



**TIMELESS** SOFTWARE LIMITED

天時軟件有限公司

(incorporated in Hong Kong with limited liability)

(Stock Code: 8028)

## ANNUAL REPORT

FOR THE YEAR ENDED 31 MARCH 2019



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## Corporate Information

### Directors

#### Executive Directors

Felipe TAN (*Chairman*)  
LAU Yun Fong Carman

#### 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 Choi Ling  
CHAN Mei Ying Spencer  
LAM Kwai Yan

#### Nomination Committee

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

#### Remuneration Committee

CHAN Mei Ying Spencer (*Chairman*)  
CHAN Choi Ling  
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  
OCBC Wing Hang Bank Limited

### Registered Office

Room 2208  
118 Connaught Road West  
Hong Kong

### Listing

GEM 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 ("Director(s)") of the Company, I am pleased to present the annual report of the Group for the financial year ended 31 March 2019.

During the year ended 31 March 2019, the Company's Mining Business recorded a loss under duress from the market squeeze, frequent weather challenges and tightened security practice in Xinjiang, China. In view of the dilemma, measures have been taken to upgrade the processing techniques. The Company engaged an independent research institute in China to perform test on possibility of application of bioleaching technique on extraction of metals from nickel-copper ores. We will ensure that more efficient techniques are applied to metal processing, and strengthen efforts to reduce production costs. Furthermore, the mining operation budgets should highlight priorities, and more should be spent to strengthen areas of security weakness and improve work safety.

Apart from the technique upgrade and budget management of the Mining Business, we have focused on seeking for more potential projects during the past year. In September 2018, the Group has commenced bio and nano new material projects to develop surface cleaning and sanitisation products. Considering that the investment projects were still at early development stage, such business sector recorded a loss during the year under review, essentially in line with our expectations. With the focus on stepping up budgets for projects with long-term development potentials, we will scale down unnecessary spending and take multiple measures to cut budgets for projects that do not deliver desired outcomes.

The Company is at a crucial and challenging stage in its own development endeavors, and there are many latent challenges in both business sectors. Our target for the next year is maintaining our advantages in the Mining Business, and pursuing new profit growth points by diversifying our business structure.

In the next financial year, we will continue to pursue a prudent financial policy to maintain basic stability in liquidity, and strengthen coordination of expenditure and investment policies. For the Mining Business, we will endeavor to develop new and more effective techniques to increase productivity and cut the production costs. For the other potential projects, we will improve effectiveness of our investment, and stand firm in adopting targeted and well-timed investment strategy to adjust the portfolio and support the development of promising projects. We are confident that the Company possesses potential and strengths to make an even better development ahead.

On behalf of the Board, I would like to take this opportunity to express our most sincere thanks and gratitude for the continuing supports of our shareholders, business partners and parties from various fields, and also for the efforts and commitment of our management and dedicated staff in previous year.

On behalf of the Board

**Felipe Tan**

*Chairman*

Hong Kong, 21 June 2019

# Management Discussion and Analysis

## About the Group

The Company is a limited liability company incorporated in Hong Kong and its shares are listed on GEM of the Stock Exchange. The address of its registered office and principal place of business is Room 2208, 118 Connaught Road West, Hong Kong.

## Segmental Information

The Company acts as an investment holding company. The Company and its subsidiaries (the “Group”) are principally engaged in (i) the exploration and exploitation of mines (“Mining Business”); and (ii) the provision of consultancy and software maintenance and development, e-commerce services as well as various investments in IT and innovation projects, including e-Sport tournament organiser, bio and nano new materials, IT startup fund and intelligent agricultural applications (“Other Business”).

During the year under review, revenue was generated from the Group’s two operating segments, among which, the Mining Business accounted for 100.0% (2018: 99.8%) while there is no revenue generated from Other Business (2018: 0.2%).

## Business Review and Outlook

### Mining Business

#### Overview

The Mining Business primarily comprises of exploration and exploitation of a nickel-copper mine. For the year ended 31 March 2019, nickel-copper ores, nickel concentrate and copper concentrates were the products sold under the Mining Business.

During the year ended 31 March 2019, the sales of nickel-copper ores was under heavy pressure from the dumping of nickel-copper ores from Russia to the PRC market. Therefore, we have adjusted our production strategy to cater for the market demand of nickel-copper ore and nickel and copper concentrates. The mining activity of the Baishiquan Nickel-copper Mine has been suspended for over a month in response to the flooding in Xinjiang and security check and practice requested by government authorities. Moreover, the mining and processing activities have been disturbed by the sudden drop in temperature, which caused malfunction of the mining equipment and affected the daily operation in 2018. There were accordingly a loss of 40 working days in total, in addition to the delay in resumption of extraction and processing of ores in May 2018 and July 2018 respectively, versus the resumption in March normally. Prior to the usual winter suspension, an accident was caused by the misconduct of our outsourced contractor, causing two casualties who are staff of the contractor. The Group, together with the local government authorities, immediately responded and strived to minimise the impact of such accident.

For the year ended 31 March 2019, the extraction of nickel-copper ores and sales of nickel-copper products both decreased as compared to last year. Turnover from nickel-copper products comprised of sales of 13,090 tonnes of nickel-copper ores of approximately HK\$40.6 million (2018: 24,520 tonnes of HK\$53.3 million), 8,162 tonnes of nickel concentrate of approximately HK\$31.5 million (2018: 17,782 tonnes of HK\$61.1 million) and 553 tonnes of copper concentrate of approximately HK\$6.1 million (2018: 2,087 tonnes of HK\$24.7 million).

#### Impairment on mining assets

For the year ended 31 March 2019, the Group recognised an impairment loss on its mining assets of approximately HK\$56.0 million (2018: nil). The recoverable amount of the mining cash generating unit (“CGU”) from the value in use calculation was less than its carrying amount. It was mainly caused by the unfavourable market condition, the strengthened safety requirements, increase in budgeted operating cost as well as capital expenditure required for the development of the mine.

## Management Discussion and Analysis (Continued)

### Business Review and Outlook (Continued)

#### Mining Business (Continued)

##### Resource estimates update

The details of the resource estimates as at 31 March 2019 are set out below:

Mine	Resource category	Tonnage (tonnes*1,000)	Average grade	
			(Ni%)	(Cu%)
Baishiquan Nickel-copper Mine	Measured	970	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 the Group's internal experts.

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

Mine	Activity		
	Exploration	Development	Mining
Baishiquan Nickel-copper Mine	No material exploration	Completed drift construction of approximately 1,251 meters	Ores extracted: 109,108 tonnes

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

For the year ended 31 March 2019, both the extraction of nickel-copper ores and sales of nickel-copper products decreased due to rough weather and stringent security check and practice requirements. The Group resumed extraction and processing of nickel-copper ores in May 2018 and July 2018 respectively, compared to the normal resumption in March. Approximately 109,108 tonnes of nickel-copper ores were extracted during the year (2018: 142,312 tonnes). Turnover from the sales of nickel-copper products amounted to approximately HK\$78.2 million (2018: HK\$139.1 million) representing the sales of 13,090 tonnes of nickel-copper ores (2018: 24,520 tonnes), 8,162 tonnes of nickel concentrate (2018: 17,782 tonnes) and 553 tonnes of copper concentrate (2018: 2,087 tonnes).

##### *South Hami Gold Project*

It composes of gold properties located in the southern area of Hami which are under exploration. No capital and operating expenditure was incurred for the year ended 31 March 2019. As no potential reserve was observed, the exploration program was completed and terminated.

# Management Discussion and Analysis (Continued)

## Business Review and Outlook (Continued)

### Mining Business (Continued)

#### Expenditure Incurred

During the year ended 31 March 2019, the Group had incurred expenditure of approximately HK\$65.9 million on exploration, development, mining and processing activities in respect of the Baishiquan Nickel-copper Mine, details of which are set out below:

	<b>Total</b> HK\$'000
<b>1. Capital Expenditure</b>	
1.1 Exploration activities	
Drilling and analysis	—
<i>Subtotal</i>	—
1.2 Development activities (including mine construction)	
Addition of property, plant and equipment	55
Construction of tunnels and sub-contracting charges	9,030
<i>Subtotal</i>	9,085
<b>Total Capital Expenditure</b>	<u>9,085</u>
<b>2. Operating Expenditure for Mining activities</b>	
Staff cost	2,525
Consumables	2,156
Fuel, electricity, water and other services	1,956
Non-income taxes, royalties and other government charges	519
Sub-contracting charges	6,984
Transportation	5,704
Depreciation and amortisation	21,373
Others	1,571
<b>Total Operating Expenditure</b>	<u>42,788</u>
<b>Total Capital and Operating Expenditure</b>	<u>51,873</u>
<b>3. Processing Expenditure</b>	
Staff cost	4,970
Consumables	3,774
Fuel, electricity, water and other services	2,039
Non-income taxes, royalties and other government charges	72
Depreciation and amortisation	69
Transportation	2
Others	3,067
<b>Total Processing Expenditure</b>	<u>13,993</u>
<b>Total Expenditure</b>	<u>65,866</u>

# Management Discussion and Analysis (Continued)

## Business Review and Outlook (Continued)

### Mining Business (Continued)

#### Processing Activities

For the year ended 31 March 2019, the main products of the Mining Business were nickel-copper ores, nickel concentrate and copper concentrate.

Due to the dumping of nickel-copper ores from Russia to the PRC market and rough weather of Xinjiang, the mining and processing activities were suspended and the Group resumed processing of nickel-copper ores in July 2018, compared to the normal resumption in March. For the year ended 31 March 2019, the nickel-copper ores extracted from the mine was approximately 109,108 tonnes (2018: 142,312 tonnes) and processed by the processing plant was approximately 79,969 tonnes (2018: 139,038 tonnes).

#### Infrastructure projects and subcontracting arrangements

There were new contracts entered into during the year ended 31 March 2019 in respect of exploration and blasting work, transportation of nickel-copper ores and research and development of bioleaching technique. As at 31 March 2019, there was HK\$2.9 million (2018: nil) outstanding commitments in relation to these contracts for the Group.

#### Investment

The Group entered into a subscription agreement, shareholders agreement and put option deed on 29 December 2017 and subscribed for 600,000 new issued shares of Dragon Silver Holdings Limited (“Dragon Silver”), representing approximately 8.86% of its enlarged issued share capital, at a consideration of HK\$7,800,000. Dragon Silver is a company incorporated in Hong Kong principally engaged in trading, production, processing and investment in precious metals and non-ferrous metals and related products.

Pursuant to the subscription agreement, the major shareholder of Dragon Silver (the “Guarantor”) agreed to guarantee to the Group that (i) the audited net profit after tax of Dragon Silver shall not be less than HK\$15,000,000 (“Guaranteed Profits”) for each of the financial years ending from 30 June 2018 to 2022 (the “Relevant years”); and (ii) the amount of dividends declared and paid by Dragon Silver during each of the Relevant years shall not be less than HK\$1.25 per share (“Guaranteed Dividends”). In the event that the actual audited profit after tax of or the dividend paid by Dragon Silver for each of the Relevant years shall be less than the Guaranteed Profits or Guaranteed Dividends respectively, the Guarantor shall compensate the Group for the sum being calculated as the shortfall.

In addition, pursuant to the put option deed that the Group has the right to sell all the 600,000 shares to the Guarantor at the consideration of HK\$7,800,000 within the period commencing from the fourth anniversary of the date of the put option deed to the date falling five years from the date of the put option deed.

During the year ended 31 March 2019, the Group received dividend income of approximately HK\$750,000 (2018: nil) from Dragon Silver in accordance with the Guaranteed Dividends and fair value changes on this equity investment of approximately HK\$71,000 (2018: HK\$2,825,000) was recognised.

The transaction constituted a connected transaction of the Company under the GEM Listing Rules. Please refer to the announcement of the Company dated 29 December 2017 for details of the acquisition. Details of this equity investment and fair value changes are set out in notes 15 and 17 to the consolidated financial statements.



# Management Discussion and Analysis (Continued)

## Business Review and Outlook (Continued)

### Mining Business (Continued)

#### Outlook

During the year under review, the Mining Business was still far from optimistic. The dismal result was attributable to the combined effect of dumping of nickel-copper ores from Russia, the rough weather and stringent security practice. In order to cope with the market and temperature changes, we will contrive more flexible and market-oriented operation practice. With the purpose of implementing the “Safety First” Strategy, we will organise more safety training courses for the mining staff to improve their capabilities of dealing with emergencies and enhance safety awareness.

In addition, the Group has sought for more efficient processing techniques to reduce production cost. We have engaged an independent research institute in China to perform test on possibility of application of bioleaching technique on extraction of metals from nickel-copper ores. Subject to a satisfactory test result, the Company will consider the possibility of application of such technique on large-scale production of the Baishiquan Nickel-Copper Mine, and formulate the corresponding development scheme which would substantially reduce its production costs.

Dragon Silver has made stable profit during the year under review. Dragon Silver has been working on application to be recognised as a LME-approved brand of tin ingots producer, which would help securing better source of supply, sale channel and price.

### Other Business

#### Overview

Other Business comprised of the provision of consultancy, software maintenance and development, e-commerce services as well as various investments in IT and innovation projects, including e-Sport tournament organiser, bio and nano new materials, IT startup fund and intelligent agricultural applications. During the year under review, the Group had further explored new development opportunities.

During the year under review, the Group acquired a 28.57% indirect equity interest in CGA Holdings Limited (“CGA Holdings”), an e-sport company, pursuant to a subscription agreement dated 16 May 2018. On 25 January 2019, CGA Holdings brought back and cancelled 1,700 ordinary shares from its shareholders at HK\$9,500,000. The equity interest of CGA Holdings owned by the Group increased to 32.52% after the buyback. CGA Holdings is accounted for as an associate company of the Group. CGA Holdings and its subsidiaries (together the “CGA Group”) operate an e-sports gaming platform which provides systematic gaming and social services to e-sports enthusiasts and has held over 100 sizable online and offline e-sports competitions and activities since 2013. In August 2018, as one of the leading e-sport companies in Hong Kong, CGA Group organised the AESF Regional Qualifiers for the 18th Asian Games in 2018, where the Hong Kong athlete won the gold medal in Hearthstone tournament. In January 2019, CGA Group has expanded its business scope and opened an eSports Stadium in Mong Kok, Hong Kong, the largest integrated eSports stadium in Asia, which covers an area of 25,000 square feet. During the year ended 31 March 2019, the Group recorded a share of loss of CGA Group of HK\$3.1 million. The loss incurred was mainly due to expense incurred in the development stage for setting up e-sports stadium.

Pursuant to the subscription agreement, the major shareholders of CGA Holdings (the “Guarantors”) jointly and severally guaranteed to the Group that the net profit after tax of CGA Group for the years ending 31 March 2020 and 31 March 2021 shall not be in aggregate less than HK\$32,000,000 (“CGA Profit Guarantee”). The CGA Profit Guarantee was accounted for as financial assets at fair value through profit or loss (“FVTPL”) on initial recognition. For the year ended 31 March 2019, the Group recognised a gain on change in fair value of contingent consideration approximately HK\$6.4 million (2018: nil).

Please refer to the announcement of the Company dated 16 May 2018 for details of the acquisition.

# Management Discussion and Analysis (Continued)

## Business Review and Outlook (Continued)

### Other Business (Continued)

#### Impairment loss on interests in associates

The Group carried goodwill balance of HK\$36.3 million as of 31 March 2019 in relation to the acquisition of equity interest in CGA Holdings. For the year ended 31 March 2019, based on the impairment assessment, an impairment loss on interests in associates of HK\$7.8 million was recognised in view that issuance of new games in the China market was slow down, the actual operating results from the newly developed lines of business was progressed slower and less than planned and the expected cashflows from future operation are projected with reference to the current actual results.

#### Investment

As at 31 March 2019, the Group owned a 22.53% indirect equity interest in Nano Bubble Limited (“Nano Bubble”) at a consideration cost of HK\$570,000. It is mainly engaged in the development of domestic pesticide removal, surface cleaning and sanitisation products with the application of nano technology. The technology of Nano Bubble, the centralised nano bubble system for pesticide removal and surface sanitisation, won the silver medal on Asia Exhibition of Inventions Hong Kong in July 2018.

