



**TIMELESS** SOFTWARE LIMITED

天時軟件有限公司

(incorporated in Hong Kong with limited liability)

(Stock Code: 8028)

for the year ended 31 March 2016

**ANNUAL REPORT**

# 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 of the Stock Exchange and no assurance is given that there will be a liquid market in the securities traded on GEM.**

**Hong Kong Exchanges and Clearing Limited and the Stock Exchange take no responsibility for the contents of this report, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this report.**

*This report, for which the directors (the “Directors” or individually a “Director”) of TIMELESS SOFTWARE LIMITED (the “Company”) collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the GEM of the Stock Exchange (the “GEM Listing Rules”) for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this report is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this report misleading.*

*This report shall remain on the “Latest Company Announcements” page of the GEM website at [www.hkgem.com](http://www.hkgem.com) for at least seven days from the date of its publication and on the Company’s website at [www.timeless.com.hk](http://www.timeless.com.hk).*

## Contents

<b>Corporate Information</b>	<b>2</b>
<b>Chairman's Statement</b>	<b>3</b>
<b>Management Discussion and Analysis</b>	<b>4</b>
<b>Biographical Details of Directors and Senior Management</b>	<b>13</b>
<b>Corporate Governance Report</b>	<b>16</b>
<b>Directors' Report</b>	<b>26</b>
<b>Independent Auditors' Report</b>	<b>43</b>
<b>Consolidated Statement of Profit or Loss and Other Comprehensive Income</b>	<b>45</b>
<b>Consolidated Statement of Financial Position</b>	<b>46</b>
<b>Consolidated Statement of Changes in Equity</b>	<b>47</b>
<b>Consolidated Statement of Cash Flows</b>	<b>48</b>
<b>Notes to the Consolidated Financial Statements</b>	<b>50</b>
<b>Major Property Information</b>	<b>123</b>
<b>Financial Summary</b>	<b>124</b>



## Corporate Information

### Directors

#### Executive Directors

CHENG Kin Kwan  
(*Chairman and Chief Executive Officer*)  
Felipe TAN  
LAU Yun Fong Carman  
ZHANG Ming

#### Non-Executive Director

LAM Kai Ling Vincent

#### Independent Non-Executive Directors

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

### Compliance Officer

LAU Yun Fong Carman

### Audit Committee

TSANG Wai Chun Marianna (*Chairlady*)  
CHAN Mei Ying Spencer  
LAM Kwai Yan

### Nomination Committee

LAM Kwai Yan (*Chairman*)  
CHAN Mei Ying Spencer  
TSANG Wai Chun Marianna

### Remuneration Committee

CHAN Mei Ying Spencer (*Chairman*)  
LAM Kwai Yan  
TSANG Wai Chun Marianna

### Company Secretary

KO Yuen Kwan

### Auditors

HLB Hodgson Impey Cheng Limited  
Certified Public Accountants

### Legal Adviser

Michael Li & Co.

### Share Registrar

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

### Bankers

Hang Seng Bank Limited  
Bank of Communications Co., Ltd.

### Registered Office

Room 2208  
118 Connaught Road West  
Hong Kong

### Listing

Growth Enterprise Market of The Stock Exchange  
of Hong Kong Limited

### Stock Code

8028

### Authorised Representatives to the Stock Exchange

LAU Yun Fong Carman  
KO Yuen Kwan

### Website

[www.timeless.com.hk](http://www.timeless.com.hk)

### Email

[info@timeless.com.hk](mailto:info@timeless.com.hk)

## Chairman's Statement

On behalf of the board (the "Board") of Directors of the Company, I am pleased to present the annual results of the Company and its subsidiaries (the "Group") for the financial year ended 31 March 2016.

During the year under review, the Software Business of the Group has not turned the adverse scale around and remained recording a loss. Its hardly-optimistic situation urged the management to review its existing operation patterns and implement new strategies to streamline its corporate structure. In July 2015, the Group disposed of its software service business in the PRC. Due to the current dismal situation, the management planned to take further strategies to control expenses and adjust directions of such business segment to other software projects.

For the year ended 31 March 2016, although the Group recognised the impairment on mining right, the Mining Business of the Company turned losses into a profit and recorded an increase in sales revenue. Such increase was mainly attributable to the growth in quantity of nickel-copper ores sold resulting from the full-scale mining of the Baishiquan Nickel-copper Mine commenced in late 2015, which net off the decrease in revenue from sales of gold dores generated from the drop in gold market price as well as ore extracted. In 2015, the devaluation of RMB together with emerging market issues from the strong US dollar led to ever weaker metal prices, putting our Mining Business under pressure. In order to carry through this hard time, we have implemented layoff of staff and overall payroll reduction to balance with the drop in revenue. The mining activities of our gold and nickel-copper mines have been both suspended in 2015 winter as usual. The mining work of the gold mine was resumed in May 2016, while the mining activities of the Baishiquan Nickel-copper Mine is expected to resume by second half of 2016 as per request of our buyers so as to cater for the slow distribution of their end products.

Looking into the future, another year of reduction of the metal market may happen on account of the struggle of the global economy. Accordingly, the Group plans to continue the implementation of our prudent operations by (i) tightly control over cost; (ii) proactively optimising the business structure and developing directions of some defective business segments to make contribution to the shareholders; and (iii) timely adjusting the mining plans to maximise the value of such mines.

I wish to express our gratitude for the support and understanding from our shareholders during the past year. I sincerely hope that all shareholders will continue to support our Company. I would also like to express our appreciation and gratitude to all the employees of the Group for their hard work and dedication.

On behalf of the Board

**Cheng Kin Kwan**

*Chairman and Chief Executive Officer*

Hong Kong, 22 June 2016



# Management Discussion and Analysis

## Business Review and Outlook

The Group is principally engaged in two business segments, namely (i) the provision of computer consultancy and software maintenance services, software development, sales of computer hardware and software and e-Commerce services (“Software Business”); and (ii) the exploration and exploitation of mines (“Mining Business”).

### Software Business

#### Overview

Revenue of the Software Business mainly sourced from the development of software products and/or services for clients plus computer related hardware trading, especially on the three application areas, which are enterprise collaboration, elderly care and Fintech.

In view of the continuous losses of this segment, the Group had consolidated its operation by disposing of the operations in the PRC in July 2015 with an intention to reduce operating cost.

#### Operation

For the year under review, the revenue decreased by 76% to HK\$4.3 million (2015: HK\$17.7 million) of which 38% (2015: 45%) was contributed by the development of software products and services with the rest came from the sale of computer related hardware and software. The decrease in revenue was mainly due to the disposal of the operations in the PRC in July 2015. The PRC operations had contributed 67% of the revenue of the Software Business for the year ended 31 March 2015.

Despite the effort of the management to control cost including the disposal of the PRC operations, the segment loss increased by 7% to HK\$18.9 million for the year ended 31 March 2016 (2015: HK\$17.6 million) of which 5% (2015: 26%) was derived from the PRC operation. However, the effect of cost control would contribute to the results of the segment in future.

#### Outlook

The profit margins recorded by our Software Business are under siege from other aggressive competitors. Due to the continuous loss incurred, the Group is re-examining the structure of our business and trying to carry out reformation to achieve better financial performance. We may weed out some unprofitable business in order to cut cost. At the same time, we are considering developing new potential businesses through merger and acquisition, aiming to create new profit centre. Attributable to the rapid technology change associated with the software industry, the management will timely adjust our operation strategies to cope with the market changes.

### Mining Business

#### Overview

The Mining Business mainly includes the exploration and exploitation of mines and the processing and sale of outputs from the mines in the PRC. For the year ended 31 March 2016, gold dorés and nickel-copper ores were the products sold under the Mining Business.



# Management Discussion and Analysis (Continued)

## Business Review and Outlook (Continued)

### Mining Business (Continued)

#### Operation

For the year ended 31 March 2016, the Group had turnover from gold sales of approximately HK\$54.2 million (2015: HK\$94.6 million) and turnover from sales of nickel-copper ores of approximately HK\$97.3 million (2015: HK\$30.7 million).

The quantity of gold sold decreased by approximately 36% to 193 kg for the year ended 31 March 2016, mainly because the mineral resources of certain gold mines of the Group had been exhausted and the volume of ores extracted had decreased. Accompanied with the decrease in average selling price, the turnover recorded from gold sales had a sharp fall for the year ended 31 March 2016 as compared to last year.

The turnover from sales of nickel-copper ores of HK\$97.3 million had recorded an increase by approximately 2.2 times (2015: HK\$30.7 million) because only test mining activities of the Baishiquan Nickel-copper Mine were carried out since late 2014 and the full scale of mining of the Baishiquan Nickel-copper Mine commenced in late 2015. In addition, certain ore body of such mine runs a higher grade and quantity of metal contents than the previous estimates, which had generated more revenue for the Group during the year.

#### Resource estimates update

The details of the resource estimates as at 31 March 2016 are set out below:

Gold mine	Resource category	Tonnage (tonnes * 1,000)	Average grade (gram/tonne)	
Hongshannan	Indicated	31	2.95	
	Inferred	16	2.76	

  

Nickel-copper Mine	Resource category	Tonnage (tonnes * 1,000)	Average grade (Ni %)	(Cu %)
Baishiquan	Measured	1,215	1.83	0.86
	Indicated	3,447	0.58	0.35
	Inferred	813	0.61	0.36

Notes:

- (1) The mineral resource estimates were made with reference to the Competent Person's Report prepared in accordance with the JORC (2004) Code Standard in November 2011. 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 aforesaid Competent Person's Report and were confirmed by Group's internal experts.

## Management Discussion and Analysis (Continued)

### Business Review and Outlook (Continued)

#### Mining Business (Continued)

##### Exploration, Development and Mining Production Activities

Mine	Activity		
	Exploration	Development	Mining
Hongshannan Gold Mine	No material exploration	No material development	Ores extracted: 24,356 tonnes
Tuchushan Iron Mine	No activity during the year		
Baishiquan Nickel-copper Mine	Completed 51 surface drill holes for a total of approximately 14,200 meters	Completed shaft construction of approximately 330 meters and drift construction of approximately 4,434 meters	Ores extracted: 68,979 tonnes
South Hami Gold Project	No material exploration	No material development	No Commercial production

##### *Hongshannan Gold Mine*

For the year ended 31 March 2016, the total quantity of gold ores extracted from the mines was approximately 24,356 tonnes compared to 24,361 tonnes in last year. The gold ores extracted remained stable since the completion of the underground development in March 2014. The gold ores extracted by the Group during the year solely represented the gold ores from Hongshannan Gold Mine which will continue to be the main sources of gold ores extraction in 2016.

##### *Tuchushan Iron Mine*

There is no resources feasible for economical production and the carrying amount of the Tuchushan Iron Mine had been fully impaired in last financial year.

##### *Baishiquan Nickel-copper Mine*

The development of the Baishiquan Nickel-copper Mine has been completed and a full commercial production has been carried out in late 2015. For the year ended 31 March 2016, the Group had extracted 68,979 tonnes of nickel-copper ores with 36,682 tonnes being shattered and sold during the year. Turnover from the sales of nickel-copper ores amounted to approximately HK\$97.3 million.



# Management Discussion and Analysis (Continued)

## Business Review and Outlook (Continued)

### Mining Business (Continued)

#### Exploration, Development and Mining Production Activities (Continued)

##### South Hami Gold Project

It composes of gold properties located in the southern area of Hami which are under exploration. There was no material exploration and development work done during the year as no potential reserve has yet been observed.

#### Processing Activities

For the year ended 31 March 2016, gold ores of approximately 24,356 tonnes were extracted from the mines and approximately 51,754 tonnes of gold ores were processed by the processing plant. Although the gold ores extracted decreased significantly by approximately 35%, the processing plant continued to process the ores brought forward from last year and the gold processing quantity only decreased slightly by 5% as compared with last financial year.

#### Expenditure Incurred

During the year ended 31 March 2016, the Group had incurred approximately HK\$87.1 million on exploration, development, mining and processing activities, details of which are set out below:

	Hongshannan Gold Mine HK\$'000	Baishiquan Nickel- copper Mine HK\$'000	Total HK\$'000
<b>1. Capital Expenditure</b>			
1.1 Exploration activities			
Drilling and analysis	–	7,689	7,689
<i>Subtotal</i>	–	7,689	7,689
1.2 Development activities (including mine construction)			
Addition of intangible assets; property, plant and equipment	222	5,577	5,799
Construction of tunnels and roads and sub-contracting charges	–	11,446	11,446
<i>Subtotal</i>	222	17,023	17,245
<b>Total Capital Expenditure</b>	<b>222</b>	<b>24,712</b>	<b>24,934</b>

## Management Discussion and Analysis (Continued)

### Business Review and Outlook (Continued)

#### Mining Business (Continued)

#### Expenditure Incurred (Continued)

	Hongshannan Gold Mine HK\$'000	Baishiquan Nickel- copper Mine HK\$'000	Total HK\$'000
<b>2. Operating Expenditure for Mining activities</b>			
Staff cost	563	1,605	2,168
Consumables	42	95	137
Fuel, electricity, water and other services	871	1,825	2,696
Non-income taxes, royalties and other government charges	575	883	1,458
Others	226	1,048	1,274
Sub-contracting charges	13,402	6,331	19,733
Transportation	1,757	–	1,757
Depreciation and amortisation	9,469	14,672	24,141
<b>Total Operating Expenditure</b>	<b>26,905</b>	<b>26,459</b>	<b>53,364</b>
<b>Total Capital and Operating Expenditure</b>	<b>27,127</b>	<b>51,171</b>	<b>78,298</b>
<b>3. Processing Expenditure</b>			
Staff cost			3,233
Consumables			2,695
Fuel, electricity, water and other services			1,468
Depreciation and amortisation			1,005
Transportation			101
Others			281
<b>Total Processing Expenditure</b>			<b>8,783</b>
<b>Total Expenditure</b>			<b>87,081</b>

## Management Discussion and Analysis (Continued)

### Business Review and Outlook (Continued)

#### Mining Business (Continued)

##### Infrastructure projects and subcontracting arrangements

All new contracts and commitments entered into during the year ended 31 March 2016 by the Group were summarised as follows:

	Infrastructure projects HK\$'000	Subcontracting arrangements HK\$'000	Total HK\$'000
Baishiquan Nickel-copper Mine	89	–	89
Hongshannan Gold Mine	–	175	175
<b>Total</b>	<b>89</b>	<b>175</b>	<b>264</b>

##### Impairment on mining rights

For the year ended 31 March 2016, an impairment of approximately HK\$10.3 million was made for the Hongshannan Gold Mine. It was made in view of the unfavourable gold market and expected decrease in profit margins as a result of the slowdown of the global economy.

For the year ended 31 March 2015, the Group had written off the carrying amount of the Tuchushan Iron Mine of approximately HK\$37.6 million in full and the Hongshannan Gold mine of HK\$18.2 million. It was made in view of the unfavourable iron and gold market and the Directors expected that it should not be turnaround in near future.

##### Outlook

The gold market price dropped continuously during the period from March to December 2015, but began to make a recovery and climbed to US\$1,233 per ounce on 31 March 2016, which represents an increase of approximately 4% as compared with the gold price as at 31 March 2015. However, due to the negative macro environment for commodities, the rising trend of the gold price may not last for long. To cope with the complicated market environment as well as the limited mineral resources of the gold mines, the management of the Group has postponed the relevant mining activities and will implement certain cost control strategies.

The Company commenced the full production of the Baishiquan Nickel-copper Mine in late 2015. The nickel market price was on a declining curve throughout the year under review and closed at US\$8,490 per tonne at 31 March 2016, representing a decrease of approximately 32% as compared to that at 31 March 2015. Considering the stagnant situation of the global metal industry, the downside of the nickel market price may continue during the next financial year. Nevertheless, certain ore body of the Baishiquan Nickel-copper Mine runs a higher grade and quantity of metal contents than the previous estimates brightened the future of the mine. The management is optimistic that the sale of the nickel-copper ores will become another major source of the income of the Mining Business in the coming financial years. Facing the volatile market conditions, the management will timely adjust its operating strategies so as to minimise the adverse impact on the Group from the drop of the metal market price.

The mining activities of our gold and nickel-copper mines have been both suspended in 2015 winter as usual. The mining work of the gold mine was resumed in May 2016, while the mining activities of the Baishiquan Nickel-copper Mine is expected to be resumed by second half of 2016 as per request of our buyers so as to cater for the slow distribution of their end products.

## Management Discussion and Analysis (Continued)

### Financial Performance Review

For the year ended 31 March 2016, the Group recorded turnover of approximately HK\$155.7 million (2015: HK\$143.0 million), representing an increase of 9% as compared with the prior financial year. Loss attributable to owners of the Company was approximately HK\$20.6 million, as compared to approximately HK\$33.4 million for the prior financial year.

The Software Business segment recorded turnover and segmental loss of approximately HK\$4.3 million (2015: HK\$17.7 million) and HK\$18.9 million (2015: HK\$17.6 million) respectively, representing a decrease of 76% and an increase of 7% respectively as compared with the prior financial year. The Mining Business segment recorded turnover and segmental profit for the year of approximately HK\$151.4 million (2015: HK\$125.3 million), and HK\$16.1 million (2015: segmental loss of HK\$41.8 million) respectively, representing an increase of 21% and 139% respectively as compared with the prior financial year.

