HK$'000
Unlisted investments, at cost	**95,150**	95,150	**95,150**	95,150
Share of post-acquisition results and other comprehensive income, net of dividends received	**(88,533)**	(87,579)	**–**	–
Less: impairment loss recognised	**–**	–	**(88,533)**	(87,579)
	6,617	7,571	**6,617**	7,571

18. Interests in Associates (Continued)

The principal investment in an associate at 31 March 2014 and 2013 represents the Group's and the Company's 25.035% equity interest in 寧夏教育信息技術股份有限公司 (Ningxia Educational Information & Technology Co., Ltd.) ("Ningxia Educational"), a Sino-foreign joint stock limited company established in the PRC and engaged in the development of education informatisation programmes in Ningxia Hui Autonomous Region of the PRC.

The summarised financial information in respect of the Group's material associate is set out below. The summarised financial information below represents amounts shown in the associate's financial statements prepared in accordance with HKFRSs.

The associate is accounted for using the equity method in these consolidated financial statements.

	2014 HK$'000	2013 HK$'000
Current assets	**22,344**	24,557
Non-current assets	**13,970**	15,571
Current liabilities	**(1,152)**	(1,139)
Non-current liabilities	**(8,730)**	(8,750)
Revenue	**–**	–
(Loss)/profit for the year	**(1,286)**	6,618
Other comprehensive (loss)/income for the year	**(2,524)**	1,934
Total comprehensive (loss)/income for the year	**(3,810)**	8,552

Reconciliation of the above summarised financial information to the carrying amount of the interest in the associate recognised in the consolidated financial statements:

	2014 HK$'000	2013 HK$'000
Net assets of the associate	**26,432**	30,239
Proportion of the Group's ownership interest	**25.035%**	25.035%
Carrying amount of the Group's interest	**6,617**	7,571

19. Prepaid Lease Payments

	2014 HK$'000	2013 HK$'000
Balance at beginning of year	**7,580**	–
Acquisitions through business combination (note 38(b))	**–**	7,654
Amortisation expense	**(186)**	(170)
Effect of foreign currency exchange differences	**(16)**	96
Balance at end of year	**7,378**	7,580
Analysis of the carrying amounts of prepaid lease payments is as follows:		
Prepaid lease payments	**7,378**	7,580
Less: portion to be charge to profit or loss in the coming twelve months and shown as current assets	**(186)**	(186)
Balance at end of year	**7,192**	7,394

The Group's prepaid lease payments comprised a land use right situated in the PRC under medium term lease with lease term of 50 years.

20. Land Rehabilitation Costs

	2014 HK$'000	2013 HK$'000
Balance at beginning of year	**7,763**	–
Acquisitions through business combination (note 38(b))	**–**	3,510
Additions	**–**	5,127
Amortisation expense	**(799)**	(918)
Effect of foreign currency exchange differences	**(18)**	44
Balance at end of year	**6,946**	7,763

The land rehabilitation costs relate to the restoration costs for the occupation of lands at mining sites. The amortisation period ranges from approximately 1 to 13 years.

21. Inventories

	2014 HK$'000	2013 HK$'000
Raw materials	**38,312**	30,541
Finished goods	**2,440**	3,009
	40,752	33,550

22. Trade and Other Receivables

	THE GROUP		THE COMPANY	
	2014 HK$'000	2013 HK$'000	**2014 HK$'000**	2013 HK$'000
Trade receivables	**12,815**	21,326	**630**	11
Allowance for doubtful debts	**(1,578)**	–	**–**	–
Trade receivables, net of allowance	**11,237**	21,326	**630**	11
Prepayments	**18,585**	31,161	**231**	268
Deposits	**23,643**	29,965	**2,190**	2,688
Other receivables	**6,169**	6,012	**302**	331
	59,634	88,464	**3,353**	3,298
Less: deposits classified as non-current assets	**(21,461)**	(20,235)	**–**	–
	38,173	68,229	**3,353**	3,298

Long-term deposits of the Group represent the land restoration and environmental recoverability guarantee deposits in certain specified bank accounts. The amounts are restricted and not expected to be refunded within the next 12 months as at 31 March 2014.

As at 31 March 2014, included in the Group's other receivables are non-interest bearing amount due from an associate and interest-bearing loan to an associate amounting to HK$440,000 and HK$1,358,000 (2013: HK$290,000 and HK$1,375,000) respectively. The loan carries interest at the best-lending rate with similar maturity of the banks in PRC. These amounts are unsecured and repayable within one year.

In addition, included in the deposits as at 31 March 2013 was a deposit amounting to US$800,000 (equivalent to approximately HK$6,216,000) paid to owners of the mines as security for the performance by a wholly-owned subsidiary of its obligations pursuant to a mining service agreement (the "Mining Service Agreement"). The security deposit was refunded to the subsidiary following the termination of the Mining Service Agreement during the year ended 31 March 2014.

22. Trade and Other Receivables (Continued)

The following is an analysis of trade receivables by age, presented based on the invoice date and net of allowance for doubtful debts:

	THE GROUP		THE COMPANY	
	2014	2013	**2014**	2013
	HK$'000	HK$'000	**HK$'000**	HK$'000
0 to 30 days	**1,015**	13,771	**630**	3
31 to 60 days	**4,629**	16	**–**	8
61 to 90 days	**9**	38	**–**	–
More than 90 days	**5,584**	7,501	**–**	–
	11,237	21,326	**630**	11

The credit terms granted to customers are varied and are generally the result of negotiations between individual customers and the Group. No interest is charged on overdue trade receivables. The management closely monitors the credit quality of trade and other receivables and considers the trade and other receivables that are neither past due nor impaired to be of a good credit quality.

As at 31 March 2014, 7% (2013: 84%) of the trade receivables that are neither past due nor impaired relate to a number of independent customers that have a good track record with the Group. Of the trade receivables balance at the end of the reporting period, approximately 41% (2013: 64%) were due from the Group's five largest customers.

Trade receivables disclosed above include amounts (see below for aged analysis) which are past due at the end of the reporting period for which the Group considers no provision for impairment is required because they were either subsequently settled or with no historical default of payments by the respective customers that the amounts are still considered recoverable.