As at 31 March 2019, the Group owned a 27.03% indirect equity interest of Nano Energy Limited at a consideration cost of HK\$30,000 and made a proportional shareholders loan of HK\$768,000 to it. Its principal activities are development of different power generation mechanisms.

For the year ended 31 March 2019, the Other Business recorded loss of approximately HK\$1.4 million, representing an increase of 75% as compared to loss of HK\$0.8 million for the year ended 31 March 2018. The increase in segment loss was mainly due to the research expenditures incurred for the application of nano technology of HK\$0.8 million (2018: nil) as well as no revenue being generated from the Other Business in current year (2018: HK\$0.3 million).

#### Outlook

During the past year, the Company has initiated several potential investment projects, including the e-sports program and Nano projects. As such projects are still in the development stage, the Other Business has recorded a loss in the year under review.

With rapid changing in the market environment, CGA Group may face both opportunities and challenges amid an increasing push to turn e-sports into a lucrative business in the coming years. Taking into account the current performance of its new business lines, CGA Group is making great effort to overcome such difficulties and make more achievements in the rapidly evolving sector.

Apart from the e-sports business, the Group has launched bio and nano new materials projects to pursue earnings increase in the new material sector. By implementing the market orientation approach, Nano Bubble will endeavor to design nanotech products that meet the desires and needs of customers. Investments in such new emerging industry, as well as other IT investment and e-sport project will offer a chance to the Group to extend from its traditional business structure and add new growth points.

## Management Discussion and Analysis (Continued)

### Financial Performance Review

For the year ended 31 March 2019, the Group recorded a total turnover of approximately HK\$78.2 million (2018: HK\$174.2 million), representing a decrease of 55% as compared with the last financial year. Other income and gains of approximately HK\$3.4 million for the year under review (2018: HK\$3.7 million) mainly represented interest income, dividend income from Dragon Silver and rental income. Loss for the year was approximately HK\$66.8 million (2018: profit of HK\$14.0 million), representing an increase of 5.8 times as compared with the year ended 31 March 2018. The increase in loss is mainly caused by the decrease in sales quantity with the increase in cost of production in current year and the recognition of impairment loss on mining assets and written-off of property, plant and equipment of HK\$59.8 million in total under Mining Business and share of loss of associates of HK\$3.9 million. Besides, the Group recorded a gain on change in fair value of contingent consideration of HK\$6.4 million and impairment loss on interests in associates of HK\$7.8 million in relation to the acquisition of an associate.

The Group invested in 8.86% equity interest of Dragon Silver, a tin trading and processing company, in December 2017. The investee is equipped with self-developed testing facility and has production capacity of 1,500 tonnes of tin ingots per month. With a promising tin business, the investee will have a strong financial performance which also enhance its good dividend payment capability and the potential capital gain to the Group.

The Mining Business segment recorded revenue of approximately HK\$78.2 million (2018: HK\$173.9 million), and segmental loss for the year of HK\$56.3 million (2018: profit of HK\$20.7 million), representing a decrease of 55% and 3.7 times respectively as compared with the prior financial year. The decrease in revenue is mainly attributable to the Russia dumping, rough weather and stringent security requirements. The increase in loss is mainly due to decrease in revenue and increase in operating costs as well as impairment loss on mining assets, interests in associates, and written-off of property, plant and equipments.

There was no turnover from Other Business (2018: HK\$0.3 million) and segmental loss of HK\$1.4 million (2018: HK\$0.8 million), representing a decrease of 100% and 3.7 times respectively as compared with last year.

Loss attributable to owners of the Company was approximately HK\$27.8 million, as compared to approximately profit of HK\$2.0 million for the prior financial year.

### Liquidity and Financial Resources

As at 31 March 2019, the Group had bank balances and cash of approximately HK\$41.6 million (2018: HK\$133.6 million) and net current assets amounted to HK\$32.4 million (2018: HK\$96.0 million). Out of the Group's bank balances and cash, about 20% was denominated in Hong Kong dollars (2018: 22%), 78% was denominated in Chinese Renminbi (2018: 77%) and 2% was denominated in United States dollars (2018: 1%). As at 31 March 2019, the current ratio was 1.96 (2018: 2.70).

The Group generally financed its operations and investing activities primarily with internally generated cash flow as well as the proceeds from fund raising activities.

As at 31 March 2019, the Group had outstanding borrowings of approximately HK\$16.2 million (2018: HK\$11.7 million), which mainly represented loan from related companies, obligations under a finance lease and amount due to a non-controlling interest.

### Promissory Note

On 11 May 2012, the Group issued a promissory note to Starmax Holdings Limited ("Starmax") as part of the purchase consideration of a 51% equity interest of Goffers Management Limited ("Goffers"), a non-wholly owned subsidiary of the Company, in the principal amount of HK\$63 million. As at 31 March 2018, HK\$53 million was repaid and the remaining HK\$10 million was repaid on 11 May 2018 together with accrued interest of approximately HK\$0.3 million. 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 a 51% of the issued share capital of Goffers. 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. The related charge was released upon fully settlement on 11 May 2018.

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

## Management Discussion and Analysis (Continued)

### Capital Commitments

The Group has no significant capital commitment as at 31 March 2019.

### Gearing Ratio

As at 31 March 2019, the Group's gearing ratio was approximately 15% (2018: 8%), based on total borrowings of approximately HK\$16.2 million (2018: HK\$11.7 million) and equity attributable to owners of the Company of approximately HK\$107.2 million (2018: HK\$138.7 million). The increase in the ratio was mainly due to effect of new loan borrowed from related companies of HK\$15 million during the year ended 31 March 2019.

### Employee Information

Particulars of the employee information on the Group are set out in "Business Review" section of the Directors' Report.

### Charge on the Group's Assets

One motor vehicle of the Group was pledged as security for a finance lease as at the date of the report.

### Order Book and Prospects for New Business

There was no order book on hand as at 31 March 2019.

### Material Acquisitions and Disposals of Subsidiaries, Associates and Joint Ventures

On 16 May 2018, the Group acquired 4,000 ordinary shares of CGA Holdings at HK\$50,000,000, representing approximately 28.57% equity interest in CGA Holdings. The CGA Group is principally engaged in provision of advertising and promotion service of e-sport activities and organisation of regular e-sport tournament.

Save as disclosed above, there was no material disposal or acquisition of subsidiaries, associates and joint ventures for the year.

### 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 not significant.

### Contingent Liabilities

As at 31 March 2019, there was no material contingent liabilities incurred by the Group.



# Biographical Details of Directors and Senior Management

## Directors

### Executive Directors

**Mr. Felipe TAN**, aged 64, has been appointed as the Chairman of the Company since 29 July 2016 and served as an executive Director of the Company since 30 September 2012. Mr. Tan is also a director of various subsidiaries of the Group. Mr. Tan has over 40 years of experience in metal trading including over 18 years of management experience in mining industry in the PRC. He is the executive director of Loco Hong Kong Holdings Limited (“LocoHK”), the shares of which are listed on GEM (stock code: 8162). 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). The subsidiaries of GobiMin are principally engaged in the investment in equity, debt or other securities as well as direct ownership stakes in projects, including the development of mineral properties, mainly in Xinjiang, PRC. In addition, Mr. Tan has been the 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.

**Ms. LAU Yun Fong Carman**, aged 53, has been appointed as an executive Director of the Company since 17 November 2014. Ms. Lau joined the Group in 2013 and 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 was the financial controller of LocoHK from 2014 to 2016 and had worked in an international accounting firm and then served for 10 years in companies 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.

### Independent Non-executive Directors

**Ms. CHAN Choi Ling**, aged 44, 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 62, has been appointed as an independent non-executive Director since 25 October 2005. He is an entrepreneur in various industries and a regional business/project consultant. Mr. Chan has all-round experience in corporate finance, business development, sales and marketing. Mr. Chan has a Computer Science degree from the University of Melbourne, Australia, followed by a Master’s Degree in Business Administration from the Chinese University of Hong Kong. He also has attended an executive management program at INSEAD, Fontainebleau, France.

**Mr. LAM Kwai Yan**, aged 59, 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.

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

### Directors (Continued)

#### Independent Non-executive Directors (Continued)

**Ms. TSANG Wai Chun Marianna**, aged 64, 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 Chartered Secretary, a Chartered Governance Professional and an Associate of both the Institute of Chartered Secretaries and Administrators in UK and the Hong Kong Institute of Chartered Secretaries. She is also a member of the Taxation Institute of Hong Kong, the Society of Registered Financial Planners, the Chartered Institute of Arbitrators, the Institute of Financial Accountants and the Institute of Public Accountants in Australia and the Association of International Accountants in UK. She obtained a postgraduate certificate in Professional Accounting. Ms. Tsang had been a member of the Board of Review (Inland Revenue Ordinance) from 2010 to 2015. She has over 30 years working experience covering the spectrum of accounting, company secretarial, corporate affairs, and related legal working experience in major commercial corporations and in professional firms. Ms. Tsang has served as an independent non-executive director of LocoHK since 22 July 2014.

#### Compliance Officer

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

#### Company Secretary

**Ms. KO Yuen Kwan**, aged 54, has comprehensive experience in finance, accounting and compliance matters of listed companies in Hong Kong and Canada. Ms. Ko joined the Group in November 2014. She is currently the Chief Financial Officer, Vice President Corporate Affairs & Secretary and director of GobiMin. Ms. Ko was the company secretary of LocoHK from 2014 to 2016 and another company listed on the Main Board of the Stock Exchange for more than 10 years, responsible for the 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 and the CPA Australia. She is also a Chartered Secretary, a Chartered Governance Professional and a Fellow of both the Institute of Chartered Secretaries and Administrators in UK and the Hong Kong Institute of Chartered Secretaries.

# 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 emphasise 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 GEM Listing Rules. The Company had complied with all Code Provisions as set out in the Code, throughout the year ended 31 March 2019, 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. After the retirement of Dr. Cheng Kin Kwan as chairman and chief executive officer of the Company on 29 July 2016, the post of Chief Executive Officer of the Company is vacant and the role of the Chief Executive Officer has been performed by the executive Directors collectively. The board of Directors (the “Board”) will continue to use its best endeavour in finding a suitable candidate to assume duties as Chief Executive Officer of the Company as soon as possible.

## 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 Company’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 six Directors, including two Executive Directors (including Chairman of the Board) and four independent non-executive Directors.

The composition of the Board is currently as follows:

#### *Executive Directors:*

Mr. Felipe TAN (*Chairman*)  
Ms. LAU Yun Fong Carman

#### *Independent Non-executive Directors:*

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

Biographical details of the Directors are set out in the “Biographical Details of Directors and Senior Management” section on pages 12 to 13 of this annual report. To the best knowledge of the Company, save as disclosed under the section “Biographical Details of Directors and Senior Management”, there is no financial, business, family or other material or relevant relationships among members of the Board.

### Board Meetings

The Board held 6 meetings during the year ended 31 March 2019.



# 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 meetings, board committee meetings and general meetings held during the year ended 31 March 2019:

	Board Meeting	Audit Committee Meeting	Remuneration Committee Meeting	Nomination Committee Meeting	2018 Annual General Meeting
	Number of Meetings Attended/Held				
<b>Executive Directors:</b>					
Felipe TAN	6/6	–	–	–	1/1
LAU Yun Fong Carman	6/6	–	–	–	1/1
<b>Independent Non-executive Directors:</b>					
CHAN Choi Ling	6/6	5/5	1/1	1/1	1/1
CHAN Mei Ying Spencer	6/6	5/5	1/1	1/1	1/1
LAM Kwai Yan	6/6	5/5	1/1	1/1	1/1
TSANG Wai Chun Marianna	6/6	5/5	1/1	1/1	1/1

Appropriate notices are given to all Directors in advance for attending regular and other board or board committee meetings in accordance with the articles of association (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.

#### Appointment, Re-election and Removal

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

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

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

Save as disclosed above, none of the Directors proposed for re-election at the forthcoming annual general meeting ("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 the statutory compensation.

# Corporate Governance Report (Continued)

## Board of Directors (Continued)

### 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 2019.

### 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, namely Mr. Felipe Tan, Ms. Lau Yun Fong Carman, Ms. Chan Choi Ling, Mr. Chan Mei Ying Spencer, Mr. Lam Kwai Yan and Ms. Tsang Wai Chun Marianna, 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 four independent non-executive Directors, namely:

Ms. TSANG Wai Chun Marianna (*Chairlady*)  
Ms. CHAN Choi Ling  
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.

# Corporate Governance Report (Continued)

## Board Committees (Continued)

### Audit Committee (Continued)

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 2019, the Audit Committee held 5 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; and
- 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 2019 which were audited by HLB Hodgson Impey Cheng Limited, whose term of office will expire upon the coming 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 2019, the Board did not take different view from the Audit Committee on the appointment of external auditor.

### 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 four independent non-executive Directors, namely:

Mr. LAM Kwai Yan (*Chairman*)  
Ms. CHAN Choi Ling  
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 2019, 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.

# Corporate Governance Report (Continued)

## Board Committees (Continued)

### Nomination Committee (Continued)

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; and
- 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.

### I. Nomination Policy

The Company adopted a nomination policy (the “Nomination Policy”) on 29 January 2019 with retrospective effect from 1 January 2019 to set out the criteria, process and procedures for the Nomination Committee to recommend suitable candidates for directorship with a view to ensuring that the Board has a balance of skills, experience and diversity of perspectives appropriate to the requirements of the Company’s business.

#### *Nomination Process*

The Nomination Committee is responsible for ensuring that the selection criteria are being applied consistently and fairly in the nomination process and confirming the same to the Board when making its recommendation on appointment.

#### 1. Procedures for Appointment of New Director

Subject to the provisions in the Company’s Articles of Association, if the Board recognises the need to appoint a new Director, the following procedures should be adopted:

- (a) The Nomination Committee, with or without assistance from Human Resources Department and external agencies, identifies candidates in accordance with the selection criteria set out in the Nomination Policy.
- (b) The Nomination Committee evaluates the candidates and recommends to the Board the appointment of the appropriate candidate for directorship.
- (c) The Board decides the appointment based upon the recommendation of the Nomination Committee.
- (d) The letter of appointment or the key terms and conditions of the appointment should be approved by Remuneration Committee.
- (e) The Company Secretary or his or her designated delegate shall ensure all disclosure obligations under the GEM Listing Rules regarding the appointment or re-election are duly complied.



## Board Committees (Continued)

### Nomination Committee (Continued)

#### I. Nomination Policy (Continued)

##### *Nomination Process (Continued)*

2. Procedures for Re-election of Director at General Meeting
  - (a) The Nomination Committee reviews the overall contribution to the Company of the retiring Director.
  - (b) The Nomination Committee also reviews and determines whether the retiring Director continues to meet the selection criteria set out in the Nomination Policy.
  - (c) The Nomination Committee shall recommend to the Board which shall then make recommendation to shareholders in respect of the proposed re-election of Director at the general meeting.
3. Procedures for Nomination by Shareholders
  - (a) The Company's website sets out the procedures for shareholders to propose a person for election as a Director.
  - (b) For any person that is nominated by a shareholder for election as a Director at the general meeting of the Company, the Nomination Committee shall evaluate such candidate based on the selection criteria set out in the Nomination Policy and to determine whether such candidate is qualified for directorship and where appropriate, the Nomination Committee shall recommend to the Board which shall then make recommendation to shareholders in respect of the proposed election of Director at the general meeting.

##### *Selection Criteria*

The Nomination Committee will propose a candidate for nomination or a Director for re-election based on merit and the following considerations:

- (a) The board diversity policy, which was adopted by the Company on 29 January 2019, and the requirements under the GEM Listing Rules.
- (b) The expected contribution the candidate would add to the Board and to ensure the Board has a balance of skills, experience and diversity of perspectives appropriate to the requirements of the Company's business.
- (c) The candidate or the re-elected Director is able to commit and devote sufficient time and attention to the Company's affairs.
- (d) The level of independence from the Company, and potential or actual conflicts of interest of the candidate or the re-elected Director.
- (e) Other relevant factors considered by Nomination Committee on a case-by-case basis.