The decrease in loss for the Group was mainly attributable to the decrease in impairment of intangible assets from approximately HK\$55.8 million for the year ended 31 March 2015 to HK\$10.3 million for the year ended 31 March 2016.

### Open Offer

On 20 November 2015, the Company announced the issue by way of open offer (the “Open Offer”) to qualifying shareholders (the “Qualifying Shareholders”) on the basis of one offer share for every five existing shares held on 14 December 2015, the record date under the Open Offer, at the subscription price of HK\$0.1 per offer share subject to the terms and conditions as set out in the underwriting agreement dated 20 November 2015 and the prospectus of the Company dated 15 December 2015 (the “Prospectus”). On 8 January 2016, 397,980,300 offer shares were allotted to the Qualifying Shareholders and the Company received gross proceeds of approximately HK\$39.8 million from the Open Offer. The net proceeds from the Open Offer after deducting all relevant expenses were about HK\$38.7 million, which were used for (i) repayment of the promissory note held by Starmax Holdings Limited (“Starmax”) and accrued interest of approximately HK\$10.9 million; and (ii) general working capital of the Group.

Pursuant to the share options schemes of the Company, the exercise price of the outstanding options and the number of shares to be allotted and issued upon full exercise of the subscription rights attaching to the outstanding options were adjusted in the manner set out in the announcement of the Company dated 7 January 2016 (the “Offer Result Announcement”). Please refer to the Prospectus and the Offer Result Announcement for details.

### Liquidity and Financial Resources

As at 31 March 2016, the Group had bank balances and cash and net current assets amounted to approximately HK\$101.8 million and HK\$101.7 million (2015: HK\$51.0 million and HK\$49.5 million) respectively. Out of the Group’s bank balances and cash, about 44% and 56% were denominated in Hong Kong dollars and Chinese Renminbi (2015: 13% and 85%) respectively. As at 31 March 2016, the current ratio improved to 3.88 (2015: 1.76).

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 exercise by grantees of the share options granted under the share option schemes.

## Management Discussion and Analysis (Continued)

### Liquidity and Financial Resources (Continued)

As at 31 March 2016, the Group had outstanding borrowings of approximately HK\$39.4 million (2015: HK\$50.3 million), which mainly represented the Hong Kong dollar denominated promissory note accounted for at amortised cost using the effective interest method and a secured bank loan.

#### Promissory Note

On 11 May 2012, the Group issued promissory note in the principal amount of HK\$63 million to Starmax as part of the consideration of acquisition of the Mining Business, of which HK\$33 million was repaid. The remaining HK\$30 million is repayable in three equal instalments on each of the following anniversary date of issue with the next instalment due on 11 May 2016. 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. Overdue instalments bear interests at 7% per annum according to the terms of the promissory note until the overdue instalments are fully paid by the Group.

On 11 May 2016, the Group repaid the fourth instalment of HK\$10 million with accrued interest of approximately HK\$0.9 million according to the terms of the promissory note.

The Directors believed that the Group's existing financial resources are sufficient to fulfill its commitments and working capital requirements.

#### Capital Commitments

Particulars of the capital commitments of the Group are set out on note 31 to the consolidated financial statements.

#### Gearing Ratio

As at 31 March 2016, the Group's gearing ratio was approximately 35% (31 March 2015: 58%), based on total borrowings of approximately HK\$39.4 million (2015: HK\$50.3 million) and equity attributable to owners of the Company of approximately HK\$111.6 million (2015: HK\$86.0 million). The decrease in the ratio was mainly due to the repayment of HK\$10 million promissory note and the new issue of shares during the year ended 31 March 2016.

#### Charge on the Group's Assets

As at 31 March 2016, 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 property, plant and equipment with carrying amounts of approximately HK\$19,079,000 to secure the loan facilities granted to the Group.

## Management Discussion and Analysis (Continued)

### Order Book and Prospects for New Business

There was no order book on hand as at 31 March 2016.

### Material Acquisitions and Disposals of Subsidiaries and Affiliated Companies

On 31 July 2015, the Group disposed of the entire equity interest of Timeless China Limited, a wholly-owned subsidiary of the Company and its subsidiaries, to a company beneficially owned by an ex-employee of a subsidiary of the Company (“Disposal”) at a cash consideration of HK\$7.5 million. Details of the Disposal are set out in the Company’s announcement dated 31 July 2015. Save as disclosed above, 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 Software Business; and (ii) the Mining Business. During the year under review, revenue generated by the Group’s Software Business and Mining Business accounted for 3% (2015: 12%) and 97% (2015: 88%) 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 the respective group companies functional currency which are mainly in Hong Kong dollars or Renminbi, the exposure to foreign exchange rate fluctuations is minimal.

### Contingent Liabilities

As at 31 March 2016, there was no material contingent liabilities incurred by the Group.

# Biographical Details of Directors and Senior Management

## Directors

### Executive Directors

**Dr. CHENG Kin Kwan**, aged 77, the founder of the Company, has been appointed as the Chairman, Chief Executive Officer and executive Director of the Company since 1 May 1996. Dr. Cheng is the Executive Vice President and Honorary Secretary-General of the Professional Committee of the National Bureau JISC Industry Development Strategies. He is also the Honorary Fellow Member of Business Administration of the Canadian Chartered Institute of Business Administration. 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. Dr. Cheng is the first sole distributor of Novell system covering Asia, Hong Kong and China; and built the first computer system for Hong Kong Futures Exchange.

**Mr. Felipe TAN**, aged 61, has been appointed as an executive Director since 30 September 2012. Mr. Tan is also a director of various subsidiaries of the Group. 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 also the chairman and executive director of Loco Hong Kong Holdings Limited (stock code: 8162), the shares of which are listed on the GEM of the Stock Exchange (“LocoHK”). Mr. Tan is also the chairman of the board, president and chief executive officer of GobiMin Inc. (“GobiMin”), the shares of which are listed on the TSX Venture Exchange in Canada (symbol: GMN). Its subsidiaries and associate companies are principally engaged in exploration projects of a gold mine and prospecting exploration projects of gold, copper and nickel in Xinjiang, PRC. In addition, Mr. Tan is a director of Jiangmen Proudly Water-soluble Plastic Co., Ltd. (NEEQ: 833367), the shares of which are traded on the National Equities Exchange and Quotations in the PRC since 10 September 2015.

**Mr. ZHANG Ming**, aged 50, has been appointed as an executive Director since 30 September 2012. Mr. Zhang has been a director of Xinjiang Tianmu Mineral Resources Development Co. Ltd. (“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. Mr. Zhang is responsible for the mining business in Xinjiang, PRC.

**Ms. LAU Yun Fong Carman**, aged 50, has been appointed as an executive Director since 17 November 2014. Ms. Lau is the financial controller of the Group. She is an associate member of the Hong Kong Institute of Certified Public Accountants and has over 15 years of extensive experience in auditing and corporate finance management. Ms. Lau had worked in an international accounting firm and then served for 10 years in a company listed on the Main Board of the Stock Exchange. Ms. Lau graduated from the University of Hong Kong with a Bachelor’s degree of Social Sciences. She is also a financial controller of LocoHK, a company listed on the GEM of the Stock Exchange.



## Biographical Details of Directors and Senior Management (Continued)

### Directors (Continued)

#### Non-executive Director

**Mr. LAM Kai Ling Vincent**, aged 33, has been appointed as a non-executive Director since 27 May 2015. Mr. Lam is the project manager of a wholly owned subsidiary of GobiMin, of which Mr. Felipe Tan, an executive Director, is the beneficial shareholder and director. Mr. Lam has extensive experience in accounting and finance works in different industries in the past 10 years with more than 4 years' working experiences in precious metals industry, specialized in operation control. Mr. Lam obtained a Bachelor degree of Accountancy from City University of Hong Kong and a Master degree of Finance Management in Shanghai University of Finance and Economics.

#### Independent Non-executive Directors

**Ms. CHAN Choi Ling**, aged 41, has been appointed as an independent non-executive Director since 30 September 2012. Ms. Chan is a qualified solicitor in Hong Kong. She obtained her Bachelor of Laws degree from the City University of Hong Kong. Ms. Chan has over 10 years' experience in civil litigation. Ms. Chan currently practises as a solicitor in a law firm in Hong Kong.

**Mr. CHAN Mei Ying Spencer**, aged 59, has been appointed as an independent non-executive Director since 25 October 2005. He is an entrepreneur in various industries and a consultant to Global Resources Management Sdn Bhd. 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 has also attended an executive management program at INSEAD, Fontainebleau, France.

**Mr. LAM Kwai Yan**, aged 56, has been appointed as an independent non-executive Director since 23 December 2008. Mr. Lam 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, a fellow member of the CPA Australia and Institute of Singapore Chartered Accountants. 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.

**Ms. TSANG Wai Chun Marianna**, aged 61, has been appointed as an independent non-executive Director since 16 October 2003. She 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 Chartered Institute of Personnel and Development, the Society of Registered Financial Planners, the Chartered Institute of Arbitrators, the Institute of Financial Accountants and the Institute of Public Accountants in Australia. 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 obtained a postgraduate certificate in Professional Accounting. She has served as an independent non-executive director of LocoHK, a company listed on the GEM of the Stock Exchange, since 22 July 2014.

## Biographical Details of Directors and Senior Management (Continued)

### Compliance Officer

**Ms. LAU Yun Fong Carman** is the compliance officer of the Company.

### Company Secretary

**Ms. KO Yuen Kwan**, aged 51, has comprehensive experience in finance, accounting and compliance matters of listed companies in Hong Kong and Canada. Ms. Ko is currently the Chief Financial Officer, Vice President Corporate Affairs & Secretary of GobiMin, which is principally engaged in the development, exploration and exploitation of mineral resources in Xinjiang, the PRC. She is also the company secretary of LocoHK. From 1994 to 2006, Ms. Ko had been the company secretary of a listed company with securities listed on the Main Board of the Stock Exchange and was responsible for its company secretarial, legal and compliance matters. Ms. Ko holds a Master's degree in Professional Accounting from the Hong Kong Polytechnic University and is a member of the HKICPA, the CPA Australia and the Hong Kong Institute of Chartered Secretaries. Ms. Ko joined the Group in November 2014.



# Corporate Governance Report

## 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 (the “Code”) as set out in Appendix 15 to the Rules Governing the Listing of Securities on the GEM of the Stock Exchange (the “GEM Listing Rules”). The Company had complied with all Code Provisions as set out in the Code, throughout the year ended 31 March 2016, 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 CEO of the Company are both currently carried on by Dr. 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.

# Corporate Governance Report (Continued)

## Board of Directors (Continued)

### Composition and Responsibilities (Continued)

The Board led by its Chairman 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 nine Directors, including four Executive Directors (including Chairman of the Board), one non-executive Director and four independent non-executive Directors.

The composition of the Board is currently as follows:

#### *Executive Directors:*

Dr. CHENG Kin Kwan *(Chairman and Chief Executive Officer)*  
Ms. LAU Yun Fong Carman  
Mr. Felipe TAN  
Mr. ZHANG Ming

#### *Non-executive Director:*

Mr. LAM Kai Ling Vincent

#### *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 13 to 15 of this annual report.

### Board Meetings

The Board held 8 meetings during the year ended 31 March 2016.

## Corporate Governance Report (Continued)

### 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 ended 31 March 2016:

	Board Meeting	Audit Committee Meeting	Remuneration Committee Meeting	Nomination Committee Meeting	2015 Annual General Meeting
	Number of Meetings Attended/Held				
<i>Executive Directors:</i>					
CHENG Kin Kwan	7/8	–	–	–	1/1
LAU Yun Fong Carman	8/8	–	–	–	1/1
LAW Kwai Lam <sup>(1)</sup>	1/1	–	–	–	–
LEUNG Mei Sheung Eliza <sup>(1)</sup>	2/2	–	–	–	–
LIAO Yun <sup>(1)</sup>	1/1	–	–	–	–
Felipe TAN	8/8	–	–	–	1/1
ZHANG Ming	5/8	–	–	–	0/1
<i>Non-executive Director:</i>					
LAM Kai Ling Vincent	8/8	–	–	–	1/1
<i>Independent Non-executive Directors:</i>					
CHAN Choi Ling	7/8	–	–	–	1/1
CHAN Mei Ying Spencer	6/8	4/4	2/2	2/2	1/1
LAM Kwai Yan	7/8	4/4	2/2	2/2	1/1
TSANG Wai Chun Marianna	7/8	4/4	2/2	2/2	1/1

Note:

<sup>(1)</sup> Mr. Law Kwai Lam, Ms. Leung Mei Sheung Eliza and Mr. Liao Yun resigned as Directors on 10 August 2015.

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 (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 non-executive Director and 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 2016.

### 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.

The Directors confirmed that, during the year under review, they have participated in continuous professional development to develop and refresh their knowledge and skills.

### Directors' and Officers' Liabilities Insurance and Indemnity

The Company has arranged for Directors' and Officers' Liability Insurance and Indemnity covering liabilities in respect of the legal actions against the Directors that may arise out in the corporate activities which has been complied with the Code. The insurance coverage is reviewed on an annual basis.



## Board Committees

### Audit Committee

The Audit Committee comprises three independent non-executive Directors, namely:

Ms. TSANG Wai Chun Marianna (*Chairlady*)  
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, internal control and risk management systems 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 consolidated financial statements and annual report and accounts, half-year report and quarterly reports 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 2016, 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 was as follows:

- To make recommendation to the Board on re-appointment 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 consolidated financial statements and annual report and accounts, half-year report and quarterly reports, and to review significant financial reporting judgments contained in them.

The Audit Committee has reviewed the accounts for the year ended 31 March 2016 which were audited by HLB Hodgson Impey Cheng Limited, whose term of office will expire upon the coming Annual General Meeting of the Company ("AGM"). The audit committee has recommended to the Board that HLB Hodgson Impey Cheng Limited will be re-appointed as the auditors of the Company at the coming AGM. During the year ended 31 March 2016, the Board did not take different view from the Audit Committee on the appointment of external auditor.



## Board Committees (Continued)

### 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 and are consistent with the requirements of the Code. The Nomination Committee comprises three independent non-executive Directors, namely:

Mr. LAM Kwai Yan (*Chairman*)  
Mr. CHAN Mei Ying Spencer  
Ms. TSANG Wai Chun Marianna

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 2016, the Nomination Committee held 1 meeting. Details of the attendance of the members of the Nomination Committee in the said meeting are set out under the sub-heading “Directors’ Attendance at Board/Board Committee/General Meetings” above.

The summary of work of the Nomination Committee during the year was as follows:

- 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.

### 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*)  
Mr. LAM Kwai Yan  
Ms. TSANG Wai Chun Marianna

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 2016, the Remuneration Committee held 1 meeting. Details of the attendance of the members of the Remuneration Committee in the said meeting are set out under the sub-heading “Directors’ Attendance at Board/Board Committee/General Meetings” above.

## Corporate Governance Report (Continued)

### Board Committees (Continued)

#### Remuneration Committee (Continued)

The summary of work of the Remuneration Committee during the year was as follows:

- 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.

### Auditors' Remuneration

For the year ended 31 March 2016, the fees paid/payable to the auditors in respect of the audit and non-audit services were as follows:

Types of services	Amount (HK\$)
Annual audit services	820,000
Non-audit services	200,000

### Accountability and Audit

#### Directors' Responsibility for the Consolidated Financial Statements

The following statements, which set out the responsibilities of the Directors in relation to the consolidated financial statements, should be read in conjunction with, but distinguished from, the Independent Auditors' Report on page 43 to 44 of this annual report which acknowledges the reporting responsibilities of the Group's auditors.

# Corporate Governance Report (Continued)

## Accountability and Audit (Continued)

### Directors' Responsibility for the Consolidated Financial Statements (Continued)

The Directors acknowledge that they are responsible for the preparation of consolidated financial statements which give a true and fair view. In preparing the consolidated 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 consolidated 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 consolidated 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 consolidated financial statements, and ensure compliance with relevant legislation and regulations. It aims to achieve reasonable assurance against material misstatement or loss in the management of the Group's business activities.

## Company Secretary

The Company Secretary has day-to-day knowledge of the Company's affairs and plays an important role in supporting the Board by ensuring that Board policy and procedures, all applicable laws, rules and regulations are followed. The Company Secretary reports to the Chairman on corporate governance matters and is accountable to the Board for matters relating to the Director's duties.

For the year ended 31 March 2016, 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 2016, there was no significant change in its constitutional documents.

### Shareholders' Rights

According to the Company's Articles of Association and as provided by the Companies Ordinance, shareholders of the Company holding at the date of deposit of the requisition not less than 5% of the total voting rights of all the members 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 extraordinary general meeting to be called by the Board for the transaction of any business specified in such requisition. 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.

If a shareholder wishes to propose a person other than a Director retiring for election as a Director at the coming AGM, the shareholder should deposit a written notice of nomination at the registered office of the Company 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 Directors from time to time).

### Communication with Shareholders

The Company recognises the importance of maintaining an on-going communication with shareholders to ensure that shareholders are kept well informed of the business activities and direction of the Group.

The Company uses a range of communication tools including various notices, announcements, circulars, annual report and annual general meeting to disclose relevant information to shareholders. Separate resolutions are proposed at general meeting on each substantially separate issue, including the re-election of Directors. The Chairman of the Board and the chairman of all board committees, together with the external auditor, shall attend the annual general meeting to answer the enquiries of shareholders. In compliance with the Code E.1.3, the notice of annual general meeting will be sent to shareholders at least 20 clear business days before the meeting.