Age of trade receivables that are past due but not impaired

	THE GROUP		THE COMPANY	
	2014	2013	**2014**	2013
	HK$'000	HK$'000	**HK$'000**	HK$'000
Overdue by:				
1 to 30 days	**4,699**	629	**–**	–
31 to 60 days	**–**	–	**–**	–
61 to 90 days	**–**	23	**–**	–
More than 90 days	**5,584**	2,811	**–**	–
	10,283	3,463	**–**	–

22. Trade and Other Receivables (Continued)

Movement in the allowance for doubtful debts

	THE GROUP		THE COMPANY	
	2014	2013	**2014**	2013
	HK$'000	HK$'000	**HK$'000**	HK$'000
Balance at beginning of the year	**–**	–	**–**	–
Impairment losses recognised on trade receivables	**1,578**	–	**–**	–
Balance at the end of year	**1,578**	–	**–**	–

Age of impaired trade receivables

	THE GROUP		THE COMPANY	
	2014	2013	**2014**	2013
	HK$'000	HK$'000	**HK$'000**	HK$'000
Overdue by:				
More than 90 days	**1,578**	–	**–**	–

At 31 March 2014, the Group's trade receivables of approximately HK$1,578,000 (2013: nil) were determined to be impaired. The impaired receivables related to customers that were in financial difficulties and management assessed that the receivables were not recoverable. Consequently, allowance for doubtful debts of HK$1,578,000 (2013: nil) were recognised. The Group does not hold any collateral over these balances.

23. Investments Held for Trading

At 31 March 2014, the investments held for trading of approximately HK$4,192,000 (2013: HK$17,985,000) represent Hong Kong listed equity securities. The fair values of these investments are determined with reference to quoted market bid prices.

24. Bank Balances and Cash/Pledged Bank Deposits

Bank balances and cash comprise cash held by the Group and the Company and short-term bank deposits with effective interest rates ranging between 0.01% and 0.385% (2013: between 0.01% and 2.2%) per annum.

Pledged bank deposits represent deposits pledged to a bank to secure short-term credit facilities granted to the Group and the Company to the extent of HK$110,000 and HK$55,000 (2013: HK$110,000 and HK$55,000) respectively and are therefore classified as current assets. The pledged bank deposits will be released upon the expiry of relevant banking facilities.

At 31 March 2014, the Group had bank balances and cash of approximately HK$21,662,000 (2013: HK$16,778,000) which are denominated in Renminbi and placed with banks in the PRC. The remittance of these funds out of the PRC is subject to the exchange control restrictions imposed by the PRC government.

25. Trade and Other Payables

	THE GROUP		THE COMPANY	
	2014	2013	**2014**	2013
	HK$'000	HK$'000	**HK$'000**	HK$'000
Trade payables	**11,616**	11,047	**–**	–
Customers' deposits received	**1,961**	1,941	**45**	45
Other payables	**20,743**	15,361	**2,331**	1,795
	34,320	28,349	**2,376**	1,840

The following is an aged analysis of trade payables presented based on the invoice date:

	THE GROUP		THE COMPANY	
	2014	2013	**2014**	2013
	HK$'000	HK$'000	**HK$'000**	HK$'000
0 to 30 days	**7,491**	9,921	**–**	–
31 to 60 days	**–**	624	**–**	–
61 to 90 days	**–**	144	**–**	–
More than 90 days	**4,125**	358	**–**	–
	11,616	11,047	**–**	–

26. Amounts Due from/(to) Subsidiaries/a Related Company

The amounts due from/(to) subsidiaries are unsecured, interest-free and are repayable on demand. The amounts due to a related company beneficially owned by a director of the Company is unsecured, interest-free and repayable on demand.

27. Bank Borrowing

	2014	2013
	HK$'000	HK$'000
Secured bank loan	**9,786**	–
Carrying amount repayable:		
Within one year	**593**	–
More than one year from the end of the reporting period but contain a repayment on demand clause (shown under current liabilities)	**9,193**	–
	9,786	–

The bank loan is secured by a mortgage over the Group's investment properties (note 13) and bear interest at 3% per annum below the HK$ best lending rate. The effective interest rate is 2.25% per annum.

28. Promissory Note

On 11 May 2012, the Group issued promissory note to Starmax Holdings Limited as part of the purchase consideration of a 51% equity interest of Goffers Management Limited (note 38(b)) in the principal amount of HK$63,000,000 (the "Promissory Note") of which HK$3,000,000 was repaid on 8 August 2012. The balance of HK$60,000,000 is repayable by six equal instalments on each anniversary date of issue. The Promissory Note bears interest at 3% per annum payable on each anniversary date of issue and is secured by a charge over a 51% of the issued share capital of Goffers Management Limited, a non-wholly owned subsidiary of the Company.

The fair value of the Promissory Note was HK$63,020,000 at the date of issue. The fair value of the Promissory Note was arrived using the effective interest method by discounting future estimated repayments at discount rates ranging from 2.175% to 3.164% with reference to the Hong Kong Exchange Fund Notes yields and credit spreads of comparable financial instruments with similar characteristics. In performing the fair value assessment, the directors have made reference to a valuation performed by an independent valuer.

Pursuant to the terms of the Promissory Note, the first instalment in the principal amount of HK$10,000,000 ("First Instalment") would be due on 11 May 2013. On 10 May 2013, Starmax Holdings Limited (as noteholder) and Time Kingdom Limited, a wholly-owned subsidiary of the Company (as issuer), mutually agreed to extend the repayment date of the First Instalment to 11 May 2014, and that interest shall continue to accrue on the overdue First Instalment at 7% per annum according to the terms of the Promissory Note until the First Instalment is fully paid by the Group. All other terms of the Promissory Note remain the same and valid.

29. Provision for Land Rehabilitation

	2014 HK$'000
Balance at beginning of year	**9,872**
Effect of foreign currency exchange differences	**(23)**
Balance at end of year	**9,849**

In accordance with relevant PRC rules and regulations, the Group is obliged to accrue the cost for land reclamation and mine closures for the Group's existing mines. The provision for land rehabilitation has been determined by the directors based on their best estimates with reference to relevant PRC rules and regulations.

30. Deferred Taxation

The following are the major deferred tax liabilities recognised and movements thereon during the current and prior years:

	Withholding tax on undistributed profits HK$'000	Fair value adjustments arising from business combination HK$'000	Total HK$'000
Balance at 1 April 2012	–	–	–
Recognised on business combination (note 38(b))	1,725	51,981	53,706
Effect of foreign currency exchange differences	22	649	671
Credit to profit or loss	(413)	(3,017)	(3,430)
Balance at 31 March 2013	1,334	49,613	50,947
Effect of foreign currency exchange differences	(3)	(114)	(117)
Charge/(credit) to profit or loss	276	(9,282)	(9,006)
Balance at 31 March 2014	**1,607**	**40,217**	**41,824**

Under the Enterprise Income Tax Law of the PRC, withholding tax is imposed on dividends declared in respect of profits earned by the PRC subsidiaries from 1 January 2008 onwards. Deferred taxation has not been provided for in the consolidated financial statements in respect of temporary differences attributable to the profits earned by certain PRC subsidiaries amounting to approximately HK$229,000 (2013: HK$191,000) as the Group is able to control the timing of the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

The investment properties are held with objective to consume substantially all of their economic benefits through sale. Therefore the Group has not recognised any deferred taxes on changes in fair value of the investment properties as the gain or loss on disposal of its investment properties is not subject to any income taxes.