These factors are for reference only, and not meant to be exhaustive and decisive. The Nomination Committee has the discretion to nominate any person as it considers appropriate.

## Board Committees (Continued)

### Nomination Committee (Continued)

#### II. Board Diversity Policy

The Company adopted a board diversity policy (the “Diversity Policy”) on 29 January 2019 with retrospective effect from 1 January 2019 to set out the approach to achieve diversity on the Board of the Company.

##### *Summary of the Diversity Policy*

With a view to achieving a sustainable and balanced development, the Company sees increasing diversity at the Board level as an essential element in supporting the attainment of its strategic objectives and its sustainable development. In designing the Board’s composition, Board diversity has been considered from a number of aspects, including but not limited to gender, age, cultural and educational background, professional experience, skills, knowledge and length of service. All Board appointments will be based on meritocracy, and candidates will be considered against objective criteria, having due regard for the benefits of diversity on the Board.

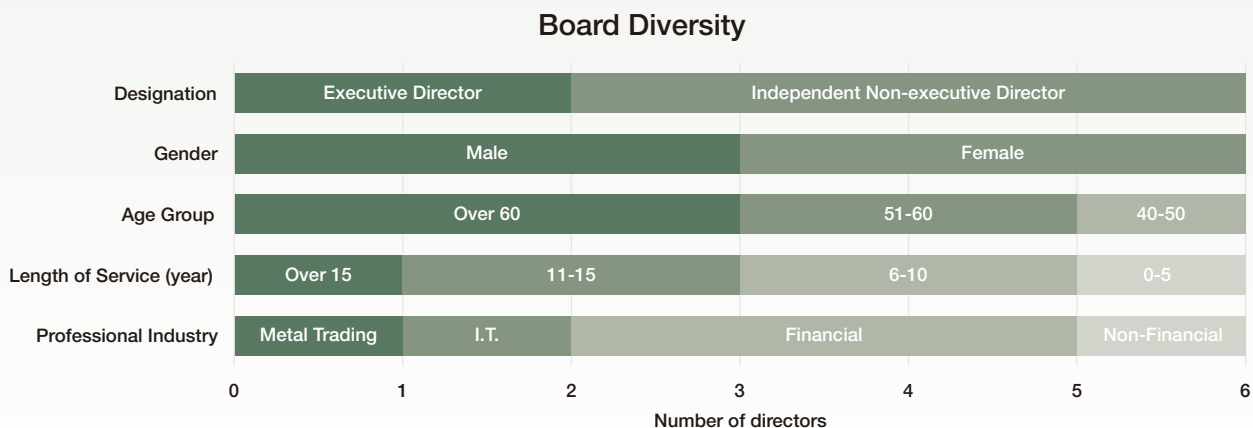
##### *Measurable objectives*

Selection of candidates will be based on a range of diversity perspectives, including but not limited to gender, age, cultural and educational background, professional experience, skills, knowledge and length of service. The ultimate decision will be based on merit and contribution that the selected candidates will bring to the Board. The Board’s composition (including gender, age, and length of service) will be disclosed in the Corporate Governance Report annually.

##### *Monitoring and Reporting*

The Nomination Committee reviewed the Board’s composition under diversified perspectives, and monitored the implementation of the Diversity Policy annually.

As at the date of this report, the Board’s composition under major diversified perspectives was:



# Corporate Governance Report (Continued)

## Board Committees (Continued)

### Remuneration Committee

The Remuneration Committee was set up in March 2006 and comprises four independent non-executive Directors, namely:

Mr. CHAN Mei Ying Spencer *(Chairman)*

Ms. CHAN Choi Ling

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 2019, 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.

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; and
- 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 2019, 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	800,000

## 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 pages 52 to 55 of this annual report which acknowledges the reporting responsibilities of the Group's auditors.

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 Companies Ordinance (Chapter 622 of the laws of Hong Kong) ("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 has designated staff with relevant experience and knowledge to oversee the internal control and internal audit function. The designated staff regularly (i) evaluate with our senior management on the risk assessment and risk mitigation measures; (ii) assess the effectiveness of the internal control and risk management systems and ensure they are properly followed; and (iii) submit periodical reports to the audit committee for review and approval. The Audit Committee also assists the Board in meeting its responsibilities for maintaining the effective systems of risk management and 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 the adequate systems of risk management and internal control and prompt and transparent reporting of the Company's activities to the shareholders and to the public.

The Board has conducted annually the review of the effectiveness of the risk management and internal control systems and considered that the systems 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.



## Corporate Governance Report (Continued)

### 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 2019, the Company Secretary undertook over 15 hours' professional training to update her skill and knowledge in compliance with the Code.

### Changes in Constitutional Documents

For the year ended 31 March 2019, there was no change in its constitutional documents.

### Shareholders' Rights

According to the Company's Articles of Association and as provided by the Hong Kong 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 and also a notice signed by the person to be proposed of his willingness to be elected 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 AGM 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 AGM to answer the enquiries of shareholders. In compliance with the Code E.1.3, the notice of AGM 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.

## Dividend Policy

1. The Company adopted a dividend policy (the “Dividend Policy”) on 29 January 2019 in compliance with E.1.5 of the Code with retrospective effect from 1 January 2019, which decides whether to propose a dividend and in determining the dividend amount, the Board shall take into account, inter alia:
  - (a) the Group’s actual and expected financial performance;
  - (b) shareholders’ interests;
  - (c) retained earnings and distributable reserves of the Company and each of the other members of the Group;
  - (d) the level of the Group’s debts to equity ratio, return on equity and financial covenants to which the Group is subject;
  - (e) possible effects on the Group’s creditworthiness;
  - (f) any restrictions on payment of dividends that may be imposed by the Group’s lenders;
  - (g) the Group’s expected working capital requirements and future expansion plans;
  - (h) liquidity position and future commitments of the Group at the time of declaration of dividend;
  - (i) taxation considerations;
  - (j) statutory and regulatory restrictions;
  - (k) general business conditions and strategies;
  - (l) general economic conditions, business cycle of the Group’s business and other internal or external factors that may have an impact on the business or financial performance and position of the Company; and
  - (m) other factors that the Board deems appropriate.
2. Pursuant to the Dividend Policy, the declaration and payment of dividends shall remain to be determined at the discretion of the Board and subject to all applicable requirements under the Companies Ordinance (Chapter 622 of the Laws of Hong Kong) and the Articles of Association of the Company. Except for the interim dividend which can be declared and distributed by the discretion of the Board, any dividends declared by the Company must be approved by an ordinary resolution of shareholders at the general meeting and must not exceed the amount recommended by the Board.
3. The Company will continually review the Dividend Policy and reserves the right in its sole and absolute discretion to update, amend and/or modify the Dividend Policy at any time, and the Dividend Policy shall in no way constitute a legally binding commitment by the Company that dividends will be paid in any particular amount and/or in no way obligate the Company to declare a dividend at any time or from time to time.

## Corporate Governance Report (Continued)

### Voting by Poll

All resolutions put to the AGM will be voted by poll at the meeting in accordance with the requirements of the GEM Listing Rules.

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 AGM, 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.

# Environmental, Social and Governance Report

Year ended at 31 March 2019

## About this Report

Pursuant to the Environmental, Social and Governance Reporting Guide (the “ESG Reporting Guide”) under Appendix 20 to the Rules Governing the Listing of Securities on GEM of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) (the “GEM Listing Rules”), this Environmental, Social and Governance Report (the “ESG Report”) confirms and discloses information on the environmental, social and governance issues and key performance indicators of Timeless Software Limited (“Timeless” or the “Company”) and its subsidiaries (collectively, the “Group”) for the year ended 31 March 2019.

The Company is a company incorporated in Hong Kong with limited liability under the Companies Ordinance (Chapter 622 of the laws of Hong Kong) (“Hong Kong Companies Ordinance”). The Company’s shares are listed on GEM of the Stock Exchange.

The Group is principally engaged in (i) the exploration and exploitation of mines (“Mining Business”); and (ii) the provision of consultancy and software maintenance and development, e-commerce services as well as various investments in IT and innovation projects, including e-Sport tournament organiser, bio and nano new materials, IT startup fund and intelligent agricultural applications (“Other Business”).

The Mining Business includes exploration and exploitation of mines and processing and sale of the outputs from the mines in Xinjiang, the People’s Republic of China (“PRC”). Nickel-copper products are the main products sold under the Mining Business.

During the period from 1 April 2018 to 31 March 2019 (the “Reporting Period”), the Mining Business accounted for all of the Group’s turnover. This ESG Report covers the information and activities of our Mining Business for the year ended 31 March 2019.

This ESG Report highlights our approaches and strategies implemented in pursuit of sustainability during the Reporting Period. This ESG Report covers the performance and measures for sustainability of our Mining Business, unless otherwise specified. The content is in compliance with the applicable disclosure requirements of the Hong Kong Companies Ordinance and the ESG Reporting Guide under Appendix 20 to the GEM Listing Rules.

## Quality of Working Environment

### Employment (B1)

Employee remuneration and dismissal, recruitment and promotion, working hours, holidays, equal opportunities, diversification and other benefits and welfares are determined under the following policies and regulations:

1. Remuneration of employees is determined in accordance with the staff salaries management policy.
2. Employees are recruited, promoted and dismissed pursuant to the “Labour Law of the PRC” (《中華人民共和國勞動法》) and the “Labour Contract Law of the PRC” (《中華人民共和國勞動合同法》).
3. In order to better realise the potential of employees and strictly comply with the working hours and holidays required by the local laws, mining workers enjoy an eight-day paid rest days each month. Due to the special location nature of the mine, the employee leave policy is flexible. Employees can enjoy their rest days on a monthly basis or accumulate their rest days and take all the rest days in the middle of the year or at the end of the year.
4. We have defined employee recruitment control procedure so as employee recruitment is carried out under equal opportunities.

# Environmental, Social and Governance Report (Continued)

Year ended at 31 March 2019

## Quality of Working Environment (Continued)

### Employment (B1) (Continued)

5. Regarding the diversity of employees and other benefits and welfares, various welfares and benefits are provided to all the employees pursuant to the requirements as stipulated by local governments where our enterprises are located, including endowment insurance, medical insurance, unemployment insurance, work-related injury insurance, maternity insurance and housing provident funds which are equivalent to 19%–20%, 6%, 0.5%, 1.9%, 0.5% and 5% of the total monthly basic salary respectively.

Laws, regulations and relevant systems and requirements mentioned above were strictly followed with an aim to provide a favorable working environment for all of our employees.

For the year ended 31 March 2019, there was no violation of relevant codes, rules and regulations.

### Health and Safety (B2)

For the provision of a safe working environment and protecting employees from occupational hazards, we strictly complied with the “Work Safety Law of the PRC” (《中華人民共和國安全生產法》), the “Safety Regulations for Metal and Nonmetal Mines” (《金屬非金屬礦山安全規程》) and the “Code for Design of Nonferrous Metal Mining” (《有色金屬採礦設計規範》).

For the year ended 31 March 2019, there was no violation of relevant codes, rules and regulations.

For the year ended 31 March 2019, measures adopted on occupational health and safety and relevant implementation and supervisory methods were as follows:

1. In accordance with the protective articles distribution standards and the relevant provisions of the “Selection Rules of Articles for Labour Protection Use” (《勞動防護用品選用規則》), we distributed articles for labour protective use to employees. Employees’ daily operation complied with rules and regulation on safety production and the rules of use of articles for labour protection use in wearing and utilising the articles for labour protective use properly.
2. Arranging at least two occupational health checks for each employee (one before employment and one before loss of office).
3. The establishment of production facilities which meet hygiene standards. Timely distribution of national standard protective articles. Strict implementation of ventilation and dustproof management system, strengthening the management of ventilation to prevent dust, toxic and hazardous substances from harming human health.





## Quality of Working Environment (Continued)

### Health and Safety (B2) (Continued)

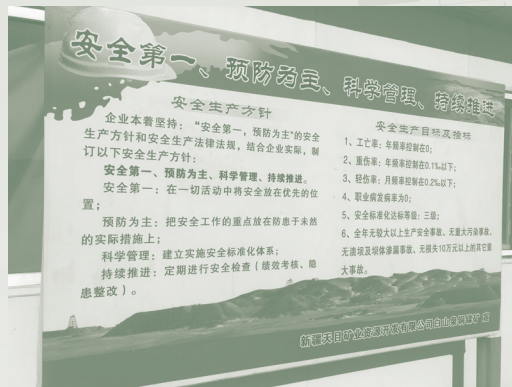
4. The establishment of the management system and other production-related systems, such as safety production management approach, job responsibility system, methods for rewards and punishment of safety production.
5. Designating specialised safety management personnel at all levels to perform safety management and inspection for the production environment, production equipment and facilities.
6. Designating safety supervisors to conduct safety checking for the mine and the selected plants at least once on a monthly basis, and organised monthly assessments for production units. The results of the assessments linked to the monthly performance-based wages of the units.

During the operation prior to the usual winter suspension in December 2018, an accident was caused by the misconduct of our outsourced contractors, causing two casualties who are staff of the contractors. The Group, together with the local government authorities, immediately responded and rendered help to the casualties.

For the year ended 31 March 2019, no working days was lost due to work injury of the Group's staff.

### Development and Training (B3)

To further enhance the employee's quality, to meet the development needs and to fully utilise the strengths of talents, talent cultivation and acquisition were treated as the only way to a strong enterprise, which help to create a favorable atmosphere of respecting knowledge and talent. We have clear rules on the employee re-education and training. We offer training sponsorship, payment of participation in work-related external training programs and tuition fees arising from professional or qualification examinations for employees who participate in self-study examinations, correspondence studies and obtain national recognised academic diplomas.



# Environmental, Social and Governance Report (Continued)

Year ended at 31 March 2019

## Quality of Working Environment (Continued)

### Development and Training (B3) (Continued)

For the year ended 31 March 2019, staff training mainly included:

Staff	Average training time (hours)	Number of participants
Person in charge	48	25
Safety & security staff	42	31
Loading machine driver	24	4
Electrician	48	2
Tailings worker	48	3
Welder	49	5

All mining workers received 15 minutes of safety rehearsal training every day before the start of work. This ensures their familiarity with the site operating environment and safe operation.

### Labour Standards (B4)

As for the prevention of child labour or forced labour, we have established recruitment control procedure for employees. During the recruitment process, the identity card is verified in order to eradicate false identity. We strictly complied with laws and regulations, including the “Labour Law of the PRC” (《中華人民共和國勞動法》), the “Labour Contract Law of the PRC” (《中華人民共和國勞動合同法》), “Law of the PRC on the Protection of Minors” (《中華人民共和國未成年人保護法》), “Order No. 619 of the State Council of Special Rules on the Labour Protection of Female Employees” (《女職工勞動保護特別規定(國務院令第619號)》), “Order No. 364 of the State Council of Provisions on the Prohibition of Using Child Labour” (《禁止使用童工規定(國務院令第364號)》).

The Group has fulfilled all its obligations to its employees and there was no labour disputes nor litigation during the year ended 31 March 2019.

## Environmental Protections

### Emissions (A1)

The wastes disposed under the Mining Business were mainly barren rocks, exhaust gas and dust. During the process of waste disposal, we mainly complied with the stipulations of relevant laws, regulations and policies, such as the “Environmental Protection Law of the PRC” (《中華人民共和國環境保護法》); “Order No. 11 of the State Environmental Protection Administration” (《國家環境保護總局令第11號》); the “Provision on the Administration of Prevention and Treatment of Environmental Pollution by Tailings” (《防治尾礦污染環境管理規定》); the “Regulations on the Administration of Environmental Protection of Construction Project” (《建設項目環境保護管理條例》); and the “Provision on Environmental Design for Metallurgy” (《冶金環境設計規定》).

We strictly complied with the stipulations of the aforementioned national laws, regulations and policies to improve the recycling and utilisation of the wastes and strive to reduce wastes disposal.

For the year ended 31 March 2019, there was no violation of relevant codes, rules and regulations.