To further promote the effective communication with shareholders and the public, the corporate website is maintained to disseminate the information of the Group electronically on a timely basis.

## Corporate Governance Report (Continued)

### Voting by Poll

All resolutions put to the annual general meeting will be voted by poll at the meeting in accordance with the requirements of the Rules Governing the Listing of Securities on the GEM of the Stock Exchange.

To ensure that shareholders are familiar with the detailed procedures for conducting a poll, the chairman of the meeting will explain the detailed procedures for conducting a poll at the commencement of the meeting and then answer any questions from shareholders regarding voting by way of a poll.

At the conclusion of the annual general meeting, the poll results will be published on the GEM website and the Company's website.

### 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 registered office in Hong Kong or by email through [info@timeless.com.hk](mailto:info@timeless.com.hk) as stated on the Company's website.



## Directors' Report

The Directors present their annual report and the audited consolidated financial statements for the year ended 31 March 2016.

The principal activities of the Company are investment holding. In prior years, the Company also 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 34 to the consolidated financial statements.

## Business Review and Performance

### Review of Business and Performance

A review of the business of the Company and a discussion and analysis of the Group's performance during the year and outlook of Company's business can be found in the Management Discussion and Analysis set out on pages 4 to 12 of this annual report. The discussion forms part of this Directors' Report.

### Principal Risks and Uncertainties

The Group's performance may be directly or indirectly affected by risks and uncertainties relating to the Group's businesses. The followings are the principal risk factors facing the Company as required to be disclosed pursuant to the Companies Ordinance (Chapter 622 of the laws of Hong Kong) and are those that could result in the Group's business performance, financial condition, operations results or development prospects materially different from expected or historical results.

### Software Business

#### (i) Business Risks

The Software Business operates in a highly competitive industry which faces rapid changes in market trends, consumer preferences and constantly evolving technological advances in hardware models, software features and functionalities. We face forever changing hardware model and feature changes in various products which have to be incorporated into our software products and/or services to cope with the evolving environment.

The Software Business mitigates the risk through continual reviews of market trends, including hardware changes, software updates and emerging technologies. We also maintain a competitive position through commitments to innovate and build a broad coverage on various operating environment; and execution of clear strategy to emphasize on software development as our key competitiveness.

### Business Review and Performance (Continued)

#### Principal Risks and Uncertainties (Continued)

##### Mining Business

(i) *Metal Prices*

There are many factors that can affect the gold, copper and nickel prices and demand in the international markets, including fluctuations in the global political stability and social situation and international economic conditions. In addition, commodity prices are also likely to fall to a lower level. It is impossible to predict gold, copper and nickel price movements in the future. The profitability of the Group may be significantly affected by the changes in the market prices of metals. The Group aims to mitigate this risk by maintaining close relationship with customers and by timely adjusting production layout, improving the flexibility of the production system and strengthening the cost control. The Group closely monitors commodity prices and potential impacts on cash flow and project development. Capital expenditure plans are aligned to prevailing and anticipated market conditions.

(ii) *Currency Risks*

The Group's operating expenses and revenues from the mining business are in RMB, one of the main currencies used by the Group. Currently, the RMB is linked to the US dollar by exchange rates managed through China's central bank. Accordingly, exchange rate fluctuations with the RMB may adversely affect the Group's financial position and operating results. The Group does not currently engage in foreign currency hedging activities.

Under current regulations, there is no restriction on foreign exchange conversion of the RMB on the current account, although any foreign exchange transaction on the capital account is subject to prior approval from the State Administration of Foreign Exchange ("SAFE") or review by the payment bank in accordance with regulations issued by SAFE. However, even on the current account the RMB is not a freely convertible currency. Foreign invested enterprises in China are currently allowed to repatriate profit to their foreign parents or pay outstanding current account obligations in foreign exchange but must present the proper documentation to a designated foreign exchange bank in order to do so. There is no guarantee that foreign exchange control policies will not be changed so as to require government approval to convert RMB into foreign currency on the current account or repatriate profits. These limitations could affect the ability of the Group to pay dividends, obtain foreign exchange through debt or equity financing, or to obtain foreign exchange for capital expenditures. The Group closely monitors the latest development of the foreign exchange control policies and will take timely and appropriate actions should there be any potential change be anticipated.



### Business Review and Performance (Continued)

#### Principal Risks and Uncertainties (Continued)

##### Mining Business (Continued)

###### (iii) Exploration, Development and Operating Risks

The exploration and development of mineral deposits involves significant risks over a significant period of time, which even with a combination of careful evaluation, experience and knowledge may not be eliminated. Few properties that are explored are ultimately developed into producing mines. Major expenditures may be required to establish mineral reserves through drilling, to develop metallurgical processes and to develop the mining and processing facilities and infrastructure at any site chosen for mining. No assurance can be given that minerals will be discovered in sufficient quantities to justify commercial operations or that funds required for development can be obtained on a timely basis. The economic viability of a mineral deposit depends on many factors, including size, grade, cost of operations, metal prices, cost of processing equipment, and continuing access to smelter facilities on acceptable terms, government regulations, land tenure, and environmental protection. The exact effect of these factors cannot be measured but the combinations of these factors may impact the success of the Group's mineral exploration, development and acquisition activities. Even after the commencement of mining operations, such operations may be subject to risks and hazards such as environmental hazards, industrial accidents, cave-ins, rock bursts, unusual or unexpected geological formations, ground control problems and flooding. The occurrence of any of the foregoing could result in damage to or destruction of mineral properties and production facilities, personal injuries, environmental damage, delays or interruptions of production, increases in production costs, monetary losses, legal liability and adverse government action.

To mitigate the above risks, the Group has developed and maintained policies appropriate to set and adjust the stage of development of its various projects.

It is not always possible to obtain insurance against all such risks and the Group may decide not to insure against certain risks because of high premiums or other reasons. Should such liabilities arise, they could reduce or eliminate any further profitability and result in increasing costs and a decline in the value of the securities of the Group. The Group does not maintain insurance against political or environmental risks.

The Group's properties are generally located in the Xinjiang region, a sector which has in the past experienced seismic activity on the Richter scale. Therefore, planning for mines and infrastructures must consider seismicity in the design and there exist a risk that seismic activities may cause significant damages to the Group's infrastructures and operations in the area.

The development of mining properties has inherent risks. The Group may not have sufficient technical or financial resources to complete the projects. Costs over-runs are common in mining projects and may pose a risk for the Group.

### Business Review and Performance (Continued)

#### Principal Risks and Uncertainties (Continued)

##### Mining Business (Continued)

###### *(iv) Uncertainty of Ore Reserves and Resource Estimates*

There are numerous uncertainties inherent in estimating mineral resources and mineral reserves. Such estimates are a subjective process, and the accuracy of any mineral resources and mineral reserves estimate is a function of the quantity and quality of available data and of the assumptions made and judgments used in engineering and geological interpretation. These amounts are estimates only and the actual level of recovery of minerals from such deposits may be different. Differences between management's assumptions, including economic assumptions such as mineral prices, market conditions and actual events could have a material adverse effect on the Company's mineral reserve and mineral resource estimates, financial position and results of operations.

For some of its properties, the Group may prepare its own mineral reserves and resources estimate only in accordance with the former China Ministry of Geological and Mineral Resources ("CMGMR") classification system. The CMGMR classification system may not be compliant with the recognised standard acceptable to the Stock Exchange. These figures are only estimates and there cannot be any assurance given that the estimated mineral reserves and resources will be recovered or that they will be recovered at the rates estimated. Mineral reserve and resource estimates are determined based upon assumed commodity prices and operating costs. These factors may in the future render certain mineral reserves and resources unproductive and may ultimately result in a significant reduction in reserves and resources.

###### *(v) Capital Requirements*

The Group does have limited financial resources. Although the Group believes it will be able to fund the development of its mineral properties through existing working capital, and a combination of debt and equity, there can be no assurance the Group will be able to raise additional funding if needed. Failure to obtain such additional funding could result in the delay or indefinite postponement of the exploration and development of some of the Group's properties.

###### *(vi) Permits and Licences*

The operations of exploration and mining require specific licences and permits e.g. mining licence for mining activities and exploration licence for exploration activities. Any changes in regulations imposed by the governments due to any reasons are beyond the control of the Group and may adversely affect its business and its ability to retain title to its property and obtain some of the necessary licences. The changes of regulations may include, but not limited to, varying degrees of those with respect to stricter restrictions on production, price controls, export controls, income taxes, and expropriation of property, employment, land use, water use, environmental legislation and mine safety.

## Directors' Report (Continued)

### Business Review and Performance (Continued)

#### Principal Risks and Uncertainties (Continued)

##### Mining Business (Continued)

###### (vi) *Permits and Licences (Continued)*

The Group's exploration and mining licences are subject to annual audit by the Department of Land and Resources of Xinjiang, China. In their annual audit, the authorities may consider whether the Group's mining activities have been in compliance with the relevant laws and regulations. If the Group fails to meet the relevant requirements or materially breaches any laws or regulations, it may not pass such audit, in which case it may be subject to penalties in accordance with applicable laws, or be given a deadline to rectify deficiencies, or, in serious cases, have its permits and licences revoked. While the Group has never encountered such problems in the past, there can be no assurance that it will pass future audits. Should permits or licences be suspended or revoked, the Group's mining business and results of operations could be materially affected.

###### (vii) *Environmental Regulation*

The mining operations of the Group are subject to environmental regulations promulgated by relevant governments. The relevant environmental regulations impose restrictions and prohibitions on spills, or handling of various substances produced during mining or processing operations. In addition, approval of environmental impact assessment for certain types of the mining operations are required. In breach of such regulations or failure of the governmental approval may result in the imposition of fines and penalties. The costs of compliance with environmental regulations, such as advanced equipment which is environmental friendly, has the potential to reduce the profitability of future operations. To mitigate the risk, the Group regularly reviews developments in the relevant legislation and monitors compliance with the required standards.

###### (viii) *Competition*

There is significant and increasing competition within the mining industry for the discovery and acquisition of properties considered having commercial potential. The Group competes with other mining companies, some of which have greater financial resources, and as a result, the Group may not be able to acquire mineral interests on terms it considers acceptable. As well, the Group competes for the recruitment and retention of qualified employees and other personnel. The current economic growth in China and the corresponding creation of a more liquid market for skilled employees may lead to future problems in retaining local Chinese management. As a result of this competition, the Group may not be able to acquire additional mineral interests and hire or retain qualified personnel for its projects. In order to mitigate such risk, the Group reviews and improves the recruitment and retention practices on a regular basis to retain competent staff. The Group provides competitive remuneration package to attract and retain their services.

## Directors' Report (Continued)

### Business Review and Performance (Continued)

#### Compliance with the Relevant Laws and Regulations

The Group has compliance policies and procedures in place to ensure adherence to applicable laws, rules and regulations, in particular, those have a significant impact to the Group. The Audit Committee is delegated by the Board to review and monitor the Group's policies and practices on compliance with legal and regulatory requirements. During the year, there was no material breach of or non-compliance with the applicable laws and regulations by the Group.

#### Environmental Policies and Performance

The Group is committed to the long term sustainability of the environment and communities in which it operates. The Group is aware of the potential impact that its subsidiary companies may have on the environment. The Group ensures that it and its subsidiaries at a minimum comply with the local regulatory requirements with regard to the environment. Acting in an environmentally responsible manner, the Group endeavours to comply with laws and regulations regarding environmental protection and to adopt effective measures to achieve efficient use of resources, energy saving and waste reduction.

The Group will review its environmental practices from time to time and will implement further ecofriendly measures and practices closely adhering to the 3Rs – Reduce, Recycle and Reuse and enhancing environmental sustainability.

#### Relationship with Employees, Suppliers and Customers

The Group recognizes the importance of maintaining a stable staff force and provides remuneration packages at competitive levels to retain the employees. The remuneration policy is annually reviewed by the management.

The Group values long standing relationships with its customers and suppliers. The Group aims at delivering high quality products and services to its customers and developing mutual trust and enhancing commitment between the Group and the suppliers.

#### Summary Financial Information

A summary of the results and the assets and liabilities of the Group for the last five financial years, as extracted from the audited consolidated financial statements and reclassified as appropriate, is set out on page 124. The summary does not form part of the audited consolidated financial statements.



## Directors' Report (Continued)

### Business Review and Performance (Continued)

#### Financial Key Performance Indicators

We assess our performance against the following financial key performance indicators (“KPIs”), each of which is linked to our long-term strategy. The Directors think it is appropriate to use the following KPIs to monitor progress in the delivery of the Group’s strategic objectives, to assess actual performance and to provide aid for business management. The underlying data are sourced from internal company records.

KPIs		For the year ended 31 March	
		2016	2015 Restated
<i>The Group</i>			
1. EBITDA	HK\$'000	<b>30,396</b>	10,215
2. Operating cash flow per share	HK cents	<b>0.01</b>	0.01
3. Losses per share – basic and diluted	HK cents	<b>(0.96)</b>	(1.90)
4. Current ratio	times	<b>3.88</b>	1.76
5. Gearing ratio	%	<b>35.31</b>	58.42
<i>Software Business</i>			
6. Service revenue per staff	HK\$'000	<b>224</b>	260
<i>Mining Business</i>			
7. Gold production	ounces	<b>6,236</b>	9,637
8. Cash cost per tonne of gold ores extracted	HK\$	<b>644</b>	1,174
9. Cash production cost per ounce of gold dorés sold	HK\$	<b>7,505</b>	6,426
10. Nickel-copper ores production	tonnes	<b>69,305</b>	12,635
11. Cash cost per tonne of nickel-copper ores extracted	HK\$	<b>524</b>	1,011

#### 1. EBITDA

The EBITDA of the Group increased by HK\$20.2 million from approximately HK\$10.2 million for the year ended 31 March 2015 to approximately HK\$30.4 million for the year ended 31 March 2016. The increase was mainly attributed by the increase of sales of nickel-copper ores from 8,658 kg in last year to 36,682 kg in current year, increase in gain on disposal of subsidiaries of HK\$3.4 million, netting off with the increase in the loss on investments held for trading amounted to HK\$2.0 million.

Relevance to Strategy: It stands for earnings before interest income and expense, income taxes, depreciation, amortization and impairment loss on other intangible assets. It is a valuable indicator of the ability to generate operating cash flow to fund working capital and capital expenditures and to serve debt obligations.

### Business Review and Performance (Continued)

#### Financial Key Performance Indicators (Continued)

##### 2. Operating cash flow per share

The operating cash inflow per share remain stable at HK cents 0.01 for the year ended 31 March 2016 (2015: HK cents 0.01, adjusted for the bonus element of the Open Offer).

Relevance to Strategy: It is the cash generated from or utilized in operating activities, divided by the weighted average of the number of shares in issue. It helps measure the ability to generate cash from the whole business.

##### 3. Loss per share – basic and diluted

The basic and diluted loss per share decreased to HK cents 0.96 for the year ended 31 March 2016 (2015: HK cents 1.90, adjusted for the bonus element of the Open Offer). The decrease was mainly due to the decrease in impairment of intangible assets from approximately HK\$55.8 million for the year ended 31 March 2015 to approximately HK\$10.3 million for the year ended 31 March 2016.

Relevance to Strategy: It is calculated by dividing the loss attributable to the owners of the Company by the weighted average of the number of shares in issue. It indicates the profitability and is often used as an indicator to determine share price and value.

##### 4. Current ratio

The current ratio increased from 1.76 as at 31 March 2015 to 3.88 as at 31 March 2016. The increase in current ratio is mainly due to the increase in cash balance resulting from the new issue of shares during the year.

Relevance to Strategy: It is calculated by dividing the current assets by the current liabilities of the Group. It measures the financial strength of the Group and the ability whether the Group has enough resources to pay its debts over the next 12 months.

##### 5. Gearing ratio

The gearing ratio was improved from 58% as at 31 March 2015 to 35% as at 31 March 2016. The decrease in gearing ratio is mainly due to the partially repayment of the promissory note and the new issue of 541,590,300 ordinary shares by way of placing, open offer, and exercise of share options during the year.

Relevance to Strategy: It is calculated by dividing the total interest bearing borrowing of the Group by the equity attributable to owners of the Company. It measures the financial risk to which the Group is subjected to.

##### 6. Service revenue per staff

The service revenue per staff for the Software Business decreased to HK\$0.2 million for the year ended 31 March 2016 (2015: HK\$0.3 million), a 14% decrease comparing to the prior financial year, as various new projects were secured while the number of staff has been decreased.

Relevance to Strategy: It is defined as service revenue, excluding hardware sales, divided by number of staff. It is a key indicator to measure the ability of the Group to achieve the objective to develop business through software expertise and excellence.

### Business Review and Performance (Continued)

#### Financial Key Performance Indicators (Continued)

##### 7. Gold production

The gold production decreased by 35% to 6,236 ounces for the year ended 31 March 2016 (2015: 9,637 ounces). The decreased was due to the reserves of certain gold mines had completely exhausted by late 2015 during the year.

Relevance to Strategy: It is the aggregate quantity of the gold produced from our processing plant owned by a non-wholly owned subsidiary. It is one of the key measures used to track the efficiency of utilizing our processing plant.