At the end of the reporting period, the Group has estimated unused tax losses of approximately HK$384,000,000 (2013: HK$336,000,000) available for offsetting against future profits of the group entities in which the losses arose. These estimated unused tax losses of the Group may be carried forward indefinitely except for an amount of approximately HK$35,000,000 (2013: HK$22,000,000) which is due to expire within one to five years. No deferred tax asset has been recognised in respect of these estimated unused tax losses due to unpredictability of future profit streams.

31. Share Capital

	Number of ordinary shares		Amount	
	2014	2013	**2014**	2013
			HK$'000	HK$'000
Authorised:				
Ordinary shares of HK$0.05 each				
At beginning of year	**2,500,000,000**	2,500,000,000	**125,000**	125,000
Increase in authorised share capital	**2,500,000,000**	–	**125,000**	–
Transition to new CO	**(5,000,000,000)**	–	**(250,000)**	–
At end of year	**-**	2,500,000,000	**-**	125,000
Issued and fully paid:				
Ordinary shares of HK$0.05 each				
At beginning of year	**1,580,261,503**	1,306,311,503	**79,013**	65,316
Issue of Consideration Shares	**-**	270,000,000	**-**	13,500
Exercise of share options	**44,290,000**	3,950,000	**2,215**	197
Transfer from share premium	**-**	–	**692,487**	–
At end of year	**1,624,551,503**	1,580,261,503	**773,715**	79,013

During the year ended 31 March 2014, the authorised share capital was increased from HK$125,000,000 divided into 2,500,000,000 shares at HK$0.05 each to HK$250,000,000 divided into 5,000,000,000 shares at HK$0.05 each. The increase in authorised share capital was duly passed by the shareholders by way of poll at the annual general meeting held on 25 September 2013.

Share options were exercised by option holders during the year ended 31 March 2014 to subscribe for a total of 44,290,000 ordinary shares of HK$0.05 each by payment of subscription monies of approximately HK$2,215,000 was credited to share capital and the balance of approximately HK$6,733,000 was credited to the share premium account.

An entirely new Company Ordinance (Cap.622) ("new CO") that came into effect on 3 March 2014. The new CO abolishes authorised share capital, par value, share premium and capital redemption reserve, in respect of the share capital of Hong Kong companies. As a result, the amounts of share premium of the Company are transferred to the share capital.

On 11 May 2012, the Group completed the acquisition of the 51% equity interest in Goffers Management Limited. The consideration was partially satisfied by the issue of 270,000,000 Consideration Shares by the Company at the issue price of HK$0.15 each. Further details of the business combination are set out in note 38(b).

All the shares issued during the years ended 31 March 2014 and 2013 rank pari passu with the then existing shares in all respects.

32. Share Options

Share option scheme prior to 28 April 2013 ("2003 Share Option Scheme")

The options of the 2003 Share Option Scheme may be granted to any director, employee, consultant, customer, supplier, agent, partner, provider of financial assistance, shareholder or adviser of or contractor to the Group or a company in which the Group holds an interest or a subsidiary of such company ("Eligible Participants"), the trustee of the Eligible Participants or a company beneficially owned by the Eligible Participants. The purpose of the 2003 Share Option Scheme is to recognise and acknowledge the contributions that the Eligible Participants had made or may make to the Group.

The maximum number of shares which may be issued upon the exercise of all outstanding options granted and yet to be exercised under the 2003 Share Option Scheme and other share option schemes of the Company shall not, in aggregate, exceed 30% of the shares of the Company in issue from time to time. No options may be granted to any Eligible Participants which if exercised in full would result in the total number of shares issued and to be issued upon exercise of the share options already granted to such Eligible Participants in the 12-month period up to and including the date of such new grant exceeding 1% of the issued share capital of the Company as at the date of grant unless approval is obtained from the shareholders of the Company. The exercisable period is determined by the board of directors in its absolute discretion, save that such period shall not be more than ten years from the date of grant. There is no generally applicable minimum period for which the options must be held before it can be exercised.

An offer of the grant of an option shall be accepted when the Company receives in writing the acceptance of the offer from the grantee together with a remittance in favor of the Company of HK$1 by way of consideration for the grant thereof. The option shall remain open for acceptance by the Eligible Participants concerned for a period of 28 days from the date of offer. The exercise price shall be determined by the board of directors at the time of grant of the relevant option and notified to each grantee and shall not be less than the highest of: (i) the closing price of a share as stated in the Stock Exchange's daily quotation sheet on the date of grant of the relevant option, which must be a business day; (ii) an amount equivalent to the average closing price of shares as stated in the Stock Exchange's daily quotation sheets for the five business days immediately preceding the date of grant of the relevant option; and (iii) the nominal value of a share.

The 2003 Share Option Scheme is valid for a period of ten years commencing on the adoption date of 28 April 2003 and was expired during the current financial period. Thereafter, no further options would be granted under the 2003 Share Option Scheme but the subsisting options granted thereunder prior to the expiry date will continue to be valid and exercisable in accordance with the terms of the 2003 Share Option Scheme.

At 31 March 2014, the total number of shares available for issue under the 2003 Share Option Scheme is 45,300,000 (2013: 243,604,150) shares, representing 2.79% (2013: 15.42%) of the issued share capital of the Company at that date.

32. Share Options (Continued)

Share option scheme on or after 25 September 2013 ("2013 Share Option Scheme")

On 25 September 2013, an ordinary resolution approving the adoption of a new share option scheme was passed by shareholders of the annual general meeting of the Company. Under the 2013 Share Option Scheme, directors of the Company may grant options to eligible persons to subscribe for the Company's shares subject to the terms and conditions as stipulated therein. Unless otherwise cancelled or amended, the 2013 Share Option Scheme will remain valid for a period of 10 years from the adoption date.

The purpose of the 2013 Share Option Scheme is to provide incentives to the eligible participants to contribute to the Group and to enable the Group to recruit high-caliber employees and attract resources that are valuable to the Group. Under the 2013 Share Option Scheme, the board of directors of the Company may grant options to any person being an full time or part time employees of the Group (including any directors, whether executive or non-executive and whether independent or not, of the Company or any subsidiary) any supplier, consultants, agents and advisers or any person who, in the sole discretion of the board of directors of the Company, has contributed or may contribute to the Group eligible for options under this share option scheme ("Eligible Participants") at a price to be determined by the board of directors being the highest of (a) the closing price of the shares on the Stock Exchange on the date of grant of the option, which must be a trading day and (b) the average closing price of the shares of the Stock Exchange for the five trading days immediately preceding the date of grant of the option.