# Environmental, Social and Governance Report (Continued)

Year ended at 31 March 2019

## Environmental Protections (Continued)

### Emissions (A1) (Continued)

For the year ended 31 March 2019, the Group disposed of barren rocks of approximately 23,118 tonnes (2018: 27,500 tonnes), representing a decrease of 4,382 tonnes as compared to 2018, which was attributable to that part of barren rocks generated were used to fill the wells of the mine instead of pulling to the surface. In addition, less ores were extracted during 2019 which also lead to less barren rocks generation. The Group disposed of dust of approximately 26,080 kg (2018: 83,276 kg), representing a decrease of 57,196 kg as compared to 2018. The reason was that part of 2019 ore production was prepared by some of the excavation work conducted in 2018. Therefore, the dust emission was relatively high in 2018. Less ore extraction activities in 2019 also gave rise to reduced dust emission. The Group disposed of exhaust gas of approximately 260.80 million m<sup>3</sup> (2018: 176.93 million m<sup>3</sup>), representing an increase of 83.87 million m<sup>3</sup> as compared to 2018. It was attributed to the increased difficulty in the mine extraction which lead to higher usage of explosives and higher volume of exhaust gas was generated.

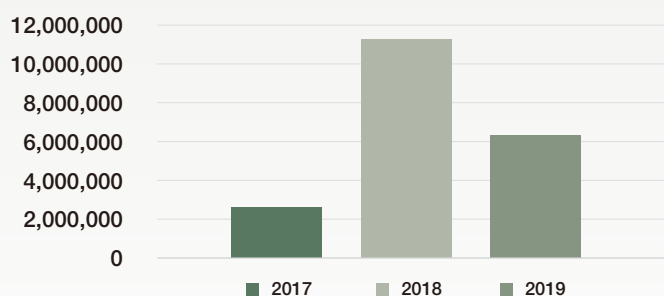
The measure for reducing disposal was to transform the process used in the processing plants. We have transformed the process to change the tailings disposal from wet mode to dry mode pursuant to relevant requirements. Through the use of dust reduction equipment, we have reduced the emission of dust which meet the requirements of the State. Moreover, in handling hazardous and non-hazardous wastes, after crushing and dry emission, the wastes are used for underground filling of mines, paving of roads or stored in the qualified tailing pond. Our safe disposal rate of industrial wastes reached 100% through the aforementioned measures.

In addition, we actively investing resources to engage relevant research institute to explore and develop new biotechnical technologies in applying to nickel-copper processing. The research is in the experimental stage. We hope that the new technology will replace or reduce the traditional processing which lead to less emissions.

### Use of Resources (A2)

For the year ended 31 March 2019, we consumed electricity of approximately 6,330,300 kWh (2018: 11,258,098 kWh), representing a decrease of 4,927,798 kWh as compared to 2018. The decrease in consumed electricity was attributable to the reduced production time in both nickel-copper processing plant and the mine. Also, the ceased production of the gold processing plant and Hongshannan Gold Mine in year of 2018 further reduced the electricity usage. Based on the production requirements of the mine and processing plants, we will suspend the idle transformers so as to reduce basic electricity cost and production cost.

Electricity Consumption (kWh)



# Environmental, Social and Governance Report (Continued)

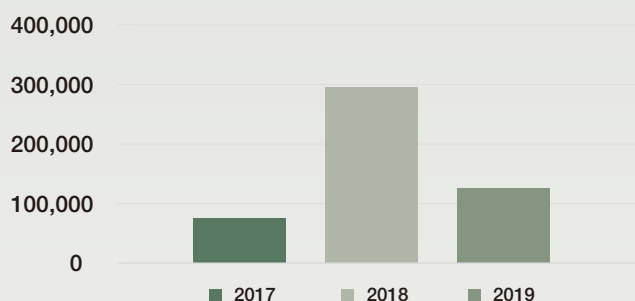
Year ended at 31 March 2019

## Environmental Protections (Continued)

### Use of Resources (A2) (Continued)

For the year ended 31 March 2019, we consumed water of approximately 125,457 m<sup>3</sup> (2018: 294,747 m<sup>3</sup>), representing a decrease of 169,290 m<sup>3</sup> as compared to 2018. The large decrease in water consumption was attributable to the reduced productivity of the nickel-copper processing plant. In addition, the cessation of production of the gold processing plant in year of 2018 further reduced the water consumption. We did not have problems in seeking appropriate water resources. The existing supply of water resources could satisfy our needs in respect of the guarantee of volume, quality and facilities of water supply.

Water Consumption (m<sup>3</sup>)



### The Environment and Natural Resources (A3)

According to the regulations on environmental protection and restoration and governance of mine production by the national competent department of environmental protection and department of land and resources, we have compiled the “Environmental Impact Assessment Report of Construction Projects” (《建設項目環境影響評價報告書》) and the “Proposal of Restoration, Governance and Protection of Mines Environment (with Reclamation)” (《礦山環境恢復治理保護方案(帶複墾)》), and, in the construction, completion and production stages, in strict accordance with the “three simultaneous” requirements. In other words, the pollution preventive measures of the construction project and the main project must be designed, constructed and operated at the same time. Before the commencement of operation or use of the construction project, facilities to prevent and control pollution must be inspected and accepted by environmental protection department which has approved the original report on the environmental impact.

For the year ended 31 March 2019, the following management actions had been taken:

1. Mines and processing plants carried out production in accordance with the requirement of the “Environmental Impact Assessment Report of Construction Project” (《建設項目環境影響評價報告書》) and has completed construction acceptance. The acceptance approval has been obtained from the state competent department.
2. The construction of the tailings pond of the processing plant has attained Level-3 Standard and has passed the acceptance inspection. Acceptance approval has been obtained from the state competent department.

# Environmental, Social and Governance Report (Continued)

Year ended at 31 March 2019

## Environmental Protections (Continued)

### The Environment and Natural Resources (A3) (Continued)

3. The major environmental impacts of mine production are the accumulation of mining barren rocks, the covering or damage of the original land form, and the pollution due to domestic sewage and other emissions. According to the requirements of the “Proposal of Restoration, Governance and Protection of Mines Environment (with Reclamation)” (《礦山環境恢復治理保護方案(帶複墾)》), we have used the mining barren rock for underground filling of mines with the remaining barren rock stockpiled in the same areas. In accordance with the requirements of the “Environmental Impact Assessment Report of Construction Project” (《建設項目環境影響評價報告書》), we have established garbage pools, public toilets and other facilities in the living area for garbage and wastes collection and classification, with regular treatment.

## Operating Practices

### Anti-corruption (B7)

We established corresponding management systems in compliance with the relevant national laws, regulations and requirements with reference to the actual situation. These systems are formulated to prevent the occurrence of illegal and criminal activities such as bribery, extortion, fraud and money laundering.

Senior management personnel and relevant departments jointly set up a bidding group. In order to prevent the above illegal activities, the bidding group reviews the bidding process involved in all the bulk material procurement, construction projects execution and major investment projects, and monitors, inspects and manages the contract joint signing system.

If employees identified violations of national laws and regulations in the production and business activities, they can report to the senior management personnel or other disciplinary departments. We shall investigate and verify the suspected case. According to the investigation results, the case will be dealt with in accordance with rules and regulations. For serious violation of national laws and regulations with huge sum, we will refer the case to the judicial authority for handling in accordance with the laws.

We have established a whistleblowing system which is open to all employees for supervision and whistle-blowing on illegal and criminal activities such as bribery, extortion, fraud and money laundering. Employees may report to the Chairman of the Board and the Chairlady of the Audit Committee.

For the year ended 31 March 2019, we had not received any report on illegal and criminal activities such as bribery, extortion, fraud and money laundering in the Group.

For the year ended 31 March 2019, the Group did not have any illegal and criminal case of bribery, extortion, fraud and money laundering.

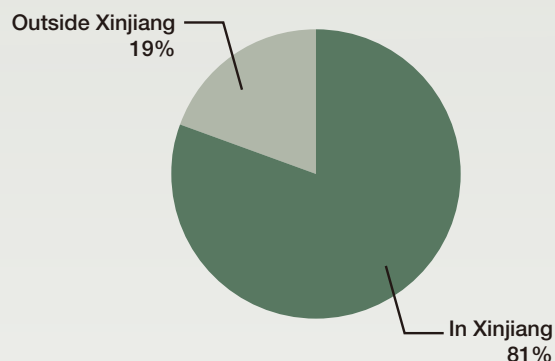


## Operating Practices (Continued)

### Supply Chain Management (B5)

Our suppliers provide various types of products, but with different production quality. There are 109 suppliers, of which 88 located in Xinjiang and 21 located outside Xinjiang. We adopted both normal price enquiry and review approach and tender approach for all procurement. We strictly comply with the management system. For each type of materials, the Operating Department nominates two to three suppliers and forms a Supplier Selection Team, which consists of the Operating Department, Production Department and Finance Department. Supply cooperation agreements are signed with the selected suppliers, which specifically stipulated the rights and obligations of both parties and the mutually benefited terms of cooperation. We regularly visit, communicate with and investigate suppliers to understand their types of materials and their credibility. We may appraise the supplier on a regular or irregular basis. The suitability, quality and price of the supplier's products will be evaluated. Supply cooperation agreements will be terminated if the suppliers fail to meet our requirements. We use parts and material from original factory when substitutes are not available in the market in order to maintain production quality. When substitutes are available in the market, we adopt the normal price enquiry and review approach in order to select the best value suppliers. We adopt tendering approach for large amount procurement or construction projects.

SUPPLIER DISTRIBUTION



### Product Responsibilities (B6)

Nickel-copper ores, nickel concentrate, copper concentrate and raw materials of minerals are the main products we sold.

The sale of nickel-copper ores, nickel concentrate and copper concentrate is determined with reference to the metal quantities converted according to the analytical grade of the products received by customers. Such transactions are settled based on the quoted price of the Shanghai Metals Market at the current month, the applicable average prices of electrolytic nickel and electrolytic copper at the current month and the price coefficient agreed in the sales contract.

As per the agreement/sales contract, both purchaser and supplier conduct checking and analysis of the product with arbitration samples retained. In the event of any dispute, the two parties may send the arbitration samples to the national recognised testing unit for analysis and for handling based on its results. Finally, settlement takes place according to the analysis results and transaction price.

For the year ended 31 March 2019, there was no complaint nor product recall due to quality or impact on health for our products.

# Environmental, Social and Governance Report (Continued)

Year ended at 31 March 2019

## Community Involvement

### Community Investment (B8)

The Group bears its social and community responsibilities and obligations in mind and devoted to social welfare activities. We are also committed to creating jobs in the areas in which we operate to help the local people developing their career and enhance the overall local workforce. We strive to promote social development and improvement, and also encourage and support employees to contribute to local and national charity work through donations or participating in charitable work.

In August 2018, heavy rain and adverse weather condition caused serious flooding in Hami area of Xinjiang. In view of the Group's social responsibilities, we have encouraged and gathered our staff to participate in the disaster rescue team and provided resources to facilitate the rescue. In addition, we encouraged our staff to participate in blood donation in giving back to the society.

## Directors' Report

The Directors present their annual report and the audited consolidated financial statements for the year ended 31 March 2019.

The principal activity of the Company is investment holding.

The principal activities of the Company's principal subsidiaries are set out in note 36 to the consolidated financial statements.

### Business Review

#### 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 are set out in the Management Discussion and Analysis on pages 4 to 11. 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 Hong Kong Companies Ordinance 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.

#### Mining Business

##### (i) Metal Prices

There are various factors that can affect the copper and nickel prices and demand in the international markets, including uncertainty in global political stability and social situation and global economy. Any of these uncertainty factors may result in fluctuation of the commodity prices and it is impossible to predict copper and nickel price movements in the future. It is reasonable to expect increasing uncertainty under the trade war. 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 production system flexibility 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 dollars 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.

## Directors' Report (Continued)

### Business Review (Continued)

#### Mining Business (Continued)

##### (ii) Currency Risks (Continued)

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.

##### (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.

## Directors' Report (Continued)

### Business Review (Continued)

#### Mining Business (Continued)

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

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.

There are inherent risk associated with the development of mining properties. 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.

##### (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 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.



## Directors' Report (Continued)

### Business Review (Continued)

#### Mining Business (Continued)

##### (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 or 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.

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, may 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 more 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, 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 in order to retain competent staff. The Group provides competitive remuneration package to retain their services.

## Directors' Report (Continued)

### Business Review (Continued)

#### Other Business

##### (i) Business Risks

The Group 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. The risks are mitigated through continual reviews of market trends, including hardware changes, software updates and emerging technologies. We also commit to innovate and build a broad coverage on various operating environment.

#### 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 and is aware of the potential impact that its subsidiary companies may have on the environment.

The Group closely monitors the evolving environmental legislation, adopts measures to enhance environmental sustainability and ensures that it and its subsidiaries comply with the local regulatory requirements with regard to the environment.

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

For the year ended 31 March 2019, the Group endeavored to enhance safety and environmental protection by adhering to targets such as “zero work casualty, zero environmental incident”, energy conservation and emission reduction, etc. It also made efforts to serve and help develop local communities. More details are set out in the “Environmental Protections” section of Environmental, Social and Governance Report on pages 30 to 33, which form part of this Directors' Report.

## Directors' Report (Continued)

### Business Review (Continued)

#### 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 144. The summary does not form part of the audited consolidated financial statements.

#### 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. During the year, there was no revenue generated from software business for the Group. The Group also ceased the gold production and selling after the exhaustion of the Hongshannan Gold Mine in the previous financial year. As a result, the number of KPIs presented reduced to eight. The underlying data are sourced from internal company records.

KPIs	For the year ended 31 March		
	2019	2018	
<i>The Group</i>			
1. EBITDA	HK\$'000	<b>9,099</b>	56,661
2. Operating cash flow per share	HK cents	<b>0.24</b>	2.25
3. (Loss)/earnings per share – basic and diluted	HK cents	<b>(0.99)</b>	0.07
4. Current ratio	times	<b>1.96</b>	2.70
5. Gearing ratio	%	<b>15.08</b>	8.42
<i>Mining Business</i>			
6. Nickel-copper ores extracted	tonnes	<b>109,108</b>	142,312
7. Cash cost per tonne of nickel-copper ores extracted	HK\$	<b>288</b>	204
8. Cash production per tonne of nickel-copper ores processed	HK\$	<b>180</b>	114

## Business Review (Continued)

### Financial Key Performance Indicators (Continued)

#### 1. **EBITDA**

The EBITDA of the Group decreased by HK\$47.6 million from approximately HK\$56.7 million for the year ended 31 March 2018 to approximately HK\$9.1 million for the year ended 31 March 2019. The decrease was mainly attributed by the decrease in sales of nickel-copper ores from 24,520 tonnes in last year to 13,090 tonnes in current year, the sales of nickel concentrate of 8,162 tonnes (2018: 17,782 tonnes) and copper concentrate of 553 tonnes (2018: 2,087 tonnes) in current year, as well as no revenue from gold sales in 2019 (2018: HK\$34.8 million).

Relevance to Strategy: It stands for earnings before interest income and expense, income taxes, depreciation, amortisation, written-off of property, plant and equipment, fair value changes on financial instrument and investment properties, impairment loss on mining assets and interests in associates. 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.

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

The operating cash flow per share decreased to cash outflow of HK cents 0.24 per share for the year ended 31 March 2019 (2018: cash inflow of HK cents 2.25). The decrease was mainly due to increase in inventory level during 2019 and decrease in profit in current year.

Relevance to Strategy: It is the cash generated from or utilised 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)/earnings per share – basic and diluted**

The basic and diluted loss per share increased to HK cents 0.99 for the year ended 31 March 2019 (2018: earnings per share of HK cents 0.07). The increase of loss per share was mainly due to the decrease in revenue for the year ended 31 March 2019 and increase in impairment loss on mining assets and written-off of property, plant and equipment of HK\$59.8 million.

Relevance to Strategy: It is calculated by dividing the profit/(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 decreased from 2.70 as at 31 March 2018 to 1.96 as at 31 March 2019. The decrease in current ratio was mainly due to decrease in cash level resulted from the usage of part of cash for investment in associates of the Group during the year ended 31 March 2019.

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.