##### 8. Cash cost per tonne of gold ores extracted

The cash cost per tonne of gold ores extracted decreased by 45% to HK\$644 per tonne for the year ended 31 March 2016 (2015: HK\$1,174). The gold ores extracted during the year were solely from the Hongshannan Gold Mine which has a lower cash cost per tonne extracted.

Relevance to Strategy: It is calculated by dividing the aggregate cash costs incurred by gold ores quantity extracted. It is used to monitor the unit cash cost of extraction and is used as a reference in designing the mining plan.

##### 9. Cash production cost per ounce of gold dores sold

The cash production cost per ounce of gold dores sold was HK\$7,505 for the year ended 31 March 2016 (2015: HK\$6,426). The increase in the unit cost was mainly contributed by comparatively lower gold production for the year ended 31 March 2016.

Relevance to Strategy: It is calculated by dividing the aggregate cash costs by gold quantity sold. It is used to monitor the efficiency of the production.

##### 10. Nickel-copper ore extracted

The nickel-copper ore extraction increased by 448% to 69,305 tonnes for the year ended 31 March 2016 (2015: 12,635 tonnes). The reason for the huge increase is the Baishiquan Nickel-copper Mine started its full scale of operation in August 2015.

Relevance to Strategy: It is one of the key measures used to track activities level of the mine.

##### 11. Cash cost per tonne of nickel-copper ore extracted

The cash cost per tonne of nickel-copper ores extracted decreased 48% to HK\$524 per tonne (2015: HK\$1,011 per tonne). The decrease was mainly due to the increase in quantity extracted during the year.

Relevance to Strategy: It is calculated by dividing the aggregate cash cost by nickel-copper ores quantity extracted. It is used to monitor the unit cash cost of extraction and is used as a reference in designing the mining plan.



### Business Review and Performance (Continued)

#### Key relationships with employees, customers and suppliers and others

##### (i) Major Customers and Suppliers

During the year, the aggregate sales attributable to the Group's five largest customers comprised approximately 95% (2015: 83%) of the Group's total sales while the sales attributable to the Group's largest customer was approximately 62% (2015: 46%) of the Group's total sales.

The aggregate purchases during the year attributable to the Group's five largest suppliers comprised approximately 62% (2015: 55%) of the Group's total purchases while the purchases attributable to the Group's largest supplier was approximately 19% (2015: 37%) 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 total issued shares, had any interest in the share capital of any of the five largest customers or suppliers of the Group.

##### (ii) 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 share option schemes as an incentive to Directors and eligible employees, details of the share option schemes are set out in note 29 to the consolidated financial statements.

##### (iii) 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 (symbol: GMN). 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.

## Directors' Report (Continued)

### Business Review and Performance (Continued)

#### Key relationships with employees, customers and suppliers and others (Continued)

##### (iv) 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.

##### (v) Employee information

As at 31 March 2016, the Group employed a total staff of 92. 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.

### General Information

#### 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 45.

The Directors do not recommend the payment of dividend nor transfer of any amount to reserves (2015: nil).

#### Share Capital

Details of the movement in share capital of the Company during the year are set out in note 28 to the consolidated financial statements.

#### Reserves

Details of the movements in reserves of the Group and the Company during the year are set out on page 47 and note 37 to the consolidated financial statements, respectively.

The Company had no reserves available for distribution to shareholders as at 31 March 2016 (2015: nil).

#### Property, Plant and Equipment

Details of the movements in property, plant and equipment of the Group and the Company during the year are set out in note 13 to the consolidated financial statements, respectively.

## Directors' Report (Continued)

### 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*)  
FUNG Chun Pong Louis (resigned on 27 May 2015)  
LAU Yun Fong Carman  
LAW Kwai Lam (resigned on 10 August 2015)  
LEUNG Mei Sheung Eliza (resigned on 10 August 2015)  
LIAO Yun (resigned on 10 August 2015)  
Felipe TAN  
ZHANG Ming

*Non-executive Director:*

LAM Kai Ling Vincent (appointed on 27 May 2015)

*Independent Non-executive Directors:*

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

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 non-executive Director and 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 AGM 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' Report (Continued)

### Directors of the Group

Other than the existing and former Directors named above, the following persons were the Directors of the subsidiaries undertakings during the financial year ended 31 March 2016 or during the period beginning on 1 April 2016 and ending on the date of this report:

- 1 Chen Guimin (resigned on 19 March 2016)
- 2 Chu Jason Kong (ceased on 3 July 2015)
- 3 Deng Gang (resigned on 19 March 2016)
- 4 Gao Jinxia (resigned on 19 March 2016)
- 5 Han Zhaoju
- 6 Ho Pik Har Agnes (resigned on 1 April 2016)
- 7 Ho Wing Hang (ceased on 23 October 2015)
- 8 Hu Caixia
- 9 Ko Yuen Kwan
- 10 Lau Yuk King (ceased on 3 July 2015)
- 11 Lau Yun Mui Sandy (ceased on 3 July 2015)
- 12 Law Kwai Lam Roland (resigned 10 August 2015)
- 13 Lee Chi Kong Frank (ceased on 23 October 2015)
- 14 Leung Mei Sheung Eliza
- 15 Li Jianping (appointed on 19 March 2016)
- 16 Li Jin (ceased on 31 July 2015)
- 17 Lu Linjiang (resigned on 19 March 2016)
- 18 Tan Qingfeng (appointed on 19 March 2016)
- 19 Wang Ling (resigned on 19 March 2016)
- 20 Wang Yongchun (resigned on 19 March 2016)
- 21 Wong Tai Wai David
- 22 Yang Jingui
- 23 Yang Wenping (resigned on 19 March 2016)
- 24 Yu Yan Li
- 25 Zhu Jing (appointed on 19 March 2016)

### Permitted Indemnity Provision

The Company maintains directors' and officers' liability insurance, which gives appropriate cover for any legal actions against its Directors and officers of the Group. The permitted indemnity provision is in force for the benefit of the Directors as required by section 470 of the Companies Ordinance (Chapter 622 of the laws of Hong Kong) when this report prepared by the Directors is approved in accordance with section 391(1)(a) of the Companies Ordinance.

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

At 31 March 2016, 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 pursuant to Rule 5.46 of the GEM Listing Rules, were as follows:

## Directors' Report (Continued)

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

#### Long positions

##### (a) Interests in the shares of the Company

Name of Director	Number of ordinary shares held in the capacity of			Percentage of shareholding
	Beneficial owner	Controlled corporation	Total number of shares	
<b>Executive Directors</b>				
Cheng Kin Kwan	139,800,000	–	139,800,000	5.85%
Felipe Tan	133,308,000	485,894,400*	619,202,400	25.93%
Zhang Ming	90,600,000	–	90,600,000	3.79%
<b>Independent Non-Executive Directors</b>				
Chan Choi Ling	1,200,000	–	1,200,000	0.05%
Chan Mei Ying Spencer	1,800,000	–	1,800,000	0.08%
Lam Kwai Yan	1,200,000	–	1,200,000	0.05%

\* The shares were held by Starmax Holdings Limited ("Starmax"), a company which is owned as to 100% by Mr. Felipe Tan. By virtue of the SFO, Mr. Felipe Tan is deemed to have interests in the shares held by Starmax.

##### (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	RMB36,000,000	51%

\* 98 shares (representing 49%) are held by Mr. Felipe Tan through Starmax whereas 102 shares (representing 51%) are pledged to Starmax 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\$30,000,000*

\* The outstanding balance of the Promissory Note as at 31 March 2016 issued to Starmax which is owned as to 100% by Mr. Felipe Tan. On 11 May 2016, HK\$10,000,000 has been repaid and the balance of the promissory note was HK\$20,000,000.

## Directors' Report (Continued)

### 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 and 2013 share option schemes were as follows:

Name of Directors	Date of grant	Exercisable period	Exercise price per share HK\$	Exercise price per share (Note) HK\$	Number of share options and number of underlying shares							
					Outstanding at 1.4.2015	Granted during the year	Exercised during the year	Lapsed during the year	As at 6.1.2016	Adjusted at 7.1.2016 (Note)	Lapsed during the year (Note)	Outstanding at 31.3.2016 (Note)
<b>2003 share option scheme</b>												
<b>Independent Non-Executive Directors</b>												
Tsang Wai Chun	24.3.2006	24.3.2006– 23.3.2016	0.1530	0.1474	500,000	-	-	-	500,000	518,919	(518,919)	-
Marianna	26.9.2006	26.9.2006– 25.9.2016	0.0772	0.0743	1,500,000	-	(1,500,000)	-	-	-	-	-
Chan Mei Ying Spencer	24.3.2006	24.3.2006– 23.3.2016	0.1530	0.1474	500,000	-	(500,000)	-	-	-	-	-
					<u>2,500,000</u>	<u>-</u>	<u>(2,000,000)</u>	<u>-</u>	<u>500,000</u>	<u>518,919</u>	<u>(518,919)</u>	<u>-</u>
<b>2013 share option scheme</b>												
<b>Executive Directors</b>												
Zhang Ming	3.10.2013	3.10.2013– 2.10.2023	0.1490	0.1435	3,000,000	-	-	-	3,000,000	3,113,514	-	3,113,514
Lau Yun Fong Carman	3.10.2013	3.10.2013– 2.10.2023	0.1490	0.1435	2,000,000	-	-	-	2,000,000	2,075,676	-	2,075,676
	17.2.2014	17.2.2014– 16.2.2024	0.1380	0.1329	400,000	-	-	-	400,000	415,135	-	415,135
<b>Independent Non-Executive Directors</b>												
Chan Mei Ying Spencer	3.10.2013	3.10.2013– 2.10.2023	0.1490	0.1435	1,000,000	-	(1,000,000)	-	-	-	-	-
Lam Kwai Yan	3.10.2013	3.10.2013– 2.10.2023	0.1490	0.1435	1,000,000	-	(1,000,000)	-	-	-	-	-
Chan Choi Ling	3.10.2013	3.10.2013– 2.10.2023	0.1490	0.1435	1,000,000	-	(1,000,000)	-	-	-	-	-
					<u>8,400,000</u>	<u>-</u>	<u>(3,000,000)</u>	<u>-</u>	<u>5,400,000</u>	<u>5,604,325</u>	<u>-</u>	<u>5,604,325</u>

Note: The exercise prices and number of share options have been adjusted due to the completion of open offer on 7 January 2016.

## Directors' Report (Continued)

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

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 2016, 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 2016, 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 2016
Starmax Holdings Limited*	485,894,400	–	485,894,400	20.35%

\* Starmax is beneficially owned as to 100% by Mr. Felipe Tan.

Save as disclosed in the section "Directors' and chief executive's interests and short positions in shares and underlying shares of the Company", the Company has not been notified of any other interests or short positions in the issued share capital as at 31 March 2016.

### Share Options

Details of the Company's share option schemes adopted on 28 April 2003 and 25 September 2013 are set out in note 29 to the consolidated 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.

## Directors' Report (Continued)

### Connected Transaction

None of the "Related party transactions" as disclosed in the note 35 to the consolidated financial statements for the year ended 31 March 2016 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.

### 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.

### Corporate Governance

Principal corporate governance policies adopted by the Company are set out in the Corporate Governance Report on pages 16 to 25.

### 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.

### Auditors

HLB Hodgson Impey Cheng Limited, the auditors of the Company, will retire and a resolution for their reappointment as auditors of the Company will be proposed at the forthcoming AGM.

On behalf of the Board

**Cheng Kin Kwan**

*Chairman and Chief Executive Officer*

Hong Kong, 22 June 2016



## Independent Auditors' Report



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 MEMBERS 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 45 to 122, which comprise the consolidated statement of financial position as at 31 March 2016, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and 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 405 of the Hong Kong Companies Ordinance, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of 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.

## Independent Auditors' Report (Continued)

### Opinion

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Group as at 31 March 2016, and of the Group's financial performance and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in compliance with the Hong Kong Companies Ordinance.

#### **HLB Hodgson Impey Cheng Limited**

*Certified Public Accountants*

#### **Kwok Kin Leung**

*Practising Certificate Number: P05769*

Hong Kong, 22 June 2016

# Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 March 2016

	Notes	2016 HK\$'000	2015 HK\$'000 (Restated)
Revenue	7	155,704	142,986
Other income and gains		3,398	2,265
Purchase and production costs		(93,626)	(93,525)
Staff costs		(25,793)	(28,219)
Depreciation and amortisation		(4,010)	(4,100)
Other expenses		(27,269)	(23,047)
Gain on fair value changes of investment properties		–	200
Impairment loss on other intangible assets	14	(10,332)	(55,834)
Net (losses)/gains on fair value changes of investments held for trading		(1,739)	226
Gain on disposals of subsidiaries	33	3,533	138
Finance costs	8	(1,136)	(2,384)
Share of loss of associates	15	(142)	(610)
Loss before tax		(1,412)	(61,904)
Income tax (expense)/credit	11	(8,748)	4,086
Loss for the year	9	(10,160)	(57,818)
<b>Other comprehensive (expense)/income, net of income tax</b>			
<i>Items that may be reclassified subsequently to profit or loss:</i>			
Exchange differences on translating foreign operations		(14,903)	579
Reclassification adjustment on exchange differences released upon disposals of subsidiaries	33	(7,911)	1,503
Share of exchange differences of associates		(303)	12
Share of other comprehensive (expense)/income of associates	15	(819)	698
Other comprehensive (expense)/income for the year, net of income tax		(23,936)	2,792
<b>Total comprehensive expense for the year</b>		<b>(34,096)</b>	<b>(55,026)</b>
(Loss)/profit attributable to:			
Owners of the Company		(20,621)	(33,443)
Non-controlling interests		10,461	(24,375)
		(10,160)	(57,818)
Total comprehensive expense attributable to:			
Owners of the Company		(33,503)	(31,073)
Non-controlling interests		(593)	(23,953)
		(34,096)	(55,026)
		<b>HK cents</b>	HK cents (Restated)
<b>Loss per share</b>			
– Basic and diluted	12	(0.96)	(1.90)

# Consolidated Statement of Financial Position

At 31 March 2016

	Notes	2016 HK\$'000	2015 HK\$'000
<b>Non-current assets</b>			
Property, plant and equipment	13	66,144	70,978
Other intangible assets	14	209,594	244,162
Interests in associates	15	5,453	6,717
Prepaid lease payments	16	7,157	7,019
Deposits	19	26,374	25,608
Land rehabilitation costs	17	5,116	6,158
		<b>319,838</b>	<b>360,642</b>
<b>Current assets</b>			
Inventories	18	27,700	45,157
Prepaid lease payments	16	236	185
Trade and other receivables	19	6,066	18,601
Investments held for trading	20	1,172	–
Bank balances and cash	21	101,802	51,037
		<b>136,976</b>	<b>114,980</b>
<b>Current liabilities</b>			
Trade and other payables	22	15,628	21,523
Amount due to a related company	23	–	700
Dividends payable to non-controlling interests		–	20,557
Bank borrowing	24	8,585	9,192
Promissory note	25	10,866	11,169
Current tax liabilities		180	2,368
		<b>35,259</b>	<b>65,509</b>
<b>Net current assets</b>		<b>101,717</b>	<b>49,471</b>
<b>Total assets less current liabilities</b>		<b>421,555</b>	<b>410,113</b>
<b>Non-current liabilities</b>			
Promissory note	25	19,935	29,904
Provision for land rehabilitation	26	9,422	9,866
Deferred tax liabilities	27	30,204	33,782
		<b>59,561</b>	<b>73,552</b>
<b>Net assets</b>		<b>361,994</b>	<b>336,561</b>
<b>Capital and reserves</b>			
Share capital	28	866,564	806,049
Reserves		(755,011)	(720,008)
Equity attributable to owners of the Company		<b>111,553</b>	<b>86,041</b>
Non-controlling interests		<b>250,441</b>	<b>250,520</b>
<b>Total equity</b>		<b>361,994</b>	<b>336,561</b>

The consolidated financial statements were approved and authorised for issue by the Board of Directors on 22 June 2016 and are signed on its behalf by:

**CHENG KIN KWAN**

Director

**FELIPE TAN**

Director

# Consolidated Statement of Changes in Equity

For the year ended 31 March 2016

	Share capital HK\$'000	Share options reserve HK\$'000	Investment 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 2014	773,715	5,760	1,914	9,178	(704,549)	86,018	254,574	340,592
Loss for the year	-	-	-	-	(33,443)	(33,443)	(24,375)	(57,818)
Other comprehensive income for the year	-	-	698	1,672	-	2,370	422	2,792
Total comprehensive income/(expense) for the year	-	-	698	1,672	(33,443)	(31,073)	(23,953)	(55,026)
Issue of ordinary shares under employee share option schemes	3,467	(1,238)	-	-	-	2,229	-	2,229
Issue of ordinary shares by way of placing	29,246	-	-	-	-	29,246	-	29,246
Transaction costs attributable to issue of new ordinary shares	(379)	-	-	-	-	(379)	-	(379)
Release of reserve upon share options lapsed	-	(412)	-	-	412	-	-	-
Capital injection from non-controlling interests	-	-	-	-	-	-	21,751	21,751
Disposals of subsidiaries (note 33)	-	-	-	-	-	-	(1,852)	(1,852)
<b>Balance at 31 March 2015</b>	<b>806,049</b>	<b>4,110</b>	<b>2,612</b>	<b>10,850</b>	<b>(737,580)</b>	<b>86,041</b>	<b>250,520</b>	<b>336,561</b>
Balance at 1 April 2015	806,049	4,110	2,612	10,850	(737,580)	86,041	250,520	336,561
Loss for the year	-	-	-	-	(20,621)	(20,621)	10,461	(10,160)
Other comprehensive expense for the year	-	-	(819)	(12,063)	-	(12,882)	(11,054)	(23,936)
Total comprehensive expense for the year	-	-	(819)	(12,063)	(20,621)	(33,503)	(593)	(34,096)
Issue of ordinary shares under employee share option schemes	4,070	(1,500)	-	-	-	2,570	-	2,570
Issue of ordinary shares by way of placing	18,125	-	-	-	-	18,125	-	18,125
Issue of ordinary shares by way of open offer	39,798	-	-	-	-	39,798	-	39,798
Transaction costs attributable to issue of new ordinary shares	(1,478)	-	-	-	-	(1,478)	-	(1,478)
Release of reserve upon share options lapsed	-	(801)	-	-	801	-	-	-
Capital injection from non-controlling interests	-	-	-	-	-	-	1,249	1,249
Disposals of subsidiaries (note 33)	-	-	-	-	-	-	(735)	(735)
<b>Balance at 31 March 2016</b>	<b>866,564</b>	<b>1,809</b>	<b>1,793</b>	<b>(1,213)</b>	<b>(757,400)</b>	<b>111,553</b>	<b>250,441</b>	<b>361,994</b>