The maximum number of shares which may be issued upon the exercise of all outstanding options granted and yet to be exercised under the 2013 Share Option Scheme and other share option schemes of the Company shall not, in aggregate, exceed 30% of the shares of the Company in issue from time to time. No options may be granted to any Eligible Participants which if exercised in full would result in the total number of shares issued and to be issued upon exercise of the share options already granted to such Eligible Participants in the 12-month period up to and including the date of such new grant exceeding 1% of the issued share capital of the Company as at the date of grant unless approval is obtained from the shareholders of the Company. The exercisable period is determined by the board of directors in its absolute discretion, save that such period shall not be more than ten years from the date of grant. There is no generally applicable minimum period for which the options must be held before it can be exercised.

The 2013 Share Option Scheme shall be valid and effective for a period of 10 years commencing 25 September 2013.

An offer of the grant of an option shall be accepted when the Company receives in writing the acceptance of the offer from the grantee together with a remittance in favor of the Company of HK$1 by way of consideration for the grant thereof. The option shall remain open for acceptance by the Eligible Participants concerned for a period of 28 days from the date of offer.

At 31 March 2014, the total number of shares available for issue under the 2013 share option scheme is 153,820,150 (2013: nil) shares, representing 9.47% (2013: nil) of the issued share capital of the Company at that date.

Options granted are fully vested at the date of grant. All equity-settled share-based payments will be settled in equity. The Group has no legal and constructive obligation to repurchase or settle the options.

32. Share Options (Continued)

Details of the movements in the number of share options granted during the year under the 2003 Share Option Scheme are as follows:

Type of Particulars	Date of grant	Exercisable period	Exercise price per share HK$	Number of share options: Outstanding at 1.4.2012	Granted during the year	Exercised during the year	Lapsed during the year	Outstanding at 31.3.2013	Granted during the year	Exercised during the year	Lapsed during the year	Outstanding at 31.3.2014
Directors	5.9.2003	5.9.2003–4.9.2013	0.2280	19,260,000	–	–	–	19,260,000	–	(8,300,000)	(10,960,000)	–
	26.11.2003	26.11.2003–25.11.2013	0.2300	400,000	–	–	–	400,000	–	(400,000)	–	–
	8.12.2003	8.12.2003–7.12.2013	0.2130	5,500,000	–	–	–	5,500,000	–	(400,000)	(5,100,000)	–
	9.1.2004	9.1.2004–8.1.2014	0.1900	8,890,000	–	–	–	8,890,000	–	(6,890,000)	(2,000,000)	–
	25.2.2004	25.2.2004–24.2.2014	0.1900	13,500,000	–	–	–	13,500,000	–	(5,800,000)	(7,700,000)	–
	19.4.2004	19.4.2004–18.4.2014	0.2096	600,000	–	–	–	600,000	–	(300,000)	–	300,000
	16.9.2004	16.9.2004–15.9.2014	0.0870	500,000	–	–	–	500,000	–	(500,000)	–	–
	30.9.2004	30.9.2004–29.9.2014	0.0900	500,000	–	–	–	500,000	–	(500,000)	–	–
	13.12.2004	13.12.2004–12.12.2014	0.0982	350,000	–	–	–	350,000	–	(350,000)	–	–
	28.2.2005	28.2.2005–27.2.2015	0.0722	1,000,000	–	–	–	1,000,000	–	–	–	1,000,000
	22.9.2005	22.9.2005–21.9.2015	0.0920	400,000	–	–	–	400,000	–	(400,000)	–	–
	24.3.2006	24.3.2006–23.3.2016	0.1530	1,600,000	–	–	–	1,600,000	–	(300,000)	–	1,300,000
	26.9.2006	26.9.2006–25.9.2016	0.0772	5,000,000	–	–	–	5,000,000	–	–	–	5,000,000
	18.6.2007	18.6.2007–17.6.2017	0.2980	1,100,000	–	–	–	1,100,000	–	–	–	1,100,000
				58,600,000	–	–	–	58,600,000	–	(24,140,000)	(25,760,000)	8,700,000
Employees	5.9.2003	5.9.2003–4.9.2013	0.2280	22,900,000	–	–	–	22,900,000	–	–	(22,900,000)	–
	15.9.2003	15.9.2003–14.9.2013	0.2550	8,000,000	–	–	(300,000)	7,700,000	–	–	(7,700,000)	–
	26.11.2003	26.11.2003–25.11.2013	0.2300	2,000,000	–	–	–	2,000,000	–	–	(2,000,000)	–
	8.12.2003	8.12.2003–7.12.2013	0.2130	800,000	–	–	–	800,000	–	–	(800,000)	–
	9.1.2004	9.1.2004–8.1.2014	0.1900	4,396,000	–	–	(498,000)	3,898,000	–	–	(3,898,000)	–
	25.2.2004	25.2.2004–24.2.2014	0.1900	20,000,000	–	–	–	20,000,000	–	–	(20,000,000)	–
	19.4.2004	19.4.2004–18.4.2014	0.2096	750,000	–	–	(150,000)	600,000	–	–	–	600,000
	16.9.2004	16.9.2004–15.9.2014	0.0870	2,550,000	–	–	(800,000)	1,750,000	–	–	–	1,750,000
	30.9.2004	30.9.2004–29.9.2014	0.0900	1,100,000	–	(300,000)	(300,000)	500,000	–	–	–	500,000
	13.12.2004	13.12.2004–12.12.2014	0.0982	1,600,000	–	–	–	1,600,000	–	–	–	1,600,000
	22.9.2005	22.9.2005–21.9.2015	0.0920	4,800,000	–	–	–	4,800,000	–	–	–	4,800,000
	24.3.2006	24.3.2006–23.3.2016	0.1530	1,250,000	–	(50,000)	(300,000)	900,000	–	–	–	900,000
	26.9.2006	26.9.2006–25.9.2016	0.0772	8,900,000	–	(2,800,000)	(400,000)	5,700,000	–	(1,950,000)	–	3,750,000
	18.6.2007	18.6.2007–17.6.2017	0.2980	2,200,000	–	–	(500,000)	1,700,000	–	–	–	1,700,000
	14.2.2011	14.2.2011–13.2.2021	0.0882	1,700,000	–	(500,000)	–	1,200,000	–	(1,000,000)	(200,000)	–
	9.9.2011	9.9.2011–8.9.2021	0.1500	2,700,000	–	(300,000)	–	2,400,000	–	(300,000)	(200,000)	1,900,000
	20.11.2012	20.11.2012–19.11.2022	0.1330	–	30,000,000	–	(200,000)	29,800,000	–	(9,900,000)	(800,000)	19,100,000
				85,646,000	30,000,000	(3,950,000)	(3,448,000)	108,248,000	–	(13,150,000)	(58,498,000)	36,600,000
				144,246,000	30,000,000	(3,950,000)	(3,448,000)	166,848,000	–	(37,290,000)	(84,258,000)	45,300,000
Weighted average exercise price				HK$0.1866	HK$0.1330	HK$0.0861	HK$0.1600	HK$0.1800	N/A	HK$0.1703	HK$0.2129	HK$0.1265