## Directors' Report (Continued)

### Business Review (Continued)

#### Financial Key Performance Indicators (Continued)

##### 5. Gearing ratio

The gearing ratio increased from 8.42% as at 31 March 2018 to 15.08% as at 31 March 2019. The increase in gearing ratio was mainly due to the increase of borrowing from related companies and the effect of increase was partially offset by the repayment of the promissory note.

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. Nickel-copper ore extracted

The nickel-copper ore extraction decreased by 33,204 tonnes to 109,108 tonnes for the year ended 31 March 2019 (2018: 142,312 tonnes). The decrease was mainly due to delay in resumption of mine operation to cope with the dumping of ores from Russia, the extraction suspension caused by serious flooding during the September 2018. The stringent safety and security policies also decrease the pace of extraction.

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

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

The cash cost per tonne of nickel-copper ores extracted increased 41% to HK\$288 per tonne (2018: HK\$204 per tonne). The raise was due to increase in the ore extraction difficulties encountered during the year which lead to higher extraction cost. Meanwhile, the extraction level in current year was less than economies of scale achieved last 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.

##### 8. Cash production cost per tonne of nickel-copper ore processed

The cash production cost per tonne of nickel-copper ores processed increased by 58% to HK\$180 per tonne (2018: HK\$114 per tonne). The quality of the nickel-copper ore extracted was lower for the year which lead to higher processing cost in processing the ores into marketable concentrates. Also, with less ore extracted during the year, the processing plant operated at a level less than the economies of scale achieved in last year.

Relevance to Strategy: It is calculated by dividing the aggregate cash cost by nickel-copper ores quantity processed. It is used to monitor the efficiency of the production.

## Directors' Report (Continued)

### Business Review (Continued)

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

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

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.

For the Mining Business, the top two customers are large enterprises located in Gansu. We maintained stable relationship with our largest customer since 2014. Meanwhile, during the year ended 2019, the Group has acquired new customers which subsequently became one of our top two customers. All the trade receivables from them have been fully collected and no provision is necessary for the year ended 31 March 2019.

The Group puts strong emphasis on the reliability of suppliers to meet our needs. The Group maintain a stable relationship with the suppliers. The Group's practice of making prompt payments to them benefited us for enjoying better service and maintaining long term relations with the suppliers.

During the year, approximately 100% (2018: 99%) and approximately 57% (2018: 64%) of the Group's total sales were attributable to the Group's five largest customers and largest customer respectively.

During the year, approximately 49% (2018: 38%) and approximately 14% (2018: 12%) of the Group's total purchases were attributable to the Group's five largest suppliers and largest supplier respectively.

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 33 to the consolidated financial statements.

##### (iii) Competing Interest

Mr. Felipe Tan holds shareholding and directorship in GobiMin. Its subsidiaries are principally engaged in investment in equity, debt or other securities as well as direct ownership stakes in projects, including the development of mineral properties, mainly in Xinjiang, PRC. All of its mineral properties 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 is considered to have interests in business which might compete, either directly or indirectly with the businesses of the Group.



## Directors' Report (Continued)

### Business Review (Continued)

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

##### (iii) **Competing Interest (Continued)**

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

##### (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 2019, the Group employed a total staff of 124. Staff remuneration is reviewed by the management of 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. The Group also concerns on work safety to the employees. During the year ended 31 March 2019, there was no serious work safety issue on our Group's employees. Certain employees have worked for the Group for over 10 years. During the operation prior to the suspension in December 2018, an accident was caused by the misconduct of our outsourced contractors, causing two casualties who are staff of the contractors. The Group, together with the local government authorities, immediately responded and rendered help to the casualties.

## 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 56.

The Directors do not recommend the payment of dividend nor transfer of any amount to reserves (2018: nil).

### Share Capital

Details of the movement in share capital of the Company during the year are set out in note 31 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 58 and note 41 to the consolidated financial statements, respectively.

The Company had no reserves available for distribution to shareholders as at 31 March 2019 (2018: nil).

## Directors' Report (Continued)

### General Information (Continued)

#### Property, Plant and Equipment

Details of the movements in property, plant and equipment of the Group during the year are set out in note 11 to the consolidated financial statements.

#### Directors and Directors' Service Contracts

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

*Executive Directors:*

Felipe TAN (*Chairman*)  
LAU Yun Fong Carman

*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 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.

Other than the existing Directors named above, the following persons were the directors of the subsidiaries undertakings during the financial year ended 31 March 2019 or during the period beginning on 1 April 2018 and ending on the date of this report:

- |    |                      |    |              |
|----|----------------------|----|--------------|
| 1. | HAN Zhaoju           | 6. | LIN Ka Man   |
| 2. | HU Caixia            | 7. | TAN Qingfeng |
| 3. | KO Yuen Kwan         | 8. | Ronald TAN   |
| 4. | LAM Kai Ling Vincent | 9. | ZHU Jing     |
| 5. | LI Jianping          |    |              |

#### 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 Hong Kong Companies Ordinance when this report prepared by the Directors is approved in accordance with section 391 of the Hong Kong Companies Ordinance.

## Directors' Report (Continued)

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

As at 31 March 2019, 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:

#### Long positions

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

Name of Director	Number of ordinary shares held in the capacity of			
	Beneficial owner	Controlled corporation	Total number of shares	Percentage of shareholding
<b>Executive Directors</b>				
Felipe TAN	158,128,000	678,074,400*	836,202,400	29.73%
<b>Independent Non-Executive Directors</b>				
CHAN Choi Ling	1,200,000	–	1,200,000	0.04%
CHAN Mei Ying Spencer	1,800,000	–	1,800,000	0.06%
LAM Kwai Yan	1,200,000	–	1,200,000	0.04%

\* These shares were held by Starmax which is beneficially owned by Mr. Felipe Tan. By virtue of the SFO, Mr. Felipe Tan is deemed to have interests in the shares held by Starmax.

## Directors' Report (Continued)

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

#### Long positions (Continued)

#### (b) Interests in shares of associated corporation 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	49%
	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%
	新疆天目礦業資源開發有限公司 Xinjiang Tianmu Mineral Resources Development Co. Ltd.	Interest of controlled corporation	RMB36,000,000	51%

## Directors' Report (Continued)

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

#### Long positions (Continued)

#### (c) 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 2013 share option schemes were as follows:

Name of Directors	Date of grant	Vesting and Exercisable period	Exercise price per share HK\$	Number of share options and underlying shares					
				Outstanding at 1.4.2018	During the year				Outstanding at 31.3.2019
					Granted	Exercised	Cancelled	Lapsed	
<b>Executive Directors</b>									
Felipe TAN	02.03.2017	02.03.2017 – 01.03.2027	0.1080	2,000,000	-	-	-	-	2,000,000
LAU Yun Fong Carman	03.10.2013	03.10.2013 – 02.10.2023	0.1435	2,075,676	-	-	-	-	2,075,676
	17.02.2014	17.02.2014 – 16.02.2024	0.1329	415,135	-	-	-	-	415,135
	02.03.2017	02.03.2017 – 01.03.2027	0.1080	1,000,000	-	-	-	-	1,000,000
<b>Independent Non-Executive Directors</b>									
CHAN Choi Ling	02.03.2017	02.03.2017 – 01.03.2027	0.1080	1,000,000	-	-	-	-	1,000,000
CHAN Mei Ying Spencer	02.03.2017	02.03.2017 – 01.03.2027	0.1080	1,000,000	-	-	-	-	1,000,000
LAM Kwai Yan	02.03.2017	02.03.2017 – 01.03.2027	0.1080	1,000,000	-	-	-	-	1,000,000
TSANG Wai Chun Marianna	02.03.2017	02.03.2017 – 01.03.2027	0.1080	1,000,000	-	-	-	-	1,000,000
				9,490,811	-	-	-	-	9,490,811

## 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, as at 31 March 2019, 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 2019, 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 2019
Starmax Holdings Limited*	678,074,400	–	678,074,400	24.11%

\* Starmax is beneficially owned 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 2019.

### Share Options

Details of the Company's share option schemes adopted on 28 April 2003 and 25 September 2013 are set out in note 33 to the consolidated financial statements. The total number of shares available for issue under the share option scheme adopted on 25 September 2013 is 99,574,203 shares, representing 3.5% of the issued share capital of the Company as at the date of this annual report.

### 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 40 to the consolidated financial statements for the year ended 31 March 2019 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 14 to 26.

### 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

**TIMELESS SOFTWARE LIMITED**

**Felipe Tan**

*Chairman*

Hong Kong, 21 June 2019

# 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)*

### Opinion

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 56 to 142, which comprise the consolidated statement of financial position as at 31 March 2019, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

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

### Basis for Opinion

We conducted our audit in accordance with Hong Kong Standards on Auditing (“HKSAs”) issued by the HKICPA. Our responsibilities under those standards are further described in the *Auditors’ responsibilities for the audit of the consolidated financial statements* section of our report. We are independent of the Group in accordance with the HKICPA’s *Code of Ethics for Professional Accountants* (the “Code”), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

# Independent Auditors' Report (Continued)

## Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

### Key audit matters

### How our audit addressed the key audit matters

#### Impairment assessment of mining right on nickel-copper mining

Refer to key sources of estimation uncertainty in note 4 and the disclosures of mining right on nickel-copper mining in note 13 to the consolidated financial statements.

As at 31 March 2019, the Group has mining right on nickel-copper mining of approximately HK\$109,540,000.

For the purpose of assessing impairment, mining right on nickel-copper mining was allocated to cash-generating unit ("CGU"), and the recoverable amount of the CGU was determined by management based on value-in-use calculation using cash flow projection. In carrying out the impairment assessment, significant management judgement was used to appropriately identify of CGU and to determine the key assumptions, including production scale, mining costs, nickel-copper prices and discount rate, underlying the value-in-use calculation.

Our audit procedures included:

- assessing management's identification of CGU based on the Group's accounting policies and understanding of the Group's business;
- assessing value-in-use calculation methodology adopted by management;
- assessing the reasonableness of key assumptions (including production scale, mining costs, nickel-copper prices and discount rate) based on our knowledge of the business and industry and using valuation expert; and
- checking the mathematical accuracy of the value-in-use calculation in the management's impairment assessment.

## Other Information

The directors of the Company are responsible for the other information. The other information comprises the information included in the annual report, but does not include the consolidated financial statements and our auditors' report thereon.

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

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

## Independent Auditors' Report (Continued)

### Responsibilities of Directors for the Consolidated Financial Statements

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

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The directors of the Company are assisted by the Audit Committee in discharging their responsibilities for overseeing the Group's financial reporting process.

### Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

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

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

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

## Independent Auditors' Report (Continued)

### Auditors' Responsibilities for the Audit of the Consolidated Financial Statements (Continued)

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement director on the audit resulting in this independent auditors' report is Mr. Kwok Kin Leung.

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

*Certified Public Accountants*

#### **Kwok Kin Leung**

Practising Certificate Number: P05769

Hong Kong, 21 June 2019

# Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 March 2019

	Notes	2019 HK\$'000	2018 HK\$'000
Revenue	5	78,154	174,172
Other income and gains		3,358	3,740
Production costs		(58,548)	(123,827)
Staff costs		(10,940)	(13,778)
Depreciation and amortisation		(2,972)	(4,225)
Other expenses		(13,110)	(19,713)
Loss on disposal/written-off of property, plant and equipment	11	(3,724)	(2,732)
Impairment loss on mining assets	13	(56,045)	–
Impairment loss on interests in associates	14	(7,835)	–
Loss arising on change in fair value of held-for-trading investments	22	–	(53)
Fair value gain on investment properties	12	90	1,208
Fair value changes on financial assets at fair value through profit or loss	17	6,315	–
Fair value changes on financial assets designated as at fair value through profit or loss	15	–	2,825
Gain on disposal of an associate	14	–	3,057
Finance costs	6	(502)	(368)
Share of loss of associates	14	(3,920)	(2,177)
Impairment loss on amount due from an associate	14	(740)	–
(Loss)/profit before tax		(70,419)	18,129
Income tax credit/(expense)	8	3,660	(4,111)
(Loss)/profit for the year	9	(66,759)	14,018
<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		(14,569)	28,779
Reclassification adjustment on reserves released upon disposal of an associate		–	(1,534)
Share of exchange differences of associates	14	–	270
Share of other comprehensive expense of associates	14	–	(1,581)
Other comprehensive (expense)/income for the year, net of income tax		(14,569)	25,934
<b>Total comprehensive (expense)/income for the year</b>		<b>(81,328)</b>	<b>39,952</b>
(Loss)/profit attributable to:			
Owners of the Company		(27,785)	2,002
Non-controlling interests		(38,974)	12,016
		(66,759)	14,018
Total comprehensive (expense)/income attributable to:			
Owners of the Company		(31,575)	6,597
Non-controlling interests		(49,753)	33,355
		(81,328)	39,952
		HK cents	HK cents
<b>(Loss)/earnings per share</b>			
– Basic and diluted	10	(0.99)	0.07



# Consolidated Statement of Financial Position

At 31 March 2019

	Notes	2019 HK\$'000	2018 HK\$'000
<b>Non-current assets</b>			
Property, plant and equipment	11	14,895	34,552
Investment properties	12	10,290	10,200
Other intangible assets	13	109,540	186,208
Interests in associates	14	39,357	292
Other financial asset	15	–	10,625
Financial assets at fair value through profit or loss	17	17,804	–
Prepaid lease payments	16	6,313	6,925
Deposits	18	23,720	29,234
Land rehabilitation costs	19	2,275	2,813
		<b>224,194</b>	<b>280,849</b>
<b>Current assets</b>			
Inventories	20	20,112	6,459
Prepaid lease payments	16	233	245
Trade and other receivables	21	1,312	9,299
Held-for-trading investments	22	–	3,044
Financial assets at fair value through profit or loss	17	2,957	–
Bank balances and cash	23	41,579	133,585
		<b>66,193</b>	<b>152,632</b>
<b>Current liabilities</b>			
Trade and other payables	24	11,655	13,365
Contract liabilities		77	–
Dividends payable to non-controlling interests		4,410	29,619
Promissory note	25	–	10,266
Provision for land rehabilitation	26	2,348	2,490
Obligations under finance leases	27	271	256
Loan from related companies	28	15,000	–
Current tax liabilities		–	622
		<b>33,761</b>	<b>56,618</b>
<b>Net current assets</b>		<b>32,432</b>	<b>96,014</b>
<b>Total assets less current liabilities</b>		<b>256,626</b>	<b>376,863</b>
<b>Non-current liabilities</b>			
Amount due to a non-controlling interest	29	891	891
Provision for land rehabilitation	26	6,872	7,291
Obligations under finance leases	27	–	271
Deferred tax liabilities	30	15,930	28,828
		<b>23,693</b>	<b>37,281</b>
<b>Net assets</b>		<b>232,933</b>	<b>339,582</b>
<b>Capital and reserves</b>			
Share capital	31	906,074	906,074
Reserves	32	(798,917)	(767,342)
Equity attributable to owners of the Company		<b>107,157</b>	<b>138,732</b>
Non-controlling interests		<b>125,776</b>	<b>200,850</b>
<b>Total equity</b>		<b>232,933</b>	<b>339,582</b>

The consolidated financial statements were approved and authorised for issue by the board of directors on 21 June 2019 and are signed on its behalf by:

**Felipe Tan**  
Director

**Lau Yun Fong Carman**  
Director

# Consolidated Statement of Changes in Equity

For the year ended 31 March 2019

	Share capital	Share options reserve	General reserve	Investment revaluation reserve	Property revaluation reserve	Translation reserve	Accumulated deficit	Attributable to owners of the Company	Non-controlling interests	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Balance at 1 April 2017	906,074	2,778	647	1,631	964	(6,119)	(773,840)	132,135	217,250	349,385
Profit for the year	-	-	-	-	-	-	2,002	2,002	12,016	14,018
Other comprehensive income/ (expense) for the year	-	-	-	(1,631)	-	6,226	-	4,595	21,339	25,934
Total comprehensive income/ (expense) for the year	-	-	-	(1,631)	-	6,226	2,002	6,597	33,355	39,952
Release of reserve upon share options cancelled	-	(710)	-	-	-	-	710	-	-	-
Capital injection from a non-controlling interest	-	-	-	-	-	-	-	-	109	109
Dividends distributed to non-controlling interests	-	-	-	-	-	-	-	-	(49,864)	(49,864)
Balance at 31 March 2018	906,074	2,068	647	-	964	107	(771,128)	138,732	200,850	339,582
Loss for the year	-	-	-	-	-	-	(27,785)	(27,785)	(38,974)	(66,759)
Other comprehensive expense for the year	-	-	-	-	-	(3,790)	-	(3,790)	(10,779)	(14,569)
Total comprehensive expense for the year	-	-	-	-	-	(3,790)	(27,785)	(31,575)	(49,753)	(81,328)
Release of reserve upon share options lapsed	-	(44)	-	-	-	-	44	-	-	-
Capital injection from a non-controlling interest	-	-	-	-	-	-	-	-	2	2
Transfer to general reserve	-	-	503	-	-	-	(503)	-	-	-
Dividends distributed to non-controlling interests	-	-	-	-	-	-	-	-	(25,323)	(25,323)
<b>Balance at 31 March 2019</b>	<b>906,074</b>	<b>2,024</b>	<b>1,150</b>	<b>-</b>	<b>964</b>	<b>(3,683)</b>	<b>(799,372)</b>	<b>107,157</b>	<b>125,776</b>	<b>232,933</b>

# Consolidated Statement of Cash Flows

For the year ended 31 March 2019

	2019 HK\$'000	2018 HK\$'000
<b>Cash flows from operating activities</b>		
(Loss)/profit before tax	(70,419)	18,129
Adjustments for:		
Interest income	(1,569)	(2,145)
Interest expense	502	368
Dividend income	(750)	–
Share of loss of associates	3,920	2,177
Gain on disposal an associate	–	(3,057)
Depreciation and amortisation	22,359	35,051
Loss on disposal/written-off of property, plant and equipment	3,724	2,732
Impairment loss on mining assets	56,045	–
Impairment loss on interests in associates	7,835	–
Fair value changes on financial assets designated as at fair value through profit or loss	–	(2,825)
Fair value gain on investment properties	(90)	(1,208)
Fair value changes on financial assets at fair value through profit or loss	(6,315)	–
Impairment loss on amount due from an associate	740	–
	<b>15,982</b>	<b>49,222</b>
Movements in working capital:		
(Increase)/decrease in inventories	(11,938)	18,516
Decrease in trade and other receivables	7,454	6,616
Decrease in deposits	3,829	–
Increase in held-for-trading investments	–	(3,044)
Decrease in trade and other payables	(721)	(1,029)
Decrease in contract liabilities	(194)	–
	<b>14,412</b>	<b>70,281</b>
Cash generated from operations	(7,550)	(7,074)
Income taxes paid		
Net cash generated by operating activities	<b>6,862</b>	<b>63,207</b>
<b>Cash flows from investing activities</b>		
Interest received	1,569	2,139
Addition to interests in associates	(51,660)	–
Addition to prepaid lease payments	(20)	–
Dividends received	750	–
Increase in a convertible loan note	(777)	–
Payments for property, plant and equipment	(55)	(863)
Proceed for disposal of an associate	100	6,717
Purchase for other financial assets	–	(7,800)
Proceed from disposal of property, plant and equipment	33	–
	<b>(50,060)</b>	<b>193</b>
Net cash (used in)/generated by investing activities		
<b>Cash flows from financing activities</b>		
Repayment of promissory note	(10,266)	(10,000)
Loans from related companies	15,000	–
Increase in amount due to a non-controlling interest	–	891
Capital contribution from a non-controlling interest	2	–
Interest paid	(502)	(634)
Repayments of obligation under finance lease	(256)	(240)
Dividends paid to non-controlling interests	(48,832)	(27,403)
	<b>(44,854)</b>	<b>(37,386)</b>
Net cash used in financing activities		
<b>Net (decrease)/increase in cash and cash equivalents</b>	<b>(88,052)</b>	<b>26,014</b>
<b>Cash and cash equivalents at the beginning of year</b>	<b>133,585</b>	<b>102,086</b>
Effect of foreign exchange rate changes	(3,954)	5,485
	<b>41,579</b>	<b>133,585</b>
<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	<b>41,579</b>	<b>133,585</b>

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2019

## 1. General

Timeless Software Limited (the “Company”) is a public limited company incorporated in Hong Kong and its shares are listed on GEM 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 principal activity of the Company is investment holding. The principal activities of the Company’s principal subsidiaries are set out in note 36.

These consolidated financial statements are presented in Hong Kong dollars (“HK\$”), which is the same as the functional currency of the Company.

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

### New and amendments to HKFRSs that are mandatorily effective for the current year

The Company and its subsidiaries (collectively the “Group”) have applied the following new and amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) for the first time in the current year:

HKFRS 9	<i>Financial Instruments</i>
HKFRS 15	<i>Revenue from Contracts with Customers</i>
HK(IFRIC)-Int 22	<i>Foreign Currency Transactions and Advance Consideration</i>
Amendments to HKFRS 2	<i>Classification and Measurement of Share-based Payment Transactions</i>
Amendments to HKFRS 4	<i>Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts</i>
Amendments to HKFRS 15	<i>Classification to HKFRS 15</i>
Amendments to HKAS 28	<i>As part of the Annual Improvements to HKFRSs 2014–2016 Cycle</i>
Amendments to HKAS 40	<i>Transfers of Investment Property</i>

Except as described below, the application of the new and amendments to HKFRSs in the current year has had no material impact on the Group’s financial performance and positions for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

### 2.1 HKFRS 9 *Financial Instruments*

In the current year, the Group has applied HKFRS 9 *Financial Instruments* and the related consequential amendments to other HKFRSs. HKFRS 9 introduces new requirements for (i) the classification and measurement of financial assets and financial liabilities, (ii) expected credit losses (“ECL”) for financial assets and (iii) general hedge accounting.

The Group has applied HKFRS 9 in accordance with the transition provisions set out in HKFRS 9, i.e. applied the classification and measurement requirements (including impairment under ECL model) retrospectively to instruments that have not been derecognised as at 1 April 2018 (date of initial application) and has not applied the requirements to instruments that have already been derecognised as at 1 April 2018. The difference between carrying amounts as at 31 March 2018 and the carrying amounts as at 1 April 2018 are recognised in the opening accumulated deficit without restating comparative information.

## Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 March 2019

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

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

Accordingly, certain comparative information may not be comparable as comparative information was prepared under HKAS 39 *Financial Instruments: Recognition and Measurement* (“HKAS 39”).

Accounting policies resulting from application of HKFRS 9 are disclosed in note 3.

#### Summary of effects arising from initial application of HKFRS 9

##### *Classification of financial assets and financial liabilities*

HKFRS 9 categorises financial assets into three principal classification categories: measured at amortised cost, at fair value through other comprehensive income (“FVTOCI”) and at fair value through profit or loss (“FVTPL”). These supersede HKAS 39’s categories of held-to-maturity investments, loans and receivables, available-for-sale financial assets and financial assets measured at FVTPL. The classification of financial assets under HKFRS 9 is based on the business model under which the financial asset is managed and its contractual cash flow characteristics.

The following illustrates the classification and measurement of financial assets and financial liabilities and other items subject to ECL under HKFRS 9 and HKAS 39 at the date of initial application, 1 April 2018.

	Notes	HKAS 39 measurement		HKFRS 9 measurement		
		Category	Amount HK\$'000	Re- classification HK\$'000	Amount HK\$'000	Category
<b>Financial assets</b>						
Deposits	(c)	L&R	29,234	–	29,234	AC
Other financial asset	(a)	FVTPL	10,625	(10,625)	–	N/A
Financial assets included in trade and other receivables	(c)	L&R	9,299	–	9,299	AC
Held-for-trading investments	(b)	FVTPL	3,044	(3,044)	–	N/A
Financial assets at fair value through profit or loss	(a), (b)	N/A	–	13,669	13,669	FVTPL
Bank balances and cash		L&R	133,585	–	133,585	AC

#### Category

L&R: Loans and receivables  
 AC: Financial assets at amortised cost  
 FVTPL: Financial assets at fair value through profit or loss

# Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 March 2019

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

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

#### Summary of effects arising from initial application of HKFRS 9 (Continued)

a. *Financial assets at FVTPL and/or designated as at FVTPL*

At the date of initial application, the Group no longer applied designation as measured at FVTPL for the other financial asset (Note 15) as this financial asset is required to be measured at FVTPL under HKFRS 9. As a result, this investment of approximately HK\$10,625,000 were reclassified from financial assets designated as at FVTPL to financial assets at FVTPL.

b. *Held-for-trading investments*

The Group has reassessed its investments in listed debt securities classified as held-for-trading under HKAS 39 as if the Group had purchased these investments at the date of initial application. Based on the facts and circumstances as at the date of initial application, the Group’s investments amounting to approximately HK\$3,044,000 were held for trading and continued to be measured at FVTPL.

c. *At amortised cost*

Under HKFRS 9, the classification for the Group’s financial assets, including deposits, trade and other receivables, bank balances and cash, and financial liabilities, including trade and other payables, dividends payable to non-controlling interests, promissory note, obligations under finance leases and amount due to a non-controlling interest measured at amortised cost remain the same. The carrying amounts for these financial assets and financial liabilities at 1 April 2018 have not been impacted by the initial application of HKFRS 9.

d. *Impairment under ECL model*

The Group applies the new ECL model to the financial assets measured at amortised cost (including deposits, note and other receivables and bank balances). ECL for these financial assets at amortised cost are assessed on 12-month ECL (“12m ECL”) basis as there have been no significant increase in credit risk since initial recognition. The impact of adopting ECL model under HKFRS 9 was not significant and, therefore, the Group made no adjustment to accumulated deficit at 1 April 2018 for changes in impairment.



# Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 March 2019

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

### 2.2 HKFRS 15 Revenue from Contracts with Customers

The Group has applied HKFRS 15 for the first time in the current year. HKFRS 15 superseded HKAS 18 *Revenue*, HKAS 11 *Construction Contracts* and the related interpretations.

The Group has applied HKFRS 15 retrospectively with cumulative effect of initially applying this standard recognised at the date of initial application, 1 April 2018. Any difference at the date of initial application is recognised in the opening accumulated deficit and comparative information has not been restated. Furthermore, in according with the transition provisions in HKFRS 15, the Group has elected to apply the standard retrospectively only to contracts that are not completed at 1 April 2018.

Accordingly, certain comparative information may not be comparable as comparative information was prepared under HKAS 18 *Revenue* and the related interpretations.

During the year, the Group recognises revenue from sales of nickel-copper ores and concentrates which arise from contracts with customers.

Information about the Group’s performance obligations and the accounting policies resulting from the application of HKFRS 15 are disclosed in note 3 to the consolidated financial statements.

#### Summary of effects arising from initial application of HKFRS 15

The following adjustments were made to the amounts recognised in the consolidated statement of financial position at 1 April 2018. Line items that were not affected by the changes have not been included.

	Carrying amounts previously reported at 31 March 2018 HK\$'000	Reclassification HK\$'000	Carrying amounts under HKFRS 15 at 1 April 2018 HK\$'000
Current liabilities:			
Trade and other payables	13,365	(271)	13,094
Contract liabilities	–	271	271
	<u>13,365</u>	<u>–</u>	<u>13,365</u>

Note: As at 1 April 2018, receipt in advance from customers of approximately HK\$271,000 previously included in trade and other payables were reclassified to contract liabilities.

## Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 March 2019

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

#### 2.2 HKFRS 15 Revenue from Contracts with Customers (Continued)

Except as described above, the application of HKFRS 15 has had no material impact on the amounts reported set out in these consolidated financial statements.

#### Impacts on opening consolidated statement of financial position arising from the application of all new standards

As a result of the changes in the Group’s accounting policies, the opening consolidated statement of financial position had to be restated. The following table shows the adjustments recognised for each of the individual line items affected. Line items that were not affected by the changes have not been included.

	31 March 2018 (audited) HK\$’000	HKFRS 9 HK\$’000	HKFRS 15 HK\$’000	1 April 2018 (restated) HK\$’000
<b>Non-current assets</b>				
Other financial asset	10,625	(10,625)	–	–
Financial assets at fair value through profit or loss	–	10,625	–	10,625
<b>Current assets</b>				
Held-for-trading investments	3,044	(3,044)	–	–
Financial assets at fair value through profit or loss	–	3,044	–	3,044
<b>Current liabilities</b>				
Trade and other payables	13,365	–	(271)	13,094
Contract liabilities	–	–	271	271
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>

There is no impact on the consolidated statement of profit or loss and other comprehensive income by adopting HKFRS 9 and HKFRS 15.

# Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 March 2019

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

### New and amendments to HKFRSs in issue but not yet effective

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

HKFRS 16	<i>Leases</i> <sup>1</sup>
HKFRS 17	<i>Insurance Contracts</i> <sup>4</sup>
HK(IFRIC)-Int 23	<i>Uncertainty over Income Tax Treatments</i> <sup>1</sup>
Amendments to HKFRS 3	<i>Definition of a Business</i> <sup>2</sup>
Amendments to HKFRS 9	<i>Prepayment Features with Negative Compensations</i> <sup>1</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 HKAS 1 and HKAS 8	<i>Definition of a Material</i> <sup>2</sup>
Amendments to HKAS 19	<i>Plan Amendment, Curtailment or Settlement</i> <sup>1</sup>
Amendments to HKAS 28	<i>Long-term Interests in Associates and Joint Ventures</i> <sup>1</sup>
Amendments to HKFRSs	<i>Annual Improvements to HKFRSs 2015–2017 Cycle</i> <sup>1</sup>

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

<sup>2</sup> Effective for annual periods beginning on or after 1 January 2020.

<sup>3</sup> Effective for annual periods beginning on or after a date to be determined.

<sup>4</sup> Effective for annual periods beginning on or after 1 January 2021.

Except for the new and amendments to HKFRSs mentioned below, the directors of the Company anticipate that the application of all other new and amendments to HKFRSs and interpretations will have no material impact on the consolidated financial statements in the foreseeable future.

### HKFRS 16 *Leases*

HKFRS 16 introduces a comprehensive model for the identification of lease arrangements and accounting treatments for both lessors and lessees. HKFRS 16 will supersede HKAS 17 *Leases* and the related interpretations when it became effective.

HKFRS 16 distinguishes lease and service contracts on the basis of whether an identified asset is controlled by a customer. In addition, HKFRS 16 requires sales and leaseback transactions to be determined based on the requirements of HKFRS 15 as to whether the transfer of the relevant asset should be accounted as a sale. HKFRS 16 also includes requirements relating to subleases and lease modifications.

Distinctions of operating leases 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, except for short-term leases and leases of low value assets.

The right-of-use asset is initially measured at cost and subsequently measured at cost (subject to certain exceptions) less accumulated depreciation and impairment losses, adjusted for any remeasurement of the lease liability. The lease liability is initially measured at the present value of the lease payments that are not paid at that date. Subsequently, the lease liability is adjusted for interest and lease payments, as well as the impact of lease modifications, amongst others. For the classification of cash flows, the Group currently presents operating lease payments as operating cash flows. Upon application of HKFRS 16, lease payments in relation to lease liability will be allocated into a principal and an interest portion which will be presented as financing cash flows by the Group.

# Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 March 2019

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

### HKFRS 16 Leases (Continued)

Under HKAS 17, the Group has already recognised an asset and a related finance lease liability for finance lease arrangement and prepaid lease payments for leasehold lands where the Group is a lessee. The application of HKFRS 16 may result in potential changes in classification of these assets depending on whether the Group presents right-of-use assets separately or within the same line item at which the corresponding underlying assets would be presented if they were owned.

Other than certain requirements which are also applicable to lessors, HKFRS 16 substantially carries forward the lessor accounting requirements in HKAS 17, and continues to require a lessor to classify a lease either as an operating lease or a finance lease.

Furthermore, extensive disclosures are required by HKFRS 16.