# Consolidated Statement of Cash Flows

For the year ended 31 March 2016

	Notes	2016 HK\$'000	2015 HK\$'000 (Restated)
<b>Cash flows from operating activities</b>			
Loss before tax		(1,412)	(61,904)
Adjustments for:			
Interest income		(2,270)	(943)
Interest expense		1,136	2,384
Share of loss of associates		142	610
Depreciation and amortisation		26,917	17,904
Loss on disposal of property, plant and equipment		-	4
Gain on fair value changes of investment properties		-	(200)
Impairment loss on other intangible assets	14	10,332	55,834
Impairment loss on trade receivables	19	-	1,137
Impairment loss on other receivable		289	-
Provision for slow-moving inventories		-	5,534
Gain on disposals of subsidiaries	33	(3,533)	(138)
Net losses/(gains) on fair value changes of investments held for trading		1,739	(226)
		<b>33,340</b>	19,996
Movements in working capital:			
Decrease/(increase) in inventories		19,711	(3,820)
(Increase)/decrease in trade and other receivables		(1,823)	12,997
(Increase)/decrease in investments held for trading		(2,918)	4,334
Decrease in trade and other payables		(1,028)	(12,587)
Decrease in amount due to a related company		(700)	-
		<b>46,582</b>	20,920
Cash generated from operations		(12,994)	(4,183)
Income taxes paid			
		<b>33,588</b>	16,737
<b>Cash flows from investing activities</b>			
Interest received		351	943
Dividends received		7	84
Payments for property, plant and equipment		(6,397)	(7,801)
Additions to mining rights		(7,689)	-
Additions to prepaid lease payments		(704)	-
Additions to exploration rights and assets		-	(85)
Net cash inflow arising from disposals of subsidiaries	33	5,883	1,616
Withdrawal of pledged bank deposits		124	-
		<b>(8,425)</b>	(5,243)

## Consolidated Statement of Cash Flows (Continued)

For the year ended 31 March 2016

	Notes	2016 HK\$'000	2015 HK\$'000 (Restated)
<b>Cash flows from financing activities</b>			
Proceeds from issue of equity shares		60,493	31,475
Payment for transaction costs attributable to issue of new ordinary shares		(1,478)	(379)
Repayments of bank borrowing		(607)	(594)
Repayment of promissory note		(10,000)	(20,000)
Interest paid		(1,408)	(4,750)
Capital injection from non-controlling interests		1,249	–
Dividends paid to non-controlling interests		(20,557)	–
		<u>27,692</u>	<u>5,752</u>
Net cash generated by financing activities		27,692	5,752
<b>Net increase in cash and cash equivalents</b>			
<b>Cash and cash equivalents at the beginning of year</b>		50,913	33,583
Effect of foreign exchange rate changes		(1,966)	84
		<u>101,802</u>	<u>50,913</u>
<b>Cash and cash equivalents at the end of year</b>			
<b>Analysis of the balances of cash and cash equivalents</b>			
Bank balances and cash	21	101,802	51,037
Time deposit with original maturity of three months or more and pledged bank deposits	21	–	(124)
		<u>101,802</u>	<u>50,913</u>

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2016

## 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. In prior years, the Company also 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 34.

These consolidated 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 consolidated 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 amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”):

Amendments to HKAS 19	<i>Defined Benefit Plans: Employee Contributions</i>
Amendments to HKFRSs	<i>Annual Improvements to HKFRSs 2010–2012 Cycle</i>
Amendments to HKFRSs	<i>Annual Improvements to HKFRSs 2011–2013 Cycle</i>

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



## Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 March 2016

### 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 not yet effective:

HKFRS 9	<i>Financial Instruments</i> <sup>1</sup>
HKFRS 14	<i>Regulatory Deferral Accounts</i> <sup>2</sup>
HKFRS 15	<i>Revenue from Contracts with Customers</i> <sup>1</sup>
HKFRS 16	<i>Leases</i> <sup>4</sup>
Amendments to HKFRS 11	<i>Accounting for Acquisitions of Interests in Joint Operations</i> <sup>3</sup>
Amendments to HKAS 16 and HKAS 38	<i>Clarification of Acceptable Methods of Depreciation and Amortisation</i> <sup>3</sup>
Amendments to HKAS 16 and HKAS 41	<i>Agriculture: Bearer Plants</i> <sup>3</sup>
Amendments to HKAS 27	<i>Equity Method in Separate Consolidated financial statements</i> <sup>3</sup>
Amendments to HKFRS 10 and HKAS 28	<i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</i> <sup>3</sup>
Amendments to HKFRS 10, HKFRS 12 and HKAS 28	<i>Investment Entities: Applying the Consolidation Exception</i> <sup>3</sup>
Amendments to HKFRSs	<i>Annual Improvements to HKFRSs 2012–2014 Cycle</i> <sup>3</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1 January 2018, with earlier application permitted.

<sup>2</sup> Effective for first annual HKFRS consolidated financial statements beginning on or after 1 January 2016, with earlier application permitted.

<sup>3</sup> Effective for annual periods beginning on or after 1 January 2016, with earlier application permitted.

<sup>4</sup> Effective for annual periods beginning on or after 1 January 2019.

#### HKFRS 9 *Financial Instruments*

HKFRS 9 issued in 2009 introduced new requirements for the classification and measurement of financial assets. HKFRS 9 was subsequently amended in 2010 to include requirements for the classification and measurement of financial liabilities and for derecognition, and in 2013 to include the new requirements for general hedge accounting. Another revised version of HKFRS 9 was issued in 2014 mainly to include a) impairment requirements for financial assets and b) limited amendments to the classification and measurement requirements by introducing a ‘fair value through other comprehensive income’ (FVTOCI) measurement category for certain simple debt instruments.

## Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 March 2016

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

#### HKFRS 9 *Financial Instruments* (Continued)

Key requirements of HKFRS 9:

- all recognised financial assets that are within the scope of HKAS 39 *Financial Instruments: Recognition and Measurement* are required to be 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. Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms that give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are generally measured at FVTOCI. All other debt investments and equity investments are measured at their fair value at the end of subsequent accounting periods. In addition, under HKFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.
- 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 attributable to a financial liability’s credit risk are not subsequently reclassified to profit or loss. Under HKAS 39, the entire amount of the change in the fair value of the financial liability designated as fair value through profit or loss is presented in profit or loss.
- in relation to the impairment of financial assets, HKFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under HKAS 39. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.
- the new general hedge accounting requirements retain the three types of hedge accounting mechanisms currently available in HKAS 39. Under HKFRS 9, greater flexibility has been introduced to the types of transactions eligible for hedge accounting, specifically broadening the types of instruments that qualify for hedging instruments and the types of risk components of non-financial items that are eligible for hedge accounting. In addition, the retrospective quantitative effectiveness test has been removed. Enhanced disclosure requirements about an entity’s risk management activities have also been introduced.

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

## Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 March 2016

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

#### HKFRS 16 Leases

HKFRS 16 was issued on 13 January 2016 and is effective for annual periods beginning on or after 1 January 2019. HKFRS 16 replaces all existing lease accounting requirements and represents a significant change in the accounting and reporting of leases, with more assets and liabilities to be reported on the consolidated statement of financial position and a different recognition of lease costs.

HKFRS 16 distinguishes leases and service contracts on the basis of whether an identified asset is controlled by a customer. Subject to limited exceptions for short-term leases and low value assets, distinctions of operating and finance leases are removed for lessee accounting, and is replaced by a model where a right-of-use asset and a corresponding liability have to be recognised for all leases by lessees.

Application of HKFRS 16 will result in the Group’s recognition of right-of-use assets and corresponding liabilities in respect of many of the Group’s lease arrangements. These assets and liabilities are currently not required to be recognised but certain relevant information is disclosed as commitments in these consolidated financial statements in note 30.

The directors of the Company are in the process to assess the impact of HKFRS 16 on the Group’s consolidated financial statements. Operating lease commitments are disclosed in note 30.

#### Annual Improvements to HKFRSs 2012-2014 Cycle

The *Annual Improvements to HKFRSs 2012-2014 Cycle* include a number of amendments to various HKFRSs, which are summarised below.

The amendments to HKFRS 5 introduce specific guidance in HKFRS 5 for when an entity reclassifies an asset (or a disposal group) from held for sale to held for distribution to owners (or vice versa). The amendments clarify that such a change should be considered as a continuation of the original plan of disposal and hence requirements set out in HKFRS 5 regarding the change of sale plan do not apply. The amendments also clarify the guideline for when held-for-distribution accounting is discontinued.

The amendments to HKFRS 7 provide additional guidance to clarify whether a servicing contract is continuing involvement in a transferred asset for the purpose of the disclosures required in relation to transferred assets.

The amendments to HKAS 19 clarify that the rate used to discount post-employment benefit obligations should be determined by reference to market yields at the end of the reporting period on high quality corporate bonds. The assessment of the depth of a market for high quality corporate bonds should be at the currency level (i.e. the same currency as the benefits are to be paid). For currencies for which there is no deep market in such high quality corporate bonds, the market yields at the end of the reporting period on government bonds denominated in that currency should be used instead.

The directors of the Company do not anticipate that the application of these amendments will have a material effect on the amounts recognised in the Group’s consolidated financial statements.

The directors of the Company do not anticipate that the application of the other new and revised HKFRSs will have a material effect on the consolidated financial statements.

## Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 March 2016

### 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. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Growth Enterprise Market of the Stock Exchange and by the Hong Kong Companies Ordinance.

#### 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 at fair values at the end of each reporting period, as explained in the accounting policies set out 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.

## Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 March 2016

### 3. Significant Accounting Policies (Continued)

#### Basis of consolidation

The consolidation financial statements incorporate the consolidated 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 consolidated 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.

## Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 March 2016

### 3. Significant Accounting Policies (Continued)

#### Basis of consolidation (Continued)

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.

#### 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.

## Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 March 2016

### 3. Significant Accounting Policies (Continued)

#### Basis of consolidation (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 re-assessment, 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 made 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, 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.



## Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 March 2016

### 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. For goodwill arising on an acquisition in a reporting period, the cash-generating unit to which goodwill has been allocated is tested for impairment before the end of that reporting period. 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 *Non-current Assets held for Sale and Discounted Operations*. 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 loss 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.



## Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 March 2016

### 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 associate 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 associate 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, 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.

## Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 March 2016

### 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 shareholders' rights to receive payment have 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 the 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 for leasing below.

## Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 March 2016

### 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 in profit or loss 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 as an expense on a straight-line basis over the lease term.

#### The Group as lessee

Assets held under finance leases are 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 and building

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.

## Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 March 2016

### 3. Significant Accounting Policies (Continued)

#### Leasing (Continued)

##### Leasehold land and building (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 consolidated financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recognised at the rates of exchange prevailing on 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 prevailing 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).

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.

## Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 March 2016

### 3. Significant Accounting Policies (Continued)

#### Foreign currencies (Continued)

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 on identifiable assets acquired arising on an acquisition of a foreign operation are treated as assets and liabilities of that 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.

## Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 March 2016

### 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 Hong Kong Companies Ordinance 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 consolidated 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 capital on or after the commencement date of the New Hong Kong Companies Ordinance on 3 March 2014. Options which lapse or are cancelled prior to their exercise date are deleted from the register of outstanding options.

# Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 March 2016

## 3. Significant Accounting Policies (Continued)

### 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 before tax” as reported in the consolidated statement of profit or loss and other comprehensive income because 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.

#### 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.

# Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 March 2016

## 3. Significant Accounting Policies (Continued)

### Taxation (Continued)

#### 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.

#### Property, plant and equipment

Property, plant and equipment including buildings, leasehold land (classified as finance leases) and freehold land 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.



# Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 March 2016

## 3. Significant Accounting Policies (Continued)

### Intangible assets

#### Intangible assets acquired separately

Intangible assets with finite useful lives that are acquired separately are carried at costs less accumulated amortisation and any 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 any subsequent accumulated impairment losses (see the accounting policy in respect of impairment losses on tangible and intangible assets below).

#### 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 with finite useful lives are reported at cost less accumulated amortisation and any accumulated impairment losses/revalued amounts, being their fair value at the date of the revaluation less subsequent accumulated amortisation and any accumulated impairment losses, on the same basis as intangible assets that are acquired separately. Alternatively, intangible assets acquired in a business combination with indefinite useful lives are carried at cost less any subsequent accumulated impairment losses (see the accounting policy in respect of impairment losses on tangible and intangible assets below).

#### 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.

#### 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.

## Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 March 2016

### 3. Significant Accounting Policies (Continued)

#### 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 they 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 a 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.

#### Inventories

Inventories are stated at the lower of cost and net realisable value. Costs are determined on a first-in-first-out method. 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.

## Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 March 2016

### 3. Significant Accounting Policies (Continued)

#### Provisions (Continued)

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.

#### 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/settlement 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.

# Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 March 2016

## 3. Significant Accounting Policies (Continued)

### Financial instruments (Continued)

#### Financial assets (Continued)

##### *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, of which interest income is included in net gains or losses.

##### *Financial assets at FVTPL*

Financial assets are classified as at FVTPL when the financial asset is (i) contingent consideration that may be paid by an acquirer as part of a business combination to which HKFRS 3 applies, (ii) held for trading, or (iii) 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.

A financial asset other than a financial asset held for trading or contingent consideration that may be paid by an acquirer as part of a business combination 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 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 include any dividend or interest earned on the financial asset and is included in the other gains and losses and other comprehensive income. Fair value is determined in the manner as described in note 4.

# Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 March 2016

## 3. Significant Accounting Policies (Continued)

### Financial instruments (Continued)

#### Financial assets (Continued)

##### *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 on impairment losses on financial assets below).

##### *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 instruments 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).



## Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 March 2016

### 3. Significant Accounting Policies (Continued)

#### Financial instruments (Continued)

##### Financial assets (Continued)

###### *Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables (including deposits, trade and other receivables and bank balances and cash) are measured at amortised cost using the effective interest method, less any impairment (see accounting policy on impairment loss on financial asset below).

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.

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, 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 the estimated future cash flows discounted at the financial asset's original effective interest rate.

## Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 March 2016

### 3. Significant Accounting Policies (Continued)

#### Financial instruments (Continued)

##### Financial assets (Continued)

###### *Impairment of financial assets (Continued)*

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. Changes in the carrying amount of the allowance account are recognised in profit or loss. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to 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.

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**

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.

## Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 March 2016

### 3. Significant Accounting Policies (Continued)

#### Financial instruments (Continued)

#### Financial liabilities and equity instruments (Continued)

##### *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 (i) contingent consideration that may be paid by an acquirer as part of a business combination to which HKFRS3 applies, (ii) held for trading, or (iii) it is designated as at FVTPL.

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.

A financial liability other than a financial liability held for trading or contingent consideration that may be paid by an acquirer as part of a business combination 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 permits the entire combined contract (asset or liability) to be designated as at FVTPL.

Financial liabilities at FVTPL are measured 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 include any interest paid on the financial liabilities 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.



## Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 March 2016

### 3. Significant Accounting Policies (Continued)

#### Financial instruments (Continued)

#### Financial liabilities and equity instruments (Continued)

##### *Other financial liabilities*

Other financial liabilities (including trade and other payables, 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, of which the interest expense is included in net gains or losses.

#### **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 recognises its retained interest in the asset and an associate liability for amounts it may have to pay. 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.

## Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 March 2016

### 3. Significant Accounting Policies (Continued)

#### Financial instruments (Continued)

#### Derecognition (Continued)

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

#### 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);
  - (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); and
  - (viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the parent of the Group.

## Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 March 2016

### 4. Financial Instruments

#### (a) Categories of financial instruments

	2016 HK\$'000	2015 HK\$'000
<b>Financial assets</b>		
Fair value through profit or loss — Investments held for trading	1,172	—
Loans and receivables (including cash and cash equivalents)	129,735	88,694
<b>Financial liabilities</b>		
Amortised cost	55,013	91,204

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

The Group's major financial instruments include deposits, trade and other receivables, investments held for trading, bank balances and cash, trade and other payables, 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.

# Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 March 2016

## 4. Financial Instruments (Continued)

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

#### 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.

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:

	2016 HK\$'000	2015 HK\$'000
<b>Assets</b>		
US dollar ("US\$")	54	476
Renminbi ("RMB")	10	301
HK\$	-	834

##### *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.

	2016 HK\$'000	2015 HK\$'000
RMB	1	15
HK\$	-	41

# Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 March 2016

## 4. Financial Instruments (Continued)

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

#### Market risk (Continued)

##### *Foreign currency risk management (Continued)*

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.

##### *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 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 is 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 equity price risk is mainly concentrated on the fluctuation of market price of equity securities listed on 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 2016 would decrease/increase by approximately HK\$117,000 (2015: nil). This is mainly due to the changes in fair value of investments held for trading.

The Group'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 maximum exposure to credit risk which will cause a financial loss to the Group 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.

# Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 March 2016

## 4. Financial Instruments (Continued)

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

#### Credit risk management (Continued)

In order to minimise the credit risk, the Group reviews the recoverable amount of each individual trade debt and other receivables 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 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 100% and nil respectively (2015: 6% and 94% respectively) of the total trade receivables as at 31 March 2016. In addition, the Group has certain concentration of credit risk by customers as 44% (2015: 73%) of the Group's trade receivables were due from the Group's five largest customers. The management closely monitors the settlement of trade and other 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 monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group'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.

# Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 March 2016

## 4. Financial Instruments (Continued)

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

#### Liquidity risk management (Continued)

	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
<b>2016</b>							
<b>Non-derivative financial liabilities</b>							
Trade and other payables	N/A	-	15,627	-	-	15,627	15,627
Bank borrowing (note (i))	2.25	8,602	-	-	-	8,602	8,585
Promissory note	3.16	-	10,902	20,900	-	31,802	30,801
		<u>8,602</u>	<u>26,529</u>	<u>20,900</u>	<u>-</u>	<u>56,031</u>	<u>55,013</u>
<b>2015</b>							
<b>Non-derivative financial liabilities</b>							
Trade and other payables	N/A	-	19,682	-	-	19,682	19,682
Amount due to a related company	N/A	700	-	-	-	700	700
Dividends payable to non-controlling interests	N/A	20,557	-	-	-	20,557	20,557
Bank borrowing (note (i))	2.25	9,210	-	-	-	9,210	9,192
Promissory note	3.16	-	11,207	31,802	-	43,009	41,073
		<u>30,467</u>	<u>30,889</u>	<u>31,802</u>	<u>-</u>	<u>93,158</u>	<u>91,204</u>

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 2016, the aggregate undiscounted principal amounts of this bank borrowing amounted to approximately HK\$8,602,000 (2015: HK\$9,210,000). 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\$9,822,000 (2015: HK\$10,630,000).

## Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 March 2016

### 4. Financial Instruments (Continued)

#### (c) Fair value measurements of financial instruments

##### Fair value of financial assets and financial liabilities that are not measured at fair value on a recurring basis

The carrying amount of the Promissory Note as at 31 March 2016 amounted to approximately HK\$30,801,000 (2015: HK\$41,073,000), whereas its fair value amounted to approximately HK\$31,221,000 (2015: HK\$42,035,000). The fair value of the Promissory Note has been arrived using the effective interest method by discounting future estimated repayments at discount rate of 1.71% with reference to the United States Treasury Bonds yields and credit spreads of comparable financial instruments with similar characteristics.

##### Fair value hierarchy

	Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000	Total HK\$'000
<b>As at 31 March 2016</b>				
<b>Financial assets</b>				
Investments held for trading	<u>1,172</u>	<u>-</u>	<u>-</u>	<u>1,172</u>
<b>Financial liabilities</b>				
Promissory note	<u>-</u>	<u>31,221</u>	<u>-</u>	<u>31,221</u>
<b>As at 31 March 2015</b>				
<b>Financial liabilities</b>				
Promissory note	<u>-</u>	<u>42,035</u>	<u>-</u>	<u>42,035</u>

### 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 (including 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.



# Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 March 2016

## 5. Capital Management (Continued)

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.

## 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.

### 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.

## Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 March 2016

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

#### 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 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.

#### 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.

#### 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.

## Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 March 2016

### 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 ("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:

	2016 HK\$'000	2015 HK\$'000
Segment revenue		
Software business	4,261	17,727
Mining business	151,443	125,259
	<u>155,704</u>	<u>142,986</u>
Segment results		
Software business	(18,912)	(17,551)
Mining business	16,097	(41,779)
	<u>(2,815)</u>	<u>(59,330)</u>
Interest income	2,270	943
Other income and gains	1,128	1,322
Unallocated corporate expenses	(2,511)	(2,409)
Gain on fair value changes of investment properties	-	200
Net (losses)/gains on fair value changes of investments held for trading	(1,739)	226
Gain on disposals of subsidiaries	3,533	138
Finance costs	(1,136)	(2,384)
Share of loss of associates	(142)	(610)
	<u>(1,412)</u>	<u>(61,904)</u>

Segment revenue reported above represents revenue generated from external customers. There were no inter-segment sales in the current year (2015: 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 from each segment without allocation of interest income, other income and gains, unallocated corporate expenses, gain on fair value changes of investment properties, net (losses)/gains on fair value changes of investments held for trading, gain on disposals of subsidiaries, finance costs and share of loss of associates. This is the measure reported to the CODM for the purposes of resource allocation and performance assessment.

## Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 March 2016

### 7. Segment Information (Continued)

#### Segment assets and liabilities

The following is an analysis of the Group's assets and liabilities by reportable segments:

	2016 HK\$'000	2015 HK\$'000
Segment assets		
Software business	21,477	31,558
Mining business	326,910	384,505
Total segment assets	348,387	416,063
Unallocated	108,427	59,559
Consolidated assets	456,814	475,622
Segment liabilities		
Software business	2,366	5,176
Mining business	53,068	83,620
Total segment liabilities	55,434	88,796
Unallocated	39,386	50,265
Consolidated liabilities	94,820	139,061

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

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

# Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 March 2016

## 7. Segment Information (Continued)

### Other segment information

	2016 HK\$'000	2015 HK\$'000 (Restated)
Additions to non-current assets*		
Software business	218	1,106
Mining business	14,572	6,780
	<u>14,790</u>	<u>7,886</u>
Depreciation and amortisation		
Software business	1,303	1,083
Mining business	2,707	3,017
	<u>4,010</u>	<u>4,100</u>
Impairment loss on trade receivables		
Software business	-	1,137
Provision for slow-moving inventories		
Software business	-	408
Mining business	-	5,126
	<u>-</u>	<u>5,534</u>
Impairment loss on other intangible assets		
Mining business	10,332	55,834

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

## Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 March 2016

### 7. Segment Information (Continued)

#### Revenue from major products and services

The following is an analysis of the Group's revenue from its major products and services:

	2016 HK\$'000	2015 HK\$'000
Computer hardware	2,651	6,770
Computer software	–	2,062
Software development	1,610	8,877
e-Commerce services	–	18
Gold ores	54,175	94,557
Nickel-copper ores	97,268	30,702
	<u>155,704</u>	<u>142,986</u>

#### Geographical information

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

Information about the Group's revenue from external customers is presented based on the location of operations. Information about the Group's non-current assets is presented based on the geographical location of assets are detailed below:

	2016 HK\$'000	2015 HK\$'000
Revenue from external customers		
Hong Kong	1,421	6,105
PRC	154,283	136,881
	<u>155,704</u>	<u>142,986</u>
Non-current assets		
Hong Kong	20,139	21,233
PRC	273,325	313,801
	<u>293,464</u>	<u>335,034</u>

Note: Non-current assets excluding financial instruments

## Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 March 2016

### 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:

	2016 HK\$'000	2015 HK\$'000
Customer A <sup>1</sup>	N/A <sup>2</sup>	66,379
Customer B <sup>1</sup>	97,268	28,388
Customer C <sup>1</sup>	N/A <sup>2</sup>	14,396
Customer D <sup>1</sup>	52,655	N/A <sup>2</sup>

<sup>1</sup> Revenue from mining business

<sup>2</sup> The corresponding revenue did not contribute over 10% of the total revenue of the Group

### 8. Finance Costs

	2016 HK\$'000	2015 HK\$'000
Interest on bank borrowing	201	214
Effective interest on promissory note	935	2,170
Total borrowing costs	1,136	2,384

## Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 March 2016

### 9. Loss for the Year

	2016 HK\$'000	2015 HK\$'000 (Restated)
Loss for the year has been arrived at after charging/(crediting):		
Directors' and chief executive's emoluments (note 10)	6,671	7,107
Other staff's retirement benefits scheme contributions	1,108	1,763
Other staff costs	18,014	19,349
	<u>25,793</u>	<u>28,219</u>
Total employee benefits expenses		
Depreciation of property, plant and equipment	4,307	3,140
Amortisation of other intangible assets	18,600	10,744
	<u>22,907</u>	<u>13,884</u>
Total depreciation and amortisation (included in the purchase and production costs line item)		
Depreciation of property, plant and equipment	3,053	3,113
Amortisation of:		
– prepaid lease payments	192	186
– land rehabilitation costs	765	801
	<u>4,010</u>	<u>4,100</u>
Total depreciation and amortisation (included in the depreciation and amortisation line item)		
Auditors' remuneration		
– audit services	820	880
– non-audit services	200	359
Cost of inventories recognised as an expense	91,859	92,340
Loss on disposal of property, plant and equipment	–	4
Impairment loss on trade receivables (included in other expenses)	–	1,137
Impairment loss on other receivable (included in other expenses)	289	–
Impairment loss on other intangible assets	10,332	55,834
Operating lease rentals in respect of rented premises	307	2,058
Provision for slow-moving inventories (included in other expenses)	–	5,534
Net foreign exchange losses/(gains)	229	(56)
Dividends from equity securities	(7)	(84)
Interest income	(2,270)	(943)
	<u>–</u>	<u>–</u>
Gross rental income from investment properties	–	–
Less: direct operating expenses from investment properties that did not generated rental income during the year	–	115
	<u>–</u>	<u>115</u>



## Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 March 2016

### 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:

#### For the year ended 31 March 2016

	Fees HK\$'000	Salaries and other benefits in kind HK\$'000	Retirement benefits scheme contributions HK\$'000	Performance and discretionary bonus HK\$'000	Total emoluments HK\$'000
<b>Executive directors</b>					
Cheng Kin Kwan	-	2,136	-	82	2,218
Law Kwai Lam (resigned on 10 August 2015)	-	151	-	-	151
Leung Mei Sheung Eliza (resigned on 10 August 2015)	-	222	8	500	730
Fung Chun Pong, Louis (resigned on 27 May 2015)	-	92	3	-	95
Liao Yun (resigned on 10 August 2015)	-	164	7	500	671
Felipe Tan	120	552	18	179	869
Zhang Ming	120	553	18	134	825
Lau Yun Fong, Garman	120	410	18	10	558
<b>Non-executive director</b>					
Lam Kai Ling, Vincent (appointed on 27 May 2015)	76	-	-	-	76
<b>Independent non-executive directors</b>					
Tsang Wai Chun, Marianna	126	-	-	-	126
Chan Mei Ying, Spencer	126	-	-	-	126
Lam Kwai Yan	126	-	-	-	126
Chan Choi Ling	100	-	-	-	100
	<b>914</b>	<b>4,280</b>	<b>72</b>	<b>1,405</b>	<b>6,671</b>

## Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 March 2016

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

#### Directors' and chief executive's emoluments (Continued)

For the year ended 31 March 2015

	Fees HK\$'000	Salaries and other benefits in kind HK\$'000	Retirement benefits scheme contributions HK\$'000	Performance and discretionary bonus HK\$'000	Total emoluments HK\$'000
<b>Executive directors</b>					
Cheng Kin Kwan	–	2,452	–	–	2,452
Law Kwai Lam	–	422	–	–	422
Leung Mei Sheung Eliza	–	691	21	–	712
Zheng Ying Yu (resigned on 16 September 2014)	–	176	9	–	185
Fung Chun Pong, Louis	–	588	20	–	608
Liao Yun	–	574	20	–	594
Felipe Tan	150	515	18	–	683
Zhang Ming	150	535	18	–	703
Lau Yun Fong, Garman (appointed on 17 November 2014)	45	218	7	–	270
<b>Independent non-executive directors</b>					
Tsang Wai Chun, Marianna	126	–	–	–	126
Chan Mei Ying, Spencer	126	–	–	–	126
Lam Kwai Yan	126	–	–	–	126
Chan Choi Ling	100	–	–	–	100
	<u>823</u>	<u>6,171</u>	<u>113</u>	<u>–</u>	<u>7,107</u>

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 (2015: nil). None of the directors or the chief executive has waived any emoluments during the year (2015: nil).

## Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 March 2016

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

#### Employees' emoluments

The five individuals with the highest paid employees of the Group during the year included three directors (2015: four directors). Two of whom were resigned as Directors of the Company during the year and remained as employees of the Group after their resignation. Remuneration paid to them as director during the year was HK\$1,401,000, details of whose remuneration are set out in note 10 above. Details of the remuneration for the year of the remaining four (2015: one) highest paid employees who are neither a director nor chief executive of the Company are as follows:

	2016 HK\$'000	2015 HK\$'000
Basic salaries and allowances	2,739	828
Retirement benefits scheme contributions	83	20
Performance and discretionary bonus	4,668	–
	<u>7,490</u>	<u>848</u>

The emoluments of each of these highest paid individuals whose remuneration fell within the following bands is as follows:

	2016	2015
Nil to HK\$1,000,000	–	1
HK\$1,500,001 to HK\$2,000,000	3	–
HK\$2,000,001 to HK\$2,500,000	1	–
	<u>4</u>	<u>1</u>

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 (2015: nil).

## Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 March 2016

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

	2016 HK\$'000	2015 HK\$'000
Current tax		
– PRC Enterprise Income Tax	10,806	4,027
Deferred tax (note 27)	<u>(2,058)</u>	<u>(8,113)</u>
Total income tax recognised in profit or loss	<u>8,748</u>	<u>(4,086)</u>

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

	2016 HK\$'000	2015 HK\$'000
Loss before tax	<u>(1,412)</u>	<u>(61,904)</u>
Tax at the Hong Kong Profits Tax rate of 16.5%	(233)	(10,214)
Tax effect of share of loss of associates	23	100
Tax effect of expenses not deductible for tax purposes	3,633	6,309
Tax effect of income not taxable for tax purposes	(1,642)	(5,835)
Tax effect of unrecognised tax losses	3,409	3,950
Effect of different tax rates for subsidiaries operating in jurisdictions other than Hong Kong	2,967	1,271
PRC withholding tax	<u>591</u>	<u>333</u>
Income tax expense/(credit) for the year	<u>8,748</u>	<u>(4,086)</u>

## Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 March 2016

### 12. Loss Per Share

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

	2016	2015 (Restated)
<b>Loss:</b>		
Loss for the year attributable to owners of the Company for the purpose of basic and diluted loss per share	<u>HK\$20,621,000</u>	<u>HK\$33,443,000</u>
<b>Number of ordinary shares:</b>		
Weighted average number of ordinary shares for the purpose of basic and diluted loss per share	<u>2,148,272,472</u>	<u>1,757,468,780</u>

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 2016 and 2015 since their exercise would result in a decrease in loss per share.

The weighted average number of ordinary shares adopted in the calculation of the basic and diluted earnings per share for the years of 2016 and 2015 have been adjusted to reflect the bonus element of the open offer completed during the year ended 31 March 2016.

# Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 March 2016

## 13. 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
<b>Cost</b>									
Balance at 1 April 2014	22,595	1,373	8,200	12,738	982	6,349	3,938	18,048	74,223
Exchange adjustments	38	-	14	14	1	4	5	31	107
Transfer	18,079	-	800	-	-	-	-	(18,879)	-
Transfer from investment properties	19,800	-	-	-	-	-	-	-	19,800
Derecognised on disposals of subsidiaries (note 33)	-	-	-	(307)	-	-	-	-	(307)
Additions	770	724	4,842	395	161	100	9	800	7,801
Disposals/write-off	-	(1,373)	-	(5,390)	(517)	(3,649)	-	-	(10,929)
Balance at 31 March 2015	61,282	724	13,856	7,450	627	2,804	3,952	-	90,695
Exchange adjustments	(1,867)	-	(624)	(56)	-	(8)	(125)	-	(2,680)
Derecognised on disposals of subsidiaries (note 33)	-	-	-	(5,565)	(466)	(1,521)	(426)	-	(7,978)
Additions	4,916	-	599	761	66	55	-	-	6,397
<b>Balance at 31 March 2016</b>	<b>64,331</b>	<b>724</b>	<b>13,831</b>	<b>2,590</b>	<b>227</b>	<b>1,330</b>	<b>3,401</b>	<b>-</b>	<b>86,434</b>
<b>Accumulated depreciation and impairment</b>									
Balance at 1 April 2014	4,553	1,373	378	11,034	880	4,636	1,584	-	24,438
Exchange adjustments	8	-	1	9	1	1	2	-	22
Provided for the year	3,241	36	1,322	414	35	521	684	-	6,253
Eliminated on disposals of subsidiaries (note 33)	-	-	-	(71)	-	-	-	-	(71)
Eliminated on disposals/write-off	-	(1,373)	-	(5,390)	(513)	(3,649)	-	-	(10,925)
Balance at 31 March 2015	7,802	36	1,701	5,996	403	1,509	2,270	-	19,717
Exchange adjustments	(346)	-	(77)	(29)	-	(3)	(66)	-	(521)
Provided for the year	4,150	145	1,814	452	50	374	375	-	7,360
Eliminated on disposals of subsidiaries (note 33)	-	-	-	(4,978)	(404)	(766)	(118)	-	(6,266)
<b>Balance at 31 March 2016</b>	<b>11,606</b>	<b>181</b>	<b>3,438</b>	<b>1,441</b>	<b>49</b>	<b>1,114</b>	<b>2,461</b>	<b>-</b>	<b>20,290</b>
<b>Carrying amounts</b>									
<b>Balance at 31 March 2016</b>	<b>52,725</b>	<b>543</b>	<b>10,393</b>	<b>1,149</b>	<b>178</b>	<b>216</b>	<b>940</b>	<b>-</b>	<b>66,144</b>
Balance at 31 March 2015	53,480	688	12,155	1,454	224	1,295	1,682	-	70,978

## Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 March 2016

### 13. Property, Plant and Equipment (Continued)

Depreciation expenses of approximately HK\$3,053,000 (2015: approximately HK\$3,113,000) have been included in profit or loss in the depreciation and amortisation line item and approximately HK\$4,307,000 (2015: approximately HK\$3,140,000) have been included in profit or loss in the purchase and production costs line item for the year ended 31 March 2016.