32. Share Options (Continued)

Details of the movements in the number of share options granted during the year under the 2013 Share Option Scheme are as follows:

				Number of share options								
Type of Particulars	Date of grant	Exercisable period	Exercise price per share HK$	Outstanding at 1.4.2012	Granted during the year	Exercised during the year	Lapsed during the year	Outstanding at 31.3.2013	Granted during the year	Exercised during the year	Lapsed during the year	Outstanding at 31.3.2014
Directors	3.10.2013	3.10.2013–2.10.2023	0.1490	–	–	–	–	–	13,000,000	(3,000,000)	–	10,000,000
				–	–	–	–	–	13,000,000	(3,000,000)	–	10,000,000
Employees	3.10.2013	3.10.2013–2.10.2023	0.1490	–	–	–	–	–	21,800,000	(4,000,000)	(1,400,000)	16,400,000
	17.2.2014	17.2.2014–16.2.2024	0.1380	–	–	–	–	–	5,400,000	–	(200,000)	5,200,000
				–	–	–	–	–	27,200,000	(4,000,000)	(1,600,000)	21,600,000
				–	–	–	–	–	40,200,000	(7,000,000)	(1,600,000)	31,600,000
Weighted average exercise price				N/A	N/A	N/A	N/A	N/A	HK$0.1475	HK$0.1490	HK$0.1476	HK$0.1472

32. Share Options (Continued)

During the year ended 31 March 2014, options were granted on 3 October 2013 and 17 February 2014 (2013: 20 November 2012). The estimated fair value of the options granted on that date was approximately HK$0.085 and HK$0.080 (2013: HK$0.077) per option respectively.

The Company used the Binomial Option Pricing Model (the "Model") to value the share options granted during the year. The Model is one of the commonly used models to estimate the fair value of share options. The value of an option varies with different variables of certain subjective assumptions. Any change in the variables so adopted may materially affect the estimation of the fair value of an option. In performing the valuations, the directors have made reference to valuations performed by an independent qualified valuer.

Details of the fair values of share options determined at the date of grant using the Model with the inputs are as follows:

	17 February 2014	**3 October 2013**	20 November 2012
Closing share price	**HK$0.1380**	**HK$0.1470**	HK$0.1320
Exercise price	**HK$0.1380**	**HK$0.1490**	HK$0.1330
Expected volatility	**91%**	**91%**	92%
Expected life	**10 years**	**10 years**	10 years
Risk-free rate	**2.22%**	**2.07%**	0.54%
Expected dividend yield	**0%**	**0%**	0%

Expected volatility was determined by using the historical volatility of the Company's share price over the previous years. The expected life used in the Model has been adjusted, based on the management's best estimate, for the effects of non-transferability, exercise restrictions and behavioral considerations.

The Group recognised the total expense of approximately HK$3,372,000 for the year ended 31 March 2014 (2013: approximately HK$2,301,000) in relation to share options granted by the Company.

The weighted average share price at the date of exercise for share options exercised during the year was HK$0.1416 (2013: HK$0.1450) per share.

33. Operating Lease Commitments

The Group and the Company as lessee

At the end of the reporting period, the Group and the Company had commitments for future minimum lease payments under non-cancellable operating leases which fall due as follows:

	THE GROUP		THE COMPANY	
	2014	2013	**2014**	2013
	HK$'000	HK$'000	**HK$'000**	HK$'000
Within one year	**1,300**	1,303	**865**	907
In the second to fifth year inclusive	**112**	922	**–**	865
	1,412	2,225	**865**	1,772

Operating lease payments represent rentals payable by the Group for certain of its office premises. Leases are negotiated for terms up to three years and rentals are fixed over the lease periods. The Group does not have an option to purchase the leased asset at the expiry of the lease period.

34. Capital Commitments

	2014	2013
	HK$'000	HK$'000
Contracted but not provided for:		
– acquisition of property, plant and equipment	**1,545**	8,554

35. Retirement Benefits Schemes

The Group operates a Mandatory Provident Fund Scheme for all qualifying employees in Hong Kong. The assets of the plans are held separately from those of the Group in funds under the control of trustees.

The employees of the Group's subsidiary in the PRC are members of a state-managed retirement benefits plan operated by the government of the PRC. The subsidiary is required to contribute a certain percentage of their payroll to the retirement benefits scheme to fund the benefits. The only obligation of the Group with respect to the retirement benefits plan is to make the specified contributions.

During the year ended 31 March 2014, the total amount contributed by the Group to the schemes and charged to the consolidated statement of profit or loss and other comprehensive income amounted to approximately HK$2,710,000 (2013: HK$2,228,000).

36. Litigation

Litigation between Timeless Beijing and Ningxia Educational

天時北方軟件(北京)有限公司 (Timeless Northern Software (Beijing) Company Limited) ("Timeless Beijing"), an indirect wholly-owned subsidiary of the Company, was served with a writ of civil proceedings on 13 September 2011 in respect of the civil proceedings commenced by Ningxia Educational, an associated company of the Company in which the Company holds an equity interest of 25%, as plaintiff against Timeless Beijing as defendant for the claim of compensation for non-completion of the information engineering project by Timeless Beijing pursuant to the agreement between Ningxia Educational and Timeless Beijing made in 2001.

The following orders were sought to be granted by the Higher People's Court in Ningxia Hui Autonomous Region ("Ningxia Higher People's Court") against Timeless Beijing: (i) Timeless Beijing to return and pay to Ningxia Educational the project fee in the sum of RMB11,834,793.85 prepaid by Ningxia Educational, the interest in the sum of RMB6,265,915.16 and the interest accrued up to the date of full payment by Timeless Beijing; (ii) legal counsel fees incurred by Ningxia Educational in the sum of RMB250,000 to be borne by Timeless Beijing; and (iii) the costs of the proceedings and other costs to be borne by Timeless Beijing.