As at 31 March 2019, the Group has non-cancellable operating lease commitments of approximately HK\$3.1 million as disclosed in note 34. Upon application of HKFRS 16, the Group will recognise a right-of-use asset and a corresponding liability in respect of all these leases unless they qualify for low value or short-term leases. The Group expects to adopt HKFRS 16 using a modified retrospective approach where the cumulative effect of initially applying the standard is recognised as an adjustment to the opening balance of accumulated deficit and comparatives are not restated. The directors of the Company do not expect the adoption of HKFRS 16 as compared with the current accounting policy would result in significant impact on the results and the net financial position of the Group.

### Amendments to HKAS 28 Long-term Interests in Associates and Joint Ventures

The amendments clarify that an entity applies HKFRS 9, including the impairment requirements, to long-term interests in an associate or joint venture to which the equity method is not applied that form part of the net investment in the investee. Furthermore, in applying HKFRS 9 to long-term interests, an entity does not take into account adjustments to their carrying amount required by HKAS 28 (i.e. adjustments to the carrying amount of long-term interests arising from the allocation of losses of the investee or assessment of impairment in accordance with HKAS 28).

The directors of the Company consider that the application is not expected to have a material impact as the Group’s existing accounting policies are consistent with the requirements clarified by the amendments.

## 3. Significant Accounting Policies

These consolidated financial statements have been prepared in accordance with HKFRSs issued by the HKICPA and the Companies Ordinance (Chapter 622 of the laws of Hong Kong). In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on GEM of the Stock Exchange (“GEM Listing Rules”).

The consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments and investment properties 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.

## Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 March 2019

### 3. Significant Accounting Policies (Continued)

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 *Share-based payment*, leasing transactions that are within the scope of HKAS 17 *Leases*, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in HKAS 2 *Inventories* or value in use in HKAS 36 *Impairment of Assets*.

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.

#### **Basis of consolidation**

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

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

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

# Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 March 2019

## 3. Significant Accounting Policies (Continued)

### Basis of consolidation (Continued)

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

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

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

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

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

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

Non-controlling interests in subsidiaries are presented separately from the Group's equity therein, which represent present ownership interests entitling their holders to a proportionate share of net assets of the relevant subsidiaries upon liquidation.



# Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 March 2019

## 3. Significant Accounting Policies (Continued)

### Basis of consolidation (Continued)

#### Changes in the Group's interests in existing subsidiaries

Changes in the Group's interests in 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 relevant components of equity and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries, including re-attribution of relevant reserves between the Group and the non-controlling interests according to the Group's and the non-controlling interests' proportionate interests.

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, the assets and liabilities of that subsidiary and non-controlling interests (if any) are derecognised. 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 HKFRS 9/HKAS 39 or, 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 2019

## 3. Significant Accounting Policies (Continued)

### Business combinations (Continued)

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net amount of the identifiable assets acquired and the liabilities assumed as at acquisition date. If, after reassessment, the net amount 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 relevant subsidiary's net assets in the event of liquidation are initially measured at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets or at fair value. 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.

When the consideration transferred by the Group in a business combination includes 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. 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 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 to fair value at subsequent reporting dates, 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 or other comprehensive income. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income and measured under HKFRS 9/HKAS 39 would be accounted for on the same basis as would be required if the Group had disposed directly of the previously held equity interest.

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 retrospectively 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 2019

## 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, which represent the lowest level at which the goodwill is monitored for internal management purposes and not larger than an operating segment.

A cash-generating unit (or groups of cash-generating units) 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 (or group of cash-generating units) to which goodwill has been allocated is tested for impairment before the end of that reporting period. If the recoverable amount is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill and then to the other assets on a pro-rata basis based on the carrying amount of each asset in the unit.

On disposal of the relevant cash-generating unit or any of the cash-generating unit within the group of cash-generating units, the attributable amount of goodwill is included in the determination of the amount of profit or loss on disposal. When the Group disposes of an operation within the cash-generating unit (or a cash-generating unit within a group of cash-generating units), the amount of goodwill disposed of is measured on the basis of the relative values of the operation (or the cash-generating unit) disposed of and the portion of the cash-generating units (or the group of cash-generating units) retained.

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 or the portion so classified is accounted for in accordance with HKFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*. Any retained portion of an investment in an associate that has not been classified as held for sale continues to be accounted for using the equity method. The financial statements of associates used for equity accounting purposes are prepared using uniform accounting policies as those of the Group for like transactions and events in similar circumstances. 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. Changes in net asset of the associate other than profit or loss and other comprehensive income are not accounted for unless such changes resulted in changes in ownership interest held by the Group. When the Group's share of losses of an associate exceeds the Group's interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate.

# Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 March 2019

## 3. Significant Accounting Policies (Continued)

### Investments in associates (Continued)

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.

The Group assesses whether there is an objective evidence that the interest in an associate may be impaired. When any objective evidence exists, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with HKAS 36 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.

When the Group ceases to have significant influence over an associate, it is accounted for as a disposal of the entire interest in the investee with a resulting gain or loss being recognised in profit or loss. When the Group retains an interest in the former associate and the retained interest is a financial asset within the scope of HKFRS 9/HKAS 39, 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. The difference between the carrying amount of the associate and the fair value of any retained interest and any proceeds from disposing the relevant 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) upon disposal/partial disposal of the relevant associate.

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 2019

## 3. Significant Accounting Policies (Continued)

### Revenue from contracts with customers (upon application of HKFRS 15 in accordance with transitions in note 2)

Under HKFRS 15, the Group recognises revenue when (or as) a performance obligation is satisfied, i.e. when “control” of the goods or services underlying the particular performance obligation is transferred to the customer.

A performance obligation represents a good or service (or a bundle of goods or services) that is distinct or a series of distinct goods or services that are substantially the same.

Control is transferred over time and revenue is recognised over time by reference to the progress towards complete satisfaction of the relevant performance obligation if one of the following criteria is met:

- the customer simultaneously receives and consumes the benefits provided by the Group’s performance as the Group performs;
- the Group’s performance creates and enhances an asset that the customer controls as the Group performs; or
- the Group’s performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

Otherwise, revenue is recognised at a point in time when the customer obtains control of the distinct good or service.

A contract asset represents the Group’s right to consideration in exchange for goods or services that the Group has transferred to a customer that is not yet unconditional. It is assessed for impairment in accordance with HKFRS 9. In contrast, a receivable represents the Group’s unconditional right to consideration, i.e. only the passage of time is required before payment of that consideration is due.

A contract liability represents the Group’s obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer.

A contract asset and a contract liability relating to a contract are accounted for and presented on a net basis.

# Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 March 2019

## 3. Significant Accounting Policies (Continued)

### Revenue from contracts with customers (upon application of HKFRS 15 in accordance with transitions in note 2) (Continued)

The Group recognises revenue from the following goods:

#### Sales of goods

The Group sells mining products. Revenue is recognised when the control of the products are considered to have been transferred to the customers.

Revenue from sales of goods is recognised when control of the products are transferred, being at the point the products are delivered to the customers and the customers have full discretion to sell the products, and there is no unfulfilled obligation that could affect the customer's acceptance of the products.

Revenue from these sales is recognised based on the price specified in the contract, net of returns and value added taxes.

A receivable is recognised when the goods are delivered as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

#### Revenue recognition (prior to 1 April 2018)

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 is recognised when the amount of revenue can be reliably measured; when it is probable that future economic benefits will flow to the Group and when specific criteria have been met for each of the Group's activities, as described below.

Revenue from the sale of goods is recognised when the goods are delivered and titles have passed.

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

Dividend income from investments is recognised when the shareholder's right to receive payment has been established.

Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

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



# Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 March 2019

## 3. Significant Accounting Policies (Continued)

### Leases

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.

#### 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.

# Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 March 2019

## 3. Significant Accounting Policies (Continued)

### Leases (Continued)

#### Leasehold land and building

When the Group makes payments for a property interest which includes both leasehold 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 property is accounted as an operating lease. Specifically, the entire consideration (including any lump-sum upfront payments) are allocated between the leasehold land and the building elements in proportion to the relative fair values of the leasehold interests in the land element and building element at initial recognition.

To the extent the allocation of the relevant 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 leasehold land and building elements, the entire property is generally classified as if the leasehold land is under finance lease.

#### Foreign currencies

In preparing the 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 on 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 the settlement of monetary items, and on the retranslation of monetary items, are recognised in profit or loss in the period in which they arise except for exchange differences on 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 disposal or partial disposal of the Group’s interests in associates.

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

# Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 March 2019

## 3. Significant Accounting Policies (Continued)

### Foreign currencies (Continued)

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

In addition, in relation to a partial disposal of a subsidiary 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 and termination benefits

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 service entitling them to the contributions.

# Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 March 2019

## 3. Significant Accounting Policies (Continued)

### Share-based payment arrangements

#### Equity-settled share-based payment transactions

Equity-settled share-based payments to employees and others providing similar services are measured at the fair value of the equity instruments at the grant date.

The fair value of the equity-settled share-based payments determined at the grant date without taking into consideration all non-market vesting condition is expensed on a straight-line basis over the vesting period, based on the Group's estimate of equity instruments that will eventually vest, 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 equity instruments expected to vest based on assessment of all relevant non-market vesting conditions. 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 capital. 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.

Equity-settled share-based payment transactions with parties other than employees are measured at the fair value of the goods or services received, except where that fair value cannot be estimated reliably, in which case they are measured at the fair value of the equity instruments granted, measured at the date the entity obtains the goods or the counterparty renders the service. The fair value of the goods and services received are recognised as expenses (unless the goods and services qualify for recognition as assets).

#### Taxation

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

The tax currently payable is based on taxable profit for the year. Taxable profit differs from loss/profit before tax 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 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 the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit. In addition, deferred tax liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill.

# Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 March 2019

## 3. Significant Accounting Policies (Continued)

### Taxation (Continued)

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and associates, 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 rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

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

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

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

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.

# Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 March 2019

## 3. Significant Accounting Policies (Continued)

### 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 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 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 less their residual values over their useful lives, using the straight-line method as follows:

Land and buildings	20 years
Plant and machinery	8 years
Computer equipment	3 to 5 years
Furniture, fixtures and equipment	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.

If an item of property, plant and equipment becomes an investment property because its use has changed as evidenced by end of owner-occupation, any difference between the carrying amount and the fair value of that item (including the relevant prepaid lease payments) at the date of transfer is recognised in other comprehensive income and accumulated in property revaluation reserve. On the subsequent sale or retirement of the asset, the relevant revaluation reserve will be transferred directly to accumulated deficit.

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 2019

## 3. Significant Accounting Policies (Continued)

### Investment properties

Investment properties are properties held to earn rentals and/or for capital appreciation. Investment properties include land held for undetermined future use, which is regarded as held for capital appreciation purpose.

#### Investment properties measured using the fair value model

Investment properties are initially measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment properties are measured at their fair values. All of the Group's property interests held under operating leases to earn rentals or for capital appreciation purposes are classified and accounted for as investment properties and are measured using the fair value model. Gains or losses arising from changes in the fair value of investment properties are included in profit or loss for the period in which they arise.

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

### Intangible assets

#### Intangible assets acquired separately

Intangible assets with finite useful lives that are acquired separately are carried at cost less accumulated amortisation and accumulated impairment losses. Amortisation for intangible assets with finite useful lives is recognised on a straight-line basis over their estimated useful lives. 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.

#### Intangible assets acquired in a business combination

Intangible assets acquired in a business combination are 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, on the same basis as intangible assets that are acquired separately. Intangible assets acquired in a business combination with indefinite useful lives are carried at cost less any subsequent accumulated impairment losses.

# Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 March 2019

## 3. Significant Accounting Policies (Continued)

### Intangible assets (Continued)

#### Mining rights

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

#### Derecognition of intangible assets

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

#### Impairment of tangible and intangible assets other than goodwill

At the end of each reporting period, the Group reviews the carrying amounts of its tangible and intangible assets with finite useful lives to determine whether there is any indication that these assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the relevant asset is estimated in order to determine the extent of the impairment loss (if any). Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at least annually, and whenever there is an indication that the asset may be impaired.

The recoverable amount of tangible and intangible assets are estimated individually, when it is not possible to estimate the recoverable amount of an asset individually, 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.

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 (or a cash-generating unit) for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or the cash-generating unit) is reduced to its recoverable amount. In allocating the impairment loss, the impairment loss is allocated first to reduce the carrying amount of any goodwill (if applicable) and then to the other assets on a pro-rata based on the carrying amount of each asset in the unit. The carrying amount of an asset is not reduced below the highest of its fair value less costs of disposal (if measurable), its value in use (if determinable) and zero. The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit. An impairment loss is recognised immediately in profit or loss.

# Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 March 2019

## 3. Significant Accounting Policies (Continued)

### Impairment of tangible and intangible assets other than goodwill (Continued)

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

Raw materials, work in progress and finished goods are stated at the lower of cost and net realisable value. Cost comprises direct materials, direct labour and an appropriate portion of variable and fixed overheads. 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

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of change in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

For the purpose of the consolidated statement of financial position, cash and cash equivalents comprise cash on hand and at banks, including term deposits, and assets similar in nature to cash, which are not restricted as to use.

### Provisions

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

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

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

# Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 March 2019

## 3. Significant Accounting Policies (Continued)

### Provisions (Continued)

#### 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.

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. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the market place.

Financial assets and financial liabilities are initially measured at fair value except for trade receivables arising from contracts with customers which are initially measured in accordance with HKFRS 15 since 1 April 2018. 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.

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating interest income and interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts and 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 asset or financial liability, or where appropriate, a shorter period, to the net carrying amount on initial recognition.

# Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 March 2019

## 3. Significant Accounting Policies (Continued)

### Financial instruments (Continued)

#### Financial assets

*Classification and subsequent measurement of financial assets (upon application of HKFRS 9 in accordance with transitions in note 2)*

Financial assets that meets the following conditions are subsequently measured at amortised cost:

- the financial asset is held within a business model whose objective is to collect contractual cash flows; and
- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets that meet the following conditions are subsequently measured at FVTOCI:

- the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling; and
- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All other financial assets are subsequently measured at FVTPL, except that at the date of initial application/initial recognition of a financial asset the Group may irrevocably elect to present subsequent changes in fair value of an equity investment in other comprehensive income ("OCI") if that equity investment is neither held for trading nor contingent consideration recognised by an acquirer in a business combination to which HKFRS 3 *Business Combinations* applies.

A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling in the near term; or
- on initial recognition it is a 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.

In addition, the Group may irrevocably designate a financial asset that are required to be measured at the amortised cost or FVTOCI as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch.

# Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 March 2019

## 3. Significant Accounting Policies (Continued)

### Financial instruments (Continued)

#### Financial assets (Continued)

*Classification and subsequent measurement of financial assets (upon application of HKFRS 9 in accordance with transitions in note 2) (Continued)*

(i) Amortised cost and interest income

Interest income is recognised using the effective interest method for financial assets measured subsequently at amortised cost and debt instruments/receivables subsequently measured at FVTOCI. Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired. For financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset from the next reporting period. If the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset from the beginning of the reporting period following the determination that the asset is no longer credit-impaired.

(ii) Financial assets at FVTPL

Financial assets that do not meet the criteria for being measured at amortised cost or FVTOCI or designated as FVTOCI are measured at FVTPL.

Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognised in profit or loss. The net gain or loss recognised in profit or loss excludes any dividend or interest earned on the financial asset and is included in the “other income and gains” line item.

*Impairment of financial assets (upon application of HKFRS 9 with transitions in accordance with note 2)*

The Group recognises a loss allowance for ECL on financial assets which are subject to impairment under HKFRS 9. The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of the relevant instrument. In contrast, 12m ECL represents the portion of lifetime ECL that is expected to result from default events that are possible within 12 months after the reporting date. Assessment are done based on the Group’s historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current conditions at the reporting date as well as the forecast of future conditions.

# Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 March 2019

## 3. Significant Accounting Policies (Continued)

### Financial instruments (Continued)

#### Financial assets (Continued)

The ECL on these assets are assessed individually and/or collectively using a provision matrix with appropriate grouping which is adjusted for forward-looking estimates.

The Group measures the loss allowance equal to 12m ECL, unless when there has been a significant increase in credit risk since initial recognition, the Group recognises lifetime ECL. The assessment of whether lifetime ECL should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition.

(i) Significant increase in credit risk

In assessing whether the credit risk has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly:

- an actual or expected significant deterioration in the financial instruments' external (if available) or internal credit rating;
- significant deterioration in external market indicators of credit risk, e.g. a significant increase in the credit spread;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor; and
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.



# Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 March 2019

## 3. Significant Accounting Policies (Continued)

### Financial instruments (Continued)

#### Financial assets (Continued)

*Impairment of financial assets (upon application of HKFRS 9 with transitions in accordance with note 2)  
(Continued)*

(i) Significant increase in credit risk (Continued)

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk has increased significantly since initial recognition when contractual payment are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

Despite the foregoing, the Group assumes that the credit risk on a debt instrument has not increased significantly since initial recognition if the debt instrument is determined to have low credit risk at the reporting date. A debt instrument is determined to have low credit risk if (i) it has a low risk of default, (ii) the borrower has a strong capacity to meet its contractual cash flow obligations in the near term and (iii) adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations. The Group considers a debt instrument to have low credit risk when it has an internal or external credit rating of “investment grade” as per globally understood definitions.

The Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

(ii) Definition of default

For internal credit risk management, the Group considers an event of default occurs when information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collaterals held by the Group).

Irrespective of the above, the Group considers that default has occurred when a financial asset is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

# Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 March 2019

## 3. Significant Accounting Policies (Continued)

### Financial instruments (Continued)

#### Financial assets (Continued)

*Impairment of financial assets (upon application of HKFRS 9 with transitions in accordance with note 2)*  
*(Continued)*

(iii) Credit-impaired financial assets

A financial asset is credit-impaired when one or more events of default that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

- (a) significant financial difficulty of the issuer or the borrower;
- (b) a breach of contract, such as a default or past due event;
- (c) the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;
- (d) it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or
- (e) the disappearance of an active market for that financial asset because of financial difficulties.

(iv) Write-off policy

The Group writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, for example, when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings, or in the case of trade receivables, when the amounts are over two years past due, whichever occurs sooner. Financial assets written-off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. A write-off constitutes a derecognition event. Any subsequent recoveries are recognised in profit or loss.

# Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 March 2019

## 3. Significant Accounting Policies (Continued)

### Financial instruments (Continued)

#### Financial assets (Continued)

*Impairment of financial assets (upon application of HKFRS 9 with transitions in accordance with note 2) (Continued)*

(v) Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information. Estimation of ECL reflects an unbiased and probability-weighted amount that is determined with the respective risks of default occurring as the weights.

Generally, the ECL is the difference between all contractual cash flows that are due to the Group in accordance with the contract and the net cash flows that the Group expects to receive, discounted at the effective interest rate determined at initial recognition.

Where the ECL is measured on a collective basis or cater for cases where evidence at the individual instrument level may not yet be available, the financial instruments are grouped on the following basis.

- Nature of financial instruments;
- Past-due status;
- Nature, size and industry of debtors; and
- External credit ratings where available

The grouping is regularly reviewed by management to ensure the constituents of each group continue to share similar risk characteristics.

Interest income is calculated based on the gross carrying amount of the financial asset unless the financial asset is impaired, in which case interest income is calculated based on amortised cost of the financial asset.

The Group recognises an impairment gain or loss in profit or loss for all financial instruments by adjusting their carrying amount, with the exception of trade receivables where the corresponding adjustments is recognised through a loss allowance account.

*Classification and subsequent measurement of financial assets (before application of HKFRS 9 on 1 April 2018)*

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

# Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 March 2019

## 3. Significant Accounting Policies (Continued)

### Financial instruments (Continued)

#### Financial assets (Continued)

*Classification and subsequent measurement of financial assets (before application of HKFRS 9 on 1 April 2018) (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.

Financial assets at FVTPL

Financial assets are classified as at FVTPL when the financial asset is either (i) held for trading or (ii) it is designated as at FVTPL or (iii) contingent consideration that may be received by an acquirer as part of a business combination.

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 received 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 *Financial Instruments: Recognition and Measurement* permits the entire combined contract (asset or liability) to be designated as at FVTPL.

Financial assets at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognised in profit or loss. The net gain or loss recognised in profit or loss excluded any dividend or interest earned on the financial asset and is included in the "other income and gains" line item.

# Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 March 2019

## 3. Significant Accounting Policies (Continued)

### Financial instruments (Continued)

#### Financial assets (Continued)

*Classification and subsequent measurement of financial assets (before application of HKFRS 9 on 1 April 2018) (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. 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.

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 (before application of HKFRS 9 on 1 April 2018)*

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.

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.

Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period, as well as observable changes in national or local economic conditions that correlate with default on receivables.

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

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

# Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 March 2019

## 3. Significant Accounting Policies (Continued)

### Financial instruments (Continued)

#### Financial assets (Continued)

##### *Impairment of financial assets (before application of HKFRS 9 on 1 April 2018) (Continued)*

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

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.

#### 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.

##### *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.

##### *Financial liabilities*

Financial liabilities (including trade and other payables, dividend payable to non-controlling interests, promissory note, obligations under a finance lease, loan from related companies and amount due to a non-controlling interest) 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.

# Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 March 2019

## 3. Significant Accounting Policies (Continued)

### Financial instruments (Continued)

#### Derecognition

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognise its retained interest in and the asset an associated 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 cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity is recognised in profit or loss.

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;



## Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 March 2019

### 3. Significant Accounting Policies (Continued)

#### Related parties (Continued)

(b) (Continued)

- (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.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

### 4. 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.

#### 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 rights

The carrying amounts of mining rights 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 units 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.

## Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 March 2019

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

#### Key sources of estimation uncertainty (Continued)

##### 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.

### 5. Revenue and 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. During the year, the Group commences business in development of bio and nano new materials. However, this operation is still in the development stage and not yet met the quantitative thresholds for the reportable segment. Software business, after reengineering, are in the process of exploring new development opportunities and this segment was unable to meet the quantitative thresholds for the reportable segments in both current and prior year. Accordingly, these were grouped in "Other Business" segment. Prior year segment disclosures have been represented to confirm with the current year's presentation.

The Group's reportable segments are (i) Mining Business; and (ii) Other Business.

#### Segment revenues and results

##### Year ended 31 March 2019

	Mining Business HK\$'000	Other Business HK\$'000	Total HK\$'000
<b>Segment revenue</b>			
Sales to external customers	78,154	–	78,154
<b>Segment results</b>	(56,317)	(1,367)	(57,684)
Interest income			1,569
Unallocated other income and gains			1,023
Unallocated corporate expenses			(8,735)
Fair value changes on financial assets at FVTPL			6,315
Fair value gain on investment properties			90
Impairment loss on interests in associates			(7,835)
Finance costs			(502)
Share of loss of associates			(3,920)
Impairment loss on amount due from an associate			(740)
Loss before tax			(70,419)

## Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 March 2019

### 5. Revenue and Segment Information (Continued)

#### Segment revenues and results (Continued)

##### Year ended 31 March 2018

	Mining Business HK\$'000	Other Business HK\$'000	Total HK\$'000
<b>Segment revenue</b>			
Sales to external customers	173,872	300	174,172
Segment results	20,720	(783)	19,937
Interest income			2,145
Unallocated other income and gains			1,595
Unallocated corporate expenses			(7,308)
Loss arising on change in fair value of held-for-trading investments			(53)
Fair value changes on financial assets designated as at FVTPL			2,825
Fair value gain on investment properties			1,208
Loss on disposal/written-off of property, plant and equipment			(2,732)
Gain on disposal of an associate			3,057
Finance costs			(368)
Share of loss of associates			(2,177)
Profit before tax			18,129

Segment revenue reported above represents revenue generated from external customers. There were no inter-segment sales in the current year (2018: nil).

The accounting policies of the reportable segments are the same as the Group's accounting policies described in note 3. Segment results represent the loss/profit from each segment without allocation of interest income, unallocated other income and gains, unallocated corporate expenses, fair value gains/losses on the Group's financial instruments and investment properties, impairment loss on interests in associates, finance costs, gain on disposal of an associate, share of loss of associates and impairment loss on amount due from an associate. 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 2019

### 5. Revenue and Segment Information (Continued)

#### Segment assets and liabilities

	2019 HK\$'000	2018 HK\$'000
<b>Segment assets</b>		
Mining Business	177,648	274,862
Other Business	5	–
Total segment assets	177,653	274,862
Interests in associates	39,357	292
Unallocated	73,377	158,327
<b>Consolidated assets</b>	<b>290,387</b>	433,481
<b>Segment liabilities</b>		
Mining Business	36,024	81,334
Other Business	16	–
Total segment liabilities	36,040	81,334
Unallocated	21,414	12,565
<b>Consolidated liabilities</b>	<b>57,454</b>	93,899

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

- all assets are allocated to reportable segments other than investment properties, financial assets at FVTPL, held-for-trading investments, other financial asset, interests in associates, bank balances and cash and head office and corporate assets; and
- all liabilities are allocated to reportable segments other than obligations under a finance lease, promissory note, loan from related companies, amount due to a non-controlling interest and head office and unallocated liabilities.

## Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 March 2019

### 5. Revenue and Segment Information (Continued)

#### Other segment information

	2019 HK\$'000	2018 HK\$'000
<b>Additions to non-current assets*</b>		
Mining Business	75	863
Other Business	-	-
Unallocated	-	758
	<u>75</u>	<u>1,621</u>
<b>Impairment on mining assets</b>		
Mining Business	<u>56,045</u>	<u>-</u>
<b>Loss on disposal/written-off of property, plant and equipment</b>		
Mining Business	<u>3,724</u>	<u>2,732</u>
<b>Depreciation and amortisation</b>		
Mining Business	2,820	4,111
Other Business	-	-
Unallocated	152	114
	<u>2,972</u>	<u>4,225</u>
<b>Depreciation and amortisation included in production costs</b>		
Mining Business	<u>19,387</u>	<u>30,826</u>
Total depreciation and amortisation recognised in profit or loss	<u>22,359</u>	<u>35,051</u>

\* Additions to non-current assets include additions to property, plant and equipment and prepaid lease payments.

#### Revenue from major products and services

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

	2019 HK\$'000	2018 HK\$'000 (Note)
Consultancy, software development and maintenance services	-	300
Gold ores	-	34,786
Nickel-copper ores and concentrates	78,154	139,086
	<u>78,154</u>	<u>174,172</u>

Note: The Group has initially applied HKFRS 15 using the cumulated effect method. Under this method, the comparative information is not restated and was prepared in accordance with HKAS 18.

## Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 March 2019

### 5. Revenue and Segment Information (Continued)

#### 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:

	2019 HK\$'000	2018 HK\$'000
Revenue from external customers		
Hong Kong	–	300
PRC	<b>78,154</b>	173,872
	<b>78,154</b>	174,172
Non-current assets		
Hong Kong	<b>10,783</b>	10,844
PRC	<b>132,530</b>	229,854
	<b>143,313</b>	240,698

Note: Non-current assets excluding financial instruments and interests in associates

#### Information about major customers

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

	2019 HK\$'000	2018 HK\$'000
Customer A <sup>1</sup>	<b>44,739</b>	112,473
Customer B <sup>1</sup>	–	33,312
Customer C <sup>1</sup>	<b>11,874</b>	26,613
Customer D <sup>1</sup>	<b>15,431</b>	–

<sup>1</sup> Revenue from Mining Business

## Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 March 2019

### 5. Revenue and Segment Information (Continued)

#### Information about major customers (Continued)

Disaggregation by major products:

#### For the year ended 31 March 2019

	HK\$'000
<b>Types of goods</b>	
Sales of nickel-copper ores	40,597
Sales of nickel concentrates	31,447
Sales of copper concentrates	6,110
	<u>78,154</u>

#### Timing of revenue recognition

	HK\$'000
At a point of time	<u>78,154</u>

The Group's contract with customers for the sale of nickel-copper ores and concentrates include only one single performance obligation. The Group has concluded that revenue from sale of nickel-copper ores and concentrates recognised at the point of time when a customer obtained control of goods. The Group has concluded that the initial application of HKFRS 15 does not have a significant impact on the Group's revenue recognition.

#### Transaction price allocated to the remaining performance obligation for contracts with customers

All the Group's remaining performance obligations for contracts with customers are for periods of one year or less. As permitted under HKFRS 15, the transaction price allocated to these unsatisfied contracts is not disclosed.



## Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 March 2019

### 6. Finance Costs

	2019 HK\$'000	2018 HK\$'000
Interest on loan from related companies	449	–
Effect interest on finance leases	19	35
Effective interest on promissory note	34	333
Total borrowing costs	<u>502</u>	<u>368</u>

### 7. 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 2019

	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>					
Felipe Tan	–	1,254	25	214	1,493
Lau Yun Fong, Carman	–	750	18	52	820
<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	126	–	–	–	126
	<u>504</u>	<u>2,004</u>	<u>43</u>	<u>266</u>	<u>2,817</u>

## Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 March 2019

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

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

##### For the year ended 31 March 2018

	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>					
Felipe Tan	120	1,093	26	289	1,528
Lau Yun Fong, Carman	120	608	18	107	853
<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	126	–	–	–	126
	<u>744</u>	<u>1,701</u>	<u>44</u>	<u>396</u>	<u>2,885</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 (2018: nil). None of the directors or the chief executive has waived any emoluments during the year (2018: nil).

#### Employees' emoluments

The five individuals with the highest paid employees of the Group during the year included two directors (2018: two directors). Details of the remuneration for the year of the remaining three (2018: three) highest paid employees who are neither a director nor chief executive of the Company are as follows:

	2019 HK\$'000	2018 HK\$'000
Salaries and allowances	1,453	2,464
Retirement benefits scheme contributions	37	36
Performance and discretionary bonus	159	280
	<u>1,649</u>	<u>2,780</u>

## Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 March 2019

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

#### Employees' emoluments (Continued)

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

	Number of employees	
	2019	2018
Nil to HK\$1,000,000	3	1
HK\$1,000,001 to HK\$1,500,000	–	2
	<u>3</u>	<u>3</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 (2018: nil).

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

	2019 HK\$'000	2018 HK\$'000
Current tax		
– PRC Enterprise Income Tax	5,761	5,487
– Under/(over) provision in prior years	1,215	(67)
– PRC withholding tax	607	2,247
Deferred tax (Note 30)	<u>(11,243)</u>	<u>(3,556)</u>
Total income tax (credit)/expense recognised in profit or loss	<u>(3,660)</u>	<u>4,111</u>

On 21 March 2018, the Hong Kong Legislative Council passed The Inland Revenue (Amendment) (No. 7) Bill 2017 (the "Bill") which introduces the two-tiered profits tax rates regime. The Bill was signed into law on 28 March 2018 and was gazette on the following day. Under the two-tiered profit tax rates regime, the first HK\$2 million of profits of the qualifying group entity will be taxed at 8.25%, and profits above HK\$2 million will be taxed at 16.5%. The profits of the group entities not qualifying for the two-tiered profits tax rates regime will continue to be taxed at a flat rate of 16.5%. 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.

## Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 March 2019

### 8. Income Tax (Credit)/Expense (Continued)

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

	2019 HK\$'000	2018 HK\$'000
(Loss)/profit before tax	<u>(70,419)</u>	<u>18,129</u>
Tax at the Hong Kong Profits Tax rate of 16.5%	<b>(11,619)</b>	2,991
Tax effect of share of loss of associates	<b>647</b>	359
Tax effect of expenses not deductible for tax purposes	<b>2,536</b>	1,127
Tax effect of income not taxable for tax purposes	<b>(1,281)</b>	(1,396)
Tax effect of unrecognised tax losses	<b>1,082</b>	975
Under/(over) provision in the prior year	<b>1,215</b>	(67)
Utilisation of tax loss previously not recognised	<b>–</b>	(1,566)
Effect of different tax rates for subsidiaries operating in jurisdictions other than Hong Kong	<b>3,261</b>	780
PRC withholding tax	<b>499</b>	908
Income tax (credit)/expense for the year	<u><b>(3,660)</b></u>	<u>4,111</u>

# Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 March 2019

## 9. (Loss)/Profit for the Year

	2019 HK\$'000	2018 HK\$'000
(Loss)/profit for the year has been arrived at after charging/(crediting):		
Directors' and chief executive's emoluments