As at 31 March 2016, land and buildings with carrying amount of approximately HK\$19,079,000 (2015: HK\$19,692,000) have been pledged to secure mortgages granted to the Group. Further details of the borrowing are set out in note 24 to these consolidated financial statements.

### 14. Other Intangible Assets

	Mining rights HK\$'000	Exploration rights and assets HK\$'000	Total HK\$'000
<b>Cost</b>			
Balance at 1 April 2014	149,510	253,877	403,387
Effect of foreign currency exchange differences	252	432	684
Additions	–	85	85
Transfer to mining rights	223,446	(254,394)	(30,948)
Balance at 31 March 2015	373,208	–	373,208
Effect of foreign currency exchange differences	(18,189)	–	(18,189)
Additions	7,689	–	7,689
<b>Balance at 31 March 2016</b>	<b>362,708</b>	<b>–</b>	<b>362,708</b>
<b>Accumulated amortisation and impairment</b>			
Balance at 1 April 2014	56,334	30,896	87,230
Effect of foreign currency exchange differences	95	52	147
Provided for the year	16,783	–	16,783
Eliminated upon transfer to mining rights	–	(30,948)	(30,948)
Impairment loss recognised	55,834	–	55,834
Balance at 31 March 2015	129,046	–	129,046
Effect of foreign currency exchange differences	(7,200)	–	(7,200)
Provided for the year	20,936	–	20,936
Impairment loss recognised	10,332	–	10,332
<b>Balance at 31 March 2016</b>	<b>153,114</b>	<b>–</b>	<b>153,114</b>
<b>Carrying amounts</b>			
<b>Balance at 31 March 2016</b>	<b>209,594</b>	<b>–</b>	<b>209,594</b>
Balance at 31 March 2015	244,162	–	244,162

## Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 March 2016

### 14. Other Intangible Assets (Continued)

The effective amortisation rate of mining rights for the year approximates to 6% (2015: 4%).

Amortisation expenses of approximately HK\$18,600,000 (2015: approximately HK\$10,744,000) have been included in profit or loss in the purchase and production costs line item and approximately HK\$2,336,000 (2015: approximately HK\$6,039,000) have been capitalised in the cost of inventories for the year ended 31 March 2016.

During the year ended 31 March 2016, due to decline in market metal prices 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 relevant mines.

#### Gold mining

For the year ended 31 March 2016, the recoverable amount of the gold mine is determined based on a value in use calculation and discount rate of 9% (2015: 9%) which reflects current market assessments of the time value of money and the risks specific to the gold mining. Other key assumptions for the value in use relate to the estimation of cash inflows which include production scale, mining costs and gold 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 HK\$10,332,000 (2015: HK\$18,216,000), which have been recognised in profit or loss and included in “impairment loss on other intangible assets” during the year ended 31 March 2016.

#### Iron mining

For the year ended 31 March 2015, the iron price had further dropped by approximately 46% to US\$60 per tonne. The management considered under such circumstances, the mine has no resources feasible for economical production and determined to be fully impaired. The review led to the recognition of an impairment loss on the mining rights of approximately HK\$37,618,000, which was recognised in profit or loss and included in “impairment loss on other intangible assets” during the year ended 31 March 2015.



## Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 March 2016

### 15. Interests in Associates

	2016 HK\$'000	2015 HK\$'000
Unlisted investments, at cost	95,150	95,150
Share of post-acquisition results and other comprehensive income	<u>(89,697)</u>	<u>(88,433)</u>
	<u>5,453</u>	<u>6,717</u>

The principal associate of the Group at 31 March 2016 and 2015 represents 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 summarised financial information in respect of the Group's major associates is as follows:

	2016 HK\$'000	2015 HK\$'000
Current assets	<u>20,398</u>	<u>21,941</u>
Non-current assets	<u>12,733</u>	<u>16,773</u>
Current liabilities	<u>(2,999)</u>	<u>(3,141)</u>
Non-current liabilities	<u>(8,351)</u>	<u>(8,744)</u>
Revenue	<u>-</u>	<u>-</u>
Loss for the year	<u>(567)</u>	<u>(2,437)</u>
Other comprehensive (expense)/income for the year	<u>(4,482)</u>	<u>2,832</u>
Total comprehensive (expense)/income for the year	<u>(5,049)</u>	<u>395</u>

## Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 March 2016

### 15. Interests in Associates (Continued)

The following table illustrated the aggregate financial information of the Group's associates that are not individually material:

	2016 HK\$'000	2015 HK\$'000
Share of the associate's result and total comprehensive profit for the year	-	-
Aggregate carrying amount of the Group's investments in the associate	-	-

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

	2016 HK\$'000	2015 HK\$'000
Net assets of the associate	21,781	26,829
Proportion of the Group's ownership interest	25.035%	25.035%
Carrying amount of the Group's interest	5,453	6,717

### 16. Prepaid Lease Payments

	2016 HK\$'000	2015 HK\$'000
Balance at beginning of year	7,204	7,378
Addition	704	-
Amortisation expense	(192)	(186)
Effect of foreign currency exchange differences	(323)	12
Balance at end of year	7,393	7,204

Analysis of the carrying amounts of prepaid lease payments is as follows:

Prepaid lease payments	7,393	7,204
Less: portion to be charge to profit or loss in the coming twelve months and shown as current assets	(236)	(185)
Balance at end of year	7,157	7,019

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.

## Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 March 2016

### 17. Land Rehabilitation Costs

	2016 HK\$'000	2015 HK\$'000
Balance at beginning of year	6,158	6,946
Amortisation expense	(765)	(801)
Effect of foreign currency exchange differences	(277)	13
Balance at end of year	<u>5,116</u>	<u>6,158</u>

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.

### 18. Inventories

	2016 HK\$'000	2015 HK\$'000
Raw materials	27,671	44,450
Finished goods	29	707
	<u>27,700</u>	<u>45,157</u>

## Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 March 2016

### 19. Trade and Other Receivables

	2016 HK\$'000	2015 HK\$'000
Trade receivables	1,195	8,453
Allowance for doubtful debts	(1,015)	(1,790)
Trade receivables, net of allowance	180	6,663
Prepayments	4,507	6,552
Deposits	26,533	27,939
Other receivables	1,220	3,055
	32,440	44,209
Less: deposits classified as non-current assets	(26,374)	(25,608)
	6,066	18,601

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 2016.

As at 31 March 2015, trade receivables included an amount due from a related company of approximately HK\$78,000. The related company is beneficially owned as to 26.75% by Mr. Felipe Tan, a director and shareholder of the Company. The amount due was fully settled during the year. The maximum outstanding balance of the amount due was HK\$78,000 for the year ended 31 March 2016 (2015: HK\$78,000). In addition, none of the Group's other receivables are non-interest bearing amount due from an associate and interest-bearing loan to an associate (2015: HK\$431,000 and HK\$1,374,000 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.

## Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 March 2016

### 19. 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:

	2016 HK\$'000	2015 HK\$'000
0 to 30 days	161	4,288
31 to 60 days	19	710
More than 90 days	-	1,665
	<u>180</u>	<u>6,663</u>

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 2016, 15% (2015: 54%) 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 44% (2015: 73%) 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

	2016 HK\$'000	2015 HK\$'000
Overdue by:		
1 to 30 days	-	492
More than 90 days	-	1,597
	<u>-</u>	<u>2,089</u>

## Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 March 2016

### 19. Trade and Other Receivables (Continued)

#### Movement in the allowance for doubtful debts

	2016 HK\$'000	2015 HK\$'000
Balance at beginning of the year	1,790	1,578
Impairment losses on trade receivables	-	1,137
Derecognised upon disposals of subsidiaries	(775)	-
Amounts written off during the year as uncollectible	-	(925)
Balance at the end of year	<u>1,015</u>	<u>1,790</u>

#### Age of impaired trade receivables

	2016 HK\$'000	2015 HK\$'000
Overdue by: More than 90 days	<u>1,015</u>	<u>1,790</u>

At 31 March 2016, the Group's trade receivables of approximately HK\$1,015,000 (2015: HK\$1,790,000) 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\$1,015,000 (2015: HK\$1,790,000) were recognised. The Group does not hold any collateral over these balances.

### 20. Investments Held for Trading

At 31 March 2016, the investments held for trading of HK\$1,172,000 (2015: nil) represent Hong Kong listed equity securities. The fair values of these investments are determined with reference to quoted market bid prices.

### 21. Bank Balances and Cash/Pledged Bank Deposits

Bank balances and cash comprise cash held by the Group and short-term bank deposits with effective interest rates ranging between 0.010% and 1.755% (2015: between 0.010% and 1.620%) per annum.

At 31 March 2015, the Group had pledged bank deposits of approximately HK\$110,000 to secure short-term credit facilities granted to the Group and were therefore classified as current assets.

At 31 March 2016, the Group had bank balances and cash of approximately HK\$56,694,000 (2015: HK\$43,517,000) 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.

## Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 March 2016

### 22. Trade and Other Payables

	2016 HK\$'000	2015 HK\$'000
Trade payables	3,777	2,625
Customers' deposits received	1	1,841
Other payables	11,850	17,057
	<u>15,628</u>	<u>21,523</u>

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

	2016 HK\$'000	2015 HK\$'000
0 to 30 days	451	1,481
More than 90 days	3,326	1,144
	<u>3,777</u>	<u>2,625</u>

### 23. Amount Due to a Related Company

The amount due to a related company beneficially owned by a director of the Company was unsecured, interest-free and repayable on demand.

### 24. Bank Borrowing

	2016 HK\$'000	2015 HK\$'000
Secured bank loan	8,585	9,192
Carrying amount repayable:		
Within one year	621	607
More than one year from the end of the reporting period but contain a repayment on demand clause (shown under current liabilities)	7,964	8,585
	<u>8,585</u>	<u>9,192</u>

The bank loan is secured by a mortgage over the Group's land and buildings with carrying value of approximately HK\$19,079,000 (2015: HK\$19,692,000) (note 13) and bear interest at 3% per annum below the HK\$ best lending rate. The effective interest rate is 2.25% per annum.

## Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 March 2016

### 25. 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 in the principal amount of HK\$63,000,000 (the "PN"). The PN 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.

Pursuant to the terms of the PN, 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 and the Group entered a supplemental agreement 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 PN until the First Instalment is fully paid by the Group. All other terms of the PN remain the same and valid.

Pursuant to the terms of the PN and the supplemental agreement 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 should continue to accrue on the overdue instalments at 7% per annum according to the terms of the PN until the abovementioned instalments were fully paid by the Group. All other terms of the PN remain the same and valid.

On 30 December 2014, the Group agreed with Starmax Holdings Limited to repay on 30 December 2014 the First and Second instalments and the accrued default interests of approximately HK\$901,000 (at the default rate of 7% per annum) accumulated from 9 May 2014 to 30 December 2014. All other terms of the PN remain the same and valid.

### 26. Provision for Land Rehabilitation

	2016 HK\$'000	2015 HK\$'000
Balance at beginning of year	9,866	9,849
Effect of foreign currency exchange differences	(444)	17
Balance at end of year	<u>9,422</u>	<u>9,866</u>

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.



## Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 March 2016

### 27. Deferred Taxation

The followings 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 2014	1,607	40,217	41,824
Effect of foreign currency exchange differences	3	68	71
Charge/(credit) to profit or loss	1,016	(9,129)	(8,113)
Balance at 31 March 2015	2,626	31,156	33,782
Effect of foreign currency exchange differences	(118)	(1,402)	(1,520)
Charge/(credit) to profit or loss	591	(2,649)	(2,058)
<b>Balance at 31 March 2016</b>	<b>3,099</b>	<b>27,105</b>	<b>30,204</b>

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 been provided in full in the consolidated financial statements in respect of temporary differences attributable to the profits earned by certain PRC subsidiaries.

At the end of the reporting period, the Group has estimated unused tax losses of approximately HK\$349,000,000 (2015: HK\$424,000,000) 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 (2015: HK\$39,680,000 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.

## Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 March 2016

### 28. Share Capital

	Number of ordinary shares		Amount	
	2016	2015	2016 HK\$'000	2015 HK\$'000
<b>Ordinary shares, issued and fully paid:</b>				
At beginning of year	1,846,291,503	1,624,551,503	806,049	773,715
Issue of shares by way of placing	125,000,000	201,700,000	18,125	29,246
Issue of shares by way of open offer	397,980,300	–	39,798	–
Exercise of share options	18,610,000	20,040,000	4,070	3,467
Transaction costs attributable to issue of new ordinary shares	–	–	(1,478)	(379)
	<u>2,387,881,803</u>	<u>1,846,291,503</u>	<u>866,564</u>	<u>806,049</u>
At end of year				

On 9 December 2014, an aggregate of 201,700,000 ordinary shares were issued to not less than six placees, who are independent third parties, at a price of HK\$0.145 per share. The net proceeds were used to provide additional working capital of the Group.

On 9 April 2015, an aggregate of 125,000,000 ordinary shares were issued to not less than six placees, who are independent third parties, at a price of HK\$0.145 per share. The net proceeds were used to provide additional working capital of the Group.

On 8 January 2016, the Company issued 397,980,300 ordinary shares of the Company at a subscription price of HK\$0.10 per share by way of open offer on the basis of one offer share for every five shares in issue held on 14 December 2015 (the "Open Offer").

Share options were exercised by option holders during the year ended 31 March 2016 to subscribe for a total of 18,610,000 (2015: 20,040,000) ordinary shares by payment of subscription monies of approximately HK\$2,570,000 (2015: HK\$2,229,000) which was credited to share capital and related share-based payment expense of approximately HK\$1,500,000 (2015: HK\$1,238,000) previously recognised in share options reserve was transferred to share capital.

All the shares issued during the years ended 31 March 2016 and 2015 rank pari passu with the then existing shares in all respects.

## Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 March 2016

### 29. 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 financial year ended 31 March 2014. 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.

## Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 March 2016

### 29. 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 at 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 shall not exceed 10% of the shares of the Company in issue from time to time and together with 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 and its remaining life as at 31 March 2016 was about 7.5 years.

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 2016, the total number of shares available for issue under the 2013 Share Option Scheme is 126,630,148 (2015: 125,620,150) shares, representing 5.30% (2015: 6.80%) 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.

# Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 March 2016

## 29. 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 (after adjustment for the Open Offer) (Note 28) HK\$	Number of share options										Adjusted for the Open Offer	Outstanding at 31.3.2016		
				Outstanding at 1.4.2014	Granted during the year	Exercised during the year	Lapsed during the year	Outstanding at 31.3.2015	Granted during the year	Exercised during the year	Lapsed during the year	Adjusted for the Open Offer	Outstanding at 31.3.2016				
<b>Directors</b>																	
	19.4.2004	19.4.2004-18.4.2014	0.2096	300,000	-	-	(300,000)	-	-	-	-	-	-	-	-	-	-
	28.2.2005	28.2.2005-27.2.2015	0.0722	1,000,000	-	(1,000,000)	-	-	-	-	-	-	-	-	-	-	-
	24.3.2006	24.3.2006-23.3.2016	0.1474	1,300,000	-	-	-	1,300,000	(800,000)	(518,919)	18,919	-	-	-	-	-	-
	26.9.2006	26.9.2006-25.9.2016	0.0743	5,000,000	-	-	-	5,000,000	(1,500,000)	(3,632,432)	132,432	-	-	-	-	-	-
	18.6.2007	18.6.2007-17.6.2017	0.2871	1,100,000	-	-	-	1,100,000	-	(1,130,270)	30,270	-	-	-	-	-	-
				8,700,000	-	(1,000,000)	(300,000)	7,400,000	(2,300,000)	(5,281,621)	181,621	-	-	-	-	-	-
<b>Employees</b>																	
	19.4.2004	19.4.2004-18.4.2014	0.2096	600,000	-	-	(600,000)	-	-	-	-	-	-	-	-	-	-
	16.9.2004	16.9.2004-15.9.2014	0.0870	1,750,000	-	-	(1,750,000)	-	-	-	-	-	-	-	-	-	-
	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	1,600,000	-	(800,000)	(800,000)	-	-	-	-	-	-	-	-	-	-
	22.9.2005	22.9.2005-21.9.2015	0.0920	4,800,000	-	(4,800,000)	-	-	-	-	-	-	-	-	-	-	-
	24.3.2006	24.3.2006-23.3.2016	0.1474	900,000	-	-	(600,000)	300,000	-	-	-	-	(300,000)	-	-	-	-
	26.9.2006	26.9.2006-25.9.2016	0.0772	3,750,000	-	(3,750,000)	-	-	-	-	-	-	-	-	-	-	-
	18.6.2007	18.6.2007-17.6.2017	0.2871	1,700,000	-	-	-	1,700,000	-	(1,100,000)	22,702	-	(1,100,000)	-	-	-	622,702
	9.9.2011	9.9.2011-8.9.2021	0.1445	1,900,000	-	-	-	1,900,000	(800,000)	(300,000)	30,270	-	(300,000)	-	-	-	830,270
	20.11.2012	20.11.2012-19.11.2022	0.1281	19,100,000	-	(3,000,000)	(700,000)	15,400,000	(5,200,000)	(200,000)	378,380	-	(200,000)	-	-	-	10,378,380
				36,600,000	-	(12,850,000)	(4,450,000)	19,300,000	(6,000,000)	(1,900,000)	431,352	-	(1,900,000)	-	-	-	11,831,352
				45,300,000	-	(13,850,000)	(4,750,000)	26,700,000	(8,300,000)	(7,181,621)	612,973	-	(8,300,000)	-	-	-	11,831,352
<b>Weighted average exercise price</b>				HK\$0.1265	N/A	HK\$0.0957	HK\$0.1272	HK\$0.1423	HK\$0.1265	HK\$0.1559	HK\$0.1316	N/A	HK\$0.1265	HK\$0.1559	HK\$0.1316	HK\$0.1373	HK\$0.1373

# Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 March 2016

## 29. 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:

Type of Particulars	Date of grant	Exercisable period	Exercise price per share (after adjustment for the Open Offer) (Note 28) HK\$	Number of share options										Weighted average exercise price	
				Outstanding at 1.4.2014	Granted during the year	Exercised during the year	Lapsed during the year	Transfer during the year (Note)	Outstanding at 31.3.2015	Granted during the year	Exercised during the year	Lapsed during the year	Adjusted for the Open Offer		Outstanding at 31.3.2016
<b>Directors</b>	3.10.2013	3.10.2013-2.10.2023	0.1435	10,000,000	-	(3,000,000)	-	2,000,000	-	9,000,000	-	(4,000,000)	-	189,190	5,189,190
	17.2.2014	17.2.2014-16.2.2024	0.1329	-	-	-	-	400,000	-	400,000	-	-	-	15,135	415,135
<b>Employees</b>	3.10.2013	3.10.2013-2.10.2023	0.1435	16,400,000	-	(1,590,000)	-	(2,000,000)	-	9,710,000	-	(4,910,000)	(600,000)	158,920	4,358,920
	17.2.2014	17.2.2014-16.2.2024	0.1329	5,200,000	-	(1,600,000)	-	(400,000)	-	2,900,000	-	(1,400,000)	(800,000)	26,487	726,487
				21,600,000	-	(3,190,000)	-	(2,400,000)	-	12,610,000	-	(6,310,000)	(1,400,000)	185,407	5,085,407
				31,600,000	-	(6,190,000)	-	-	-	22,010,000	-	(10,310,000)	(1,400,000)	389,732	10,689,732
				HK\$0.1472	N/A	HK\$0.1462	HK\$0.1480	HK\$0.1474	N/A	N/A	HK\$0.1475	HK\$0.1427	HK\$0.1424	HK\$0.1424	HK\$0.1424

Note: A total of 2,400,000 options outstanding as at 31 March 2015 were transferred from "Employees" category to "Directors" category from the employee who was appointed as a director the year ended 31 March 2015.

No options have been granted to eligible participants under the share option schemes during the year ended 31 March 2016 and 2015.

The weighted average share price at the date of exercise for share options exercised during the year was HK\$0.2509 (2015: HK\$0.1469) per share.

## Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 March 2016

### 30. Operating Lease Commitments

#### The Group as lessee

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

	2016 HK\$'000	2015 HK\$'000
Within one year	16	156
In the second to fifth year inclusive	–	–
	<u>16</u>	<u>156</u>

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.

### 31. Capital Commitments

	2016 HK\$'000	2015 HK\$'000
Contracted but not provided for: – acquisition of property, plant and equipment	<u>264</u>	<u>8,274</u>

### 32. 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 2016, 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\$1,180,000 (2015: HK\$1,876,000).

## Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 March 2016

### 33. Disposals of Subsidiaries

On 31 July 2015, the Group disposed of the entire equity interest of Timeless China Limited, a wholly-owned subsidiary of the Company, and its subsidiaries to Keyhard Software Limited, a company beneficially owned by an ex-employee of a subsidiary of the Company, at a cash consideration of HK\$7,500,000.

In addition, a subsidiary of the Company was under the process of deregistration during the year ended 31 March 2016 and accordingly this subsidiary has been deconsolidated from the consolidated financial statements for the year ended 31 March 2016. This subsidiary was an inactive company with no significant assets and liabilities on the date of deconsolidation.

#### Analysis of assets and liabilities over which control was lost

	<b>Total</b> HK\$'000
<b>Non-current assets</b>	
Property, plant and equipment	1,712
<b>Current assets</b>	
Inventories	82
Trade and other receivables	14,069
Bank balances and cash	1,617
<b>Current liabilities</b>	
Trade and other payables	<u>(4,867)</u>
Total	<u><u>12,613</u></u>

#### Gain on disposals of subsidiaries

	<b>Total</b> HK\$'000
Consideration received	7,500
Net assets disposed of	(12,613)
Non-controlling interests	735
Cumulative exchange differences in respect of the net assets of the subsidiaries reclassified from equity to profit or loss	<u>7,911</u>
Gain on disposal	<u><u>3,533</u></u>

#### Net cash inflow arising on disposals of subsidiaries

	HK\$'000
Consideration received in cash and cash equivalents	7,500
Less: cash and cash equivalent balances disposed of	<u>(1,617)</u>
Total	<u><u>5,883</u></u>



## Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 March 2016

### 33. Disposals of Subsidiaries (Continued)

On 28 September 2014, the Group disposed of its entire equity interest in 廣州市靈雲信息科技有限公司 (“Lingyun”) to an independent third party at a cash consideration of RMB1,500,000 (equivalent to approximately HK\$1,871,000).

In addition, certain inactive subsidiaries of the Company applied for deregistration during the year ended 31 March 2015 and accordingly these subsidiaries have been deconsolidated from the consolidated financial statements. These subsidiaries were inactive companies with no assets and liabilities on the date of deconsolidation.

#### Analysis of assets and liabilities over which control was lost

	HK\$'000
<b>Non-current assets</b>	
Property, plant and equipment	236
Goodwill	510
<b>Current assets</b>	
Trade and other receivables	1,291
Bank balances and cash	255
<b>Current liabilities</b>	
Trade and other payables	(210)
Total	<u>2,082</u>

#### Gain on disposals of subsidiaries

	HK\$'000
Consideration received	1,871
Net assets disposed of	(2,082)
Non-controlling interests	1,852
Cumulative exchange differences in respect of the net assets of the subsidiaries reclassified from equity to profit or loss	<u>(1,503)</u>
Gain on disposal	<u>138</u>

#### Net cash inflow arising on disposals of subsidiaries

	HK\$'000
Consideration received in cash and cash equivalents	1,871
Less: cash and cash equivalent balances disposed of	<u>(255)</u>
Total	<u>1,616</u>

## Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 March 2016

### 34. 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 2016 and 2015 are as follows:

Name of subsidiary	Place of incorporation/ registration/ operations	Nominal value of issued and fully paid share capital/ registered capital		Attributable proportion of nominal value of issued capital/ registered capital held by the Company		Principal activities
		2016	2015	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
新疆天目礦業資源開發有限公司 ("Xinjiang Tianmu")	PRC	RMB36,000,000	RMB36,000,000	–	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
廣州市新信蕃智信息產業有限公司 ("Talent Valley Company Limited")	PRC	–	RMB16,000,000	–	100%	Provision of computer consultancy services
廣東厚德實供應鏈網絡科技有限公司	PRC	–	RMB12,000,000	–	92%	Provision of e-commerce software development and information technology service as well as retail and wholesale of computer software, hardware and ironware
廣東厚德實供應鏈服務有限公司	PRC	–	RMB10,100,000	–	92%	Provision of supply chain management, storage and corporate management consultancy services

## Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 March 2016

### 34. Principal Subsidiaries (Continued)

Each of Talent Valley Company Limited, 廣東厚德寶供應鏈網絡科技有限公司 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	
		2016	2015
Investment holding	Hong Kong	6	7
Dormant	Hong Kong	3	13
Dormant	PRC	—	3
		<u>9</u>	<u>23</u>

#### Details of non-wholly-owned subsidiary that has material non-controlling interests

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

Name of subsidiary	Place of incorporation/ registration and principal place of business	Proportion of ownership interests held by the		Profit/(loss) allocated to non-controlling interests		Accumulated non-controlling interests	
		2016	2015	2016	2015	2016	2015
				HK\$'000	HK\$'000	HK\$'000	HK\$'000
Xinjiang Tianmu	PRC	74%	74%	11,192	(24,645)	246,869	246,785
Individually immaterial subsidiaries with non-controlling interests						3,572	3,735
						<u>250,441</u>	<u>250,520</u>

## Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 March 2016

### 34. Principal Subsidiaries (Continued)

#### Details of non-wholly-owned subsidiary that has material non-controlling interests (Continued)

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

	2016 HK\$'000	2015 HK\$'000
Current assets	<u>89,368</u>	<u>93,395</u>
Non-current assets	<u>294,247</u>	<u>330,890</u>
Current liabilities	<u>(13,436)</u>	<u>(49,725)</u>
Non-current liabilities	<u>(36,527)</u>	<u>(41,022)</u>
Equity attributable to owners of the Company	<u>86,783</u>	<u>86,753</u>
Non-controlling interests	<u>246,869</u>	<u>246,785</u>
Revenue	<u>151,443</u>	<u>125,259</u>
Other income and gains	<u>3,380</u>	<u>2,126</u>
Expenses	<u>(139,699)</u>	<u>(160,694)</u>
Profit/(loss) for the year	<u>15,124</u>	<u>(33,309)</u>
Profit/(loss) attributable to owners of the Company	<u>3,932</u>	<u>(8,664)</u>
Profit/(loss) attributable to the non-controlling interests	<u>11,192</u>	<u>(24,645)</u>
Profit/(loss) for the year	<u>15,124</u>	<u>(33,309)</u>
Other comprehensive (expense)/income attributable to owners of the Company	<u>(3,904)</u>	<u>142</u>
Other comprehensive (expense)/income attributable non-controlling interests	<u>(11,107)</u>	<u>405</u>
Other comprehensive (expense)/income for the year	<u>(15,011)</u>	<u>547</u>
Total comprehensive income/(expense) attributable to owners of the Company	<u>28</u>	<u>(8,522)</u>
Total comprehensive income/(expense) attributable to non-controlling interests	<u>85</u>	<u>(24,240)</u>
Total comprehensive income/(expense) for the year	<u>113</u>	<u>(32,762)</u>

## Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 March 2016

### 34. Principal Subsidiaries (Continued)

#### Details of non-wholly-owned subsidiary that has material non-controlling interests (Continued)

##### Xinjiang Tianmu (Continued)

	2016 HK\$'000	2015 HK\$'000
Net cash inflow from operating activities	<u>64,757</u>	<u>30,313</u>
Net cash outflow from investing activities	<u>(13,533)</u>	<u>(6,782)</u>
Net cash outflow from financing activities	<u>(32,342)</u>	<u>–</u>
Effect of foreign exchange rate changes	<u>(1,959)</u>	<u>(4)</u>
Net increase in cash and cash equivalents	<u>16,923</u>	<u>23,527</u>

### 35. Related Party Transactions

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

Save as disclosed elsewhere in financial statement, the Group had the following significant transactions with related parties during the year:

	2016 HK\$'000	2015 HK\$'000
Rental expenses paid to related companies (note (i))	<u>207</u>	<u>200</u>
Interest expenses paid to a related company (note (ii))	<u>935</u>	<u>2,170</u>
Service income received from a related company (note (iii))	<u>10</u>	<u>343</u>

## Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 March 2016

### 35. Related Party Transactions (Continued)

Notes:

- (i) Rental expenses in respect of the leasing of office premises were paid to related companies which are 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 PN is charged at 3.16% (2015: 3.16%) 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 PN are set out in note 25.
- (iii) Service income in respect of the provision of trading platform design and building services were received from a related company which is beneficially owned as to 25.29% by Mr. Felipe Tan, a director and shareholder of the Company, at normal commercial terms mutually agreed by both parties.

#### 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.

### 36. Comparative Figures

In prior year, the Group's amortisation on other intangible assets approximately HK\$10,744,000 was included in "depreciation and amortisation line item" in the consolidated statement of profit or loss and other comprehensive income.

In current year, the comparative amount of such amortisation on other intangible assets has been reclassified to conform with the current year's presentation and presented in the face of the consolidated statement of profit or loss and other comprehensive income within "purchase and production costs" line item.

## Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 March 2016

### 37. Information About Statement of Financial Position of the Company

	2016 HK\$'000	2015 HK\$'000
<b>Non-current assets</b>		
Property, plant and equipment	19,946	20,937
Investments in subsidiaries	14,995	66,628
Interests in associates	6,717	7,214
	<u>41,658</u>	<u>94,779</u>
<b>Current assets</b>		
Trade and other receivables	805	1,552
Amounts due from subsidiaries	42,709	22,911
Bank balances and cash	36,022	1,801
	<u>79,536</u>	<u>26,264</u>
<b>Current liabilities</b>		
Trade and other payables	1,056	2,096
Amounts due to subsidiaries	–	9,232
Bank borrowing	8,585	9,192
	<u>9,641</u>	<u>20,520</u>
<b>Net current assets</b>	<u>69,895</u>	<u>5,744</u>
<b>Total assets less current liabilities</b>	<u>111,553</u>	<u>100,523</u>
<b>Net assets</b>	<u>111,553</u>	<u>100,523</u>
<b>Capital and reserves</b>		
Share capital	866,564	806,049
Reserves (note)	(755,011)	(705,526)
<b>Total equity</b>	<u>111,553</u>	<u>100,523</u>

The statement of financial position was approved and authorised for issue by the Board of Directors on 22 June 2016 and are signed on its behalf by:

**CHENG KIN KWAN**  
Director

**FELIPE TAN**  
Director

## Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 March 2016

### 37. Information About Statement of Financial Position of the Company (Continued)

Note:

#### Reserves movements of the Company

	Share options reserve HK\$'000	Accumulated deficit HK\$'000	Total HK\$'000
Balance at 1 April 2014	5,760	(729,776)	(724,016)
Total comprehensive income for the year	–	19,728	19,728
Issue of ordinary shares under employee share option schemes	(1,238)	–	(1,238)
Release of reserve upon share options lapsed	(412)	412	–
Balance at 31 March 2015	4,110	(709,636)	(705,526)
Total comprehensive expense for the year	–	(47,985)	(47,985)
Issue of ordinary shares under employee share option schemes	(1,500)	–	(1,500)
Release of reserve upon share options lapsed	(801)	801	–
<b>Balance at 31 March 2016</b>	<b>1,809</b>	<b>(756,820)</b>	<b>(755,011)</b>



## Major Property Information

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

Location	Existing use	Tenure	Group's interest (%)	
			2016	2015
Unit 6-7 on 11th Floor of Tower 2, Ever Gain Plaza, No. 88 Container Port Road, Kwai Chung, New Territories	Office	Medium term lease	100%	100%

## Financial Summary

	Year ended 31 March				
	2012 HK\$'000	2013 HK\$'000	2014 HK\$'000	2015 HK\$'000	2016 HK\$'000
<b>RESULTS</b>					
Revenue	25,785	204,866	127,981	142,986	<b>155,704</b>
(Loss)/profit before tax	(11,070)	20,521	(92,346)	(61,904)	<b>(1,412)</b>
Income tax (expense)/credit	–	(22,371)	2,471	4,086	<b>(8,748)</b>
Loss for the year	(11,070)	(1,850)	(89,875)	(57,818)	<b>(10,160)</b>
Attributable to:					
Owners of the Company	(11,050)	(27,611)	(56,903)	(33,443)	<b>(20,621)</b>
Non-controlling interests	(20)	25,761	(32,972)	(24,375)	<b>10,461</b>
	(11,070)	(1,850)	(89,875)	(57,818)	<b>(10,160)</b>

	At 31 March				
	2012 HK\$'000	2013 HK\$'000	2014 HK\$'000	2015 HK\$'000	2016 HK\$'000
<b>ASSETS AND LIABILITIES</b>					
Total assets	116,690	629,450	545,278	475,622	<b>456,814</b>
Total liabilities	(6,181)	(202,136)	(204,686)	(139,061)	<b>(94,820)</b>
	110,509	427,314	340,592	336,561	<b>361,994</b>
Attributable to:					
Owners of the Company	110,310	133,224	86,018	86,041	<b>111,553</b>
Non-controlling interests	199	294,090	254,574	250,520	<b>250,441</b>
	110,509	427,314	340,592	336,561	<b>361,994</b>