On 12 March 2012, the Ningxia Higher People's Court has dismissed the claims against Timeless Beijing by Ningxia Educational and ordered that the costs of the proceedings of the court be borne by Ningxia Educational. Under the PRC law, Ningxia Educational may lodge appeal against the judgement on or before 31 March 2012.

On 28 March 2012, Timeless Beijing was served a copy of the appeal petition filed by Ningxia Educational against the decision of the Ningxia Higher People's Court.

The directors, based on the advice obtained from PRC legal advisers, believe that the subsidiary has a valid defense against the above litigation and accordingly, had not provided for any claim arising from the litigation as at 31 March 2012 in the consolidated financial statements.

On 30 November 2012, the civil written order ((2012) Min San Zhong Zi No. 4) made by the Supreme People's Court of the PRC on 5 November 2012 was transferred to the Company and that the Supreme People's Court has dismissed the appeal lodged by Ningxia Educational against Timeless Beijing by Ningxia Educational and ordered that the costs of the proceedings of the court be borne by Ningxia Educational.

37. Transactions with Non-Controlling Interests

Disposal of interest in a subsidiary without loss of control

During the year ended 31 March 2013, the Group disposed of 8.33% of equity interest in 廣東厚德寶網絡科技有限公司 ("HDB") at a consideration of RMB1,000,000 (equivalent to approximately HK$1,250,000). The carrying amount of the non-controlling interests in HDB on the date of disposal was nil. The Group recognised an increase in non-controlling interests of HK$203,000 and an increase in equity attributable to owners of the Company of HK$1,047,000. The effect of changes in the ownership interest of HDB on the equity attributable to owners of the Company during the current year is summarised as follows:

	HK$'000
Carrying amount of non-controlling interests disposed of	**(203)**
Add: consideration received from non-controlling interests	**1,250**
Net effect for transaction with non-controlling interests on changes in equity attributable to owners of the Company	**1,047**

38. Business Combinations

(a) Acquisition of 廣州市靈雲信息科技有限公司 ("Lingyun")

On 5 August 2013, the Group completed the acquisition of the 51% equity interest in 廣州市靈雲信息科技有限公司 ("Lingyun") at a cash consideration of RMB1,500,000 (equivalent to approximately HK$1,870,000). Lingyun is principally engaged in furniture software design. The board of directors considers that the acquisition was made with an aim to expand the Group's existing scale of operation and enlarge the Group's market presence in the PRC. By injecting and synergising the Group's unique cloud-based technology, the Group aims to streamline manufacturing process, lessen production turn-around and boost related revenue multi-fold, which is expected to broaden the Group's revenue base and create value for the shareholders of the Company.

Assets acquired and liabilities recognised at the date of acquisition

	HK$'000
Non-current assets	
Property, plant and equipment	**191**
Current assets	
Trade and other receivables	**13**
Bank balances and cash	**2,534**
Current liabilities	
Trade and other payables	**(71)**
Total	**2,667**

38. Business Combinations (Continued)

(a) Acquisition of 廣州市靈雲信息科技有限公司 ("Lingyun") (Continued)

Non-controlling interests

The non-controlling interests in Lingyun recognised at the acquisition date was measured at the non-controlling interests' proportionate share of the acquiree's fair value of net assets of Lingyun and amounted to approximately HK$1,307,000.

Goodwill arising on acquisition

	HK$'000
Consideration transferred	1,870
Plus: non-controlling interests	1,307
Less: fair value of identifiable net assets acquired	(2,667)
Total	510

The goodwill is attributable to the profitability and future market development expected to arise from the acquired business. None of the goodwill arising on this acquisition is expected to be deductible for tax purposes.

Net cash inflow on acquisition

	HK$'000
Consideration paid in cash	(1,870)
Plus: cash and cash equivalent balances acquired	2,534
Total	664

Impact of acquisition on the results of the Group

Lingyun contributed revenue of approximately HK$26,000 and net loss of approximately HK$560,000 to the Group for the period from the date of acquisition to 31 March 2014.

Had the business combination been effected at 1 April 2013, the revenue of the Group would have been approximately HK$128,494,000, and the result for the year would have been loss of approximately HK$90,663,000. This pro forma information is for illustrative purpose only and is not necessarily an indication of results of operations of the Group that actually would have been achieved had the acquisition been completed on 1 April 2013, nor is it intended to be a projection of future results.

38. Business Combinations (Continued)

(b) Acquisition of Goffers Management Limited

On 11 May 2012, the Group completed the acquisition of the 51% equity interest in Goffers Management Limited (together with its subsidiaries, the "Goffers Group"). The consideration was satisfied by the issue of (i) 270,000,000 Consideration Shares by the Company at the issue price of HK$0.15 each; and (ii) Promissory Note in the principal amount of HK$63,000,000. The directors consider that the acquisition represents a strategic move providing the Group with an opportunity to enter into the mining industry in the PRC, which is expected to broaden the Group's revenue base and create value for the shareholders of the Company.

The major assets of the Goffers Group comprised its 51% controlling interests in 新疆天目礦業資源開發有限公司 ("Xinjiang Tianmu"), a Sino-foreign equity joint venture company established in the PRC which is principally engaged in exploration and exploitation of gold, iron, nickel-copper mines in Xinjiang Uygur Autonomous Region ("Xinjiang"), the PRC and the processing and sale of the outputs from the mines.

Consideration transferred

	HK$'000
Consideration Shares	**45,090**
Promissory Note (note 28)	**63,020**
Total	**108,110**

Pursuant to the sales and purchase agreement, the vendor has warranted and undertaken that, the total actual and completed sales of gold by Xinjiang Tianmu for the twelve months ending 30 June 2013 (the "Actual Sales") shall not be less than 282 kg (the "Guarantee Sales") and that any shortfall from the Guarantee Sales will be compensated to the Group by paying in cash an amount which is equivalent of 26.01% of the shortfall between the Guarantee Sales and Actual Sales at HK$124,000 per kg. The maximum amount payable by the vendor under the gold sales guarantee is approximately HK$9,095,000. The above arrangement is accounted for as a contingent consideration receivable at fair value through profit or loss. The directors assessed the fair value of the contingent consideration at the date of acquisition and as at the end of the reporting period to be insignificant.

Acquisition-related costs amounting to approximately HK$7,146,000 have been excluded from the cost of acquisition and have been recognised as an expense during the year ended 31 March 2013, within the "acquisition-related costs" line item in the consolidated statement of profit or loss and other comprehensive income.

38. Business Combinations (Continued)

(b) Acquisition of Goffers Management Limited (Continued)

Assets acquired and liabilities recognised at the date of acquisition

	HK$'000
Non-current assets	
Property, plant and equipment	31,100
Other intangible assets	380,247
Prepaid lease payments	7,471
Deposits	16,471
Land rehabilitation costs	3,510
Current assets	
Inventories	22,207
Prepaid lease payments	183
Trade and other receivables	37,682
Bank balances and cash	53,134
Current liabilities	
Trade and other payables	(34,940)
Amounts due to related companies	(10,664)
Dividend payable	(57,729)
Current tax liabilities	(4,916)
Non-current liabilities	
Provision for land rehabilitation	(4,686)
Deferred tax liabilities	(53,706)
Total	385,364

Non-controlling interests

The non-controlling interests in the Goffers Group recognised at the acquisition date was measured at the non-controlling interests' proportionate share of the acquiree's fair value of net assets of the Goffers Group and amounted to approximately HK$282,690,000.

38. Business Combinations (Continued)

(b) Acquisition of Goffers Management Limited (Continued)

Goodwill arising on acquisition

	HK$'000
Consideration transferred	**108,110**
Plus: non-controlling interests	**282,690**
Less: fair value of identifiable net assets acquired	**(385,364)**
Total	**5,436**

In accordance with the sales and purchase agreement, the consideration for the acquisition was HK$103,500,000, of which HK$63,000,000 was to be satisfied by the issuance of Promissory Note and HK$40,500,000 was to be satisfied by the issuance of 270,000,000 ordinary shares of the Company (the "Consideration Shares") at the agreed issue price of HK$0.15 each. In accordance with HKFRS 3, the consideration transferred in a business combination shall be measured at fair value. The closing market price of the Company's ordinary shares was HK$0.167 each on the acquisition date. Therefore, the Company determined that the acquisition-date fair values of the Promissory Note and the Consideration Shares were approximately HK$63,020,000 and HK$45,090,000 (being 270,000,000 Consideration Shares at HK$0.167 each) respectively. The acquisition-date fair value of the total consideration was therefore approximately HK$108,110,000. The goodwill arising from the acquisition amounted to HK$5,436,000 which was mainly attributable to the difference between the agreed issue price of the Consideration Shares and their acquisition-date fair value in an amount of approximately HK$4,590,000. As this factor had no effect on the future cash flows of the Goffers Group, such goodwill was written off to profit or loss immediately upon acquisition.

Net cash inflow on acquisition

	HK$'000
Consideration paid in cash	**–**
Plus: cash and cash equivalent balances acquired	**53,134**
Total	**53,134**

Impact of acquisition on the results of the Group

The Goffers Group contributed revenue of approximately HK$156,038,000 and net profit of approximately HK$25,390,000 to the Group for the period from the date of acquisition to 31 March 2013.

Had the business combination been effected at 1 April 2012, the revenue of the Group for the year ended 31 March 2013 would have been HK$219,659,000, and the result for the year ended 31 March 2013 would have been profit of HK$14,687,000. This pro forma information is for illustrative purpose only and is not necessarily an indication of results of operations of the Group that actually would have been achieved had the acquisition been completed on 1 April 2012, nor is it intended to be a projection of future results.

39. Principal Subsidiaries

General information of principal subsidiaries

Details of the Company's principal subsidiaries, all of which, excluding those explained below, are limited liability companies, at 31 March 2014 and 2013 are as follows:

Name of subsidiary	Place of incorporation/ registration/ operations	Issued and fully paid share capital/ registered capital		Attributable proportion of issued capital/ registered capital held by the Company		Principal activities
		2014	2013	**Directly**	**Indirectly**	
Three Principles Computer Service Company Limited	Hong Kong	**HK$5,000,000**	HK$5,000,000	100%	–	Provision of computer consultancy services, and development and sales of computer software
Encore Trading Limited	Hong Kong	**HK$6**	HK$6	100%	–	Trading of computer software and hardware and provision of information technology consultancy services in Hong Kong
廣州市新信薈智信息產業有限公司 ("Talent Valley Company Limited")	PRC	**RMB16,000,000**	RMB16,000,000	–	100%	Provision of computer consultancy services
HDB	PRC	**RMB12,000,000**	RMB12,000,000	–	92%	Provision of e-commerce software development and information technology services as well as retail and wholesale of computer software, hardware and ironware
廣東厚德寶供應鏈服務有限公司	PRC	**RMB10,100,000**	RMB10,100,000	–	92%	Provision of supply chain management, storage and corporate management consultancy services
Xinjiang Tianmu	PRC	**RMB20,000,000**	RMB20,000,000	–	26%	Exploration and exploitation of certain gold, iron and nickel-copper mines in Xinjiang of the PRC and processing and sale of the outputs from the mines

39. Principal Subsidiaries (Continued)

Each of Talent Valley Company Limited, HDB and 廣東厚德寶供應鏈服務有限公司 is a wholly foreign owned enterprise established in the PRC. Xinjiang Tianmu is a Sino-foreign equity joint venture company established in the PRC and owned as to 51% by Goffers Management Limited, a 51% owned subsidiary of the Group.

The above table lists the subsidiaries of the Company which, in the opinion of the directors, principally affected the results or assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

None of the subsidiaries had issued any debt securities during the year and at the end of the reporting period.

At the end of the reporting period, the Company has other subsidiaries that are not material to the Group. A majority of these subsidiaries operate in Hong Kong. The principal activities of these subsidiaries are summarised as follows:

Principal activities	Principal place of business	Number of subsidiaries 2014	2013
Furniture software design	PRC	**1**	–
Investment holding	Hong Kong	**7**	7
Dormant	Hong Kong	**15**	15
Dormant	PRC	**3**	4
		26	26

39. Principal Subsidiaries (Continued)

Details of non-wholly-owned subsidiaries that have material non-controlling interests

The table below shows details of non-wholly-owned subsidiaries of the Group that have material non-controlling interests:

Name of subsidiary	Place of incorporation/ registration and principal place of business	Proportion of ownership interests held by the non-controlling interests		(Loss)/profit allocated to non-controlling interests		Accumulated non-controlling interests	
		2014	2013	**2014**	2013	**2014**	2013
				HK$'000	HK$'000	**HK$'000**	HK$'000
Xinjiang Tianmu	PRC	**74%**	74%	**(32,000)**	27,846	**238,181**	281,705
Individually immaterial subsidiaries with non-controlling interests						**16,393**	12,385
						254,574	294,090

Summarised financial information in respect of the Group's subsidiary that has material non-controlling interests is set out below. The summarised financial information below represents amounts before intragroup eliminations.

Xinjiang Tianmu

	2014 **HK$'000**	2013 HK$'000
Current assets	**74,360**	76,497
Non-current assets	**398,096**	443,516
Current liabilities	**(100,480)**	(79,794)
Non-current liabilities	**(50,066)**	(59,485)
Equity attributable to owners of the Company	**83,729**	99,029
Non-controlling interests	**238,181**	281,705

39. Principal Subsidiaries (Continued)

Details of non-wholly-owned subsidiaries that have material non-controlling interests (Continued)

Xinjiang Tianmu (Continued)

	2014 HK$'000	2013 HK$'000
Revenue	**94,461**	156,038
Other income and gains	**1,230**	745
Expenses	**(138,940)**	(119,147)
(Loss)/profit for the year	**(43,249)**	37,636
(Loss)/profit attributable to owners of the Company	**(11,249)**	9,790
(Loss)/profit attributable to the non-controlling interests	**(32,000)**	27,846
(Loss)/profit for the year	**(43,249)**	37,636
Other comprehensive (loss)/income attributable to owners of the Company	**(229)**	1,221
Other comprehensive (loss)/income attributable non-controlling interests	**(654)**	3,473
Other comprehensive (loss)/income for the year	**(883)**	4,694
Total comprehensive (loss)/income attributable to owners of the Company	**(11,478)**	11,011
Total comprehensive (loss)/income attributable to the non-controlling interests	**(32,654)**	31,319
Total comprehensive (loss)/income for the year	**(44,132)**	42,330
Dividends paid to non-controlling interests	**–**	–
Net cash inflow/(outflow) from operating activities	**27,111**	(3,466)
Net cash outflow from investing activities	**(22,695)**	(2,546)
Net cash outflow from financing activities	**–**	(30,452)
Net increase/(decrease) in cash and cash equivalents	**4,416**	(36,464)

40. Reserves

The Company

	Share premium HK$'000	Share options reserve HK$'000	Accumulated deficit HK$'000	Total HK$'000
Balance at 1 April 2012	654,107	2,191	(671,883)	(15,585)
Total comprehensive loss for the year	–	–	(16,079)	(16,079)
Recognition of equity-settled share-based payments	–	2,301	–	2,301
Issue of Consideration Shares	31,590	–	–	31,590
Issue of ordinary shares under employee share option plan	315	(173)	–	142
Release of reserve upon share options forfeited	–	(158)	158	–
Transaction costs attributable to issue of new ordinary shares	(206)	–	–	(206)
Balance at 31 March 2013	685,806	4,161	(687,804)	2,163
Total comprehensive loss for the year	–	–	(42,190)	(42,190)
Recognition of equity-settled share-based payments	–	3,372	–	3,372
Issue of ordinary shares under employee share option plan	6,733	(1,555)	–	5,178
Release of reserve upon share options lapsed	–	(218)	218	–
Transaction costs attributable to issue of new ordinary shares	(52)	–	–	(52)
Transfer to share capital (note 31)	(692,487)	–	–	(692,487)
Balance at 31 March 2014	**–**	**5,760**	**(729,776)**	**(724,016)**

41. Profit/Loss Attributable to Owners of the Company

The consolidated loss attributable to owners of the Company is dealt in with the financial statements of the Company to the extent of approximately HK$22,137,000 (2013: loss of approximately HK$14,180,000).

42. Related Party Transactions

Details of balances with related parties are set out in the consolidated and company statements of financial position and respective notes.

Saved as disclosed elsewhere in these financial statements, the Group had the following significant transactions with related parties during the year:

	2014 HK$'000	2013 HK$'000
Rental expenses paid to a related company (note (i))	**200**	200
Interest expenses paid to a related company (note (ii))	**2,313**	1,576

Notes:

(i) Rental expenses in respect of the leasing of an office premise were paid to a related company which is beneficially owned by Mr. Felipe Tan, a director and shareholder of the Company, at normal commercial terms mutually agreed by both parties.

(ii) Effective interest expenses on Promissory Note is charged at 3.16% (2013: 2.93%) per annum and payable to a related company which is beneficially owned as to 90.01% by Mr. Felipe Tan, a director and shareholder of the Company, at terms mutually agreed by both parties. Further details of the Promissory Note are set out in note 28.

Compensation of key management personnel

The key management personnel are the directors of the Company. The details of the remuneration paid to them are set out in note 10.

43. Events After the Reporting Period

Extension of Promissory Note repayment

Pursuant to the terms of the Promissory Note and the supplemental agreement entered between Starmax Holdings Limited and the Group dated 10 May 2013, the repayment of the first and second instalments in the principal sum of HK$20,000,000 (the "First and Second Instalment") falls due on 11 May 2014. As repayment of the outstanding principal sum would affect cash flow of the Group, on 9 May 2014, Starmax Holdings Limited and the Group mutually agreed to extend the repayment date of the First and Second Instalment to 11 May 2015.

The interest shall continue to accrue on the overdue instalments at 7% per annum according to the terms of the Promissory Note until the abovementioned instalments are fully paid by the Group. All other terms of the Promissory Note remain the same and valid.

Major Properties Information

The Group's property portfolio summary – major properties held for investment:

Location	Existing use	Tenure	Group's interest (%) 2014	2013
Unit 6-7 on 11th Floor of Tower 2, Ever Gain Plaza, No. 88 Container Port Road, Kwai Chung, New Territories	Vacant	Medium term lease	**100%**	–

Financial Summary

	Year ended 31 March				
	2010 HK$'000	2011 HK$'000	2012 HK$'000	2013 HK$'000	**2014 HK$'000**
RESULTS					
Turnover	16,710	25,091	25,785	204,866	**127,981**
Profit/(loss) before tax	(2,872)	(11,538)	(11,070)	20,521	**(92,346)**
Income tax expense	–	–	–	(22,371)	**2,471**
Loss for the year	(2,872)	(11,538)	(11,070)	(1,850)	**(89,875)**
Attributable to:					
Owners of the Company	(2,864)	(11,520)	(11,050)	(27,611)	**(56,903)**
Non-controlling interests	(8)	(18)	(20)	25,761	**(32,972)**
	(2,872)	(11,538)	(11,070)	(1,850)	**(89,875)**

	At 31 March				
	2010 HK$'000	2011 HK$'000	2012 HK$'000	2013 HK$'000	**2014 HK$'000**
ASSETS AND LIABILITIES					
Total assets	116,377	115,025	116,690	629,450	**545,278**
Total liabilities	(7,285)	(18,713)	(6,181)	(202,136)	**(204,686)**
	109,092	96,312	110,509	427,314	**340,592**
Attributable to:					
Owners of the Company	106,502	93,656	110,310	133,224	**86,018**
Non-controlling interests	2,590	2,656	199	294,090	**254,574**
	109,092	96,312	110,509	427,314	**340,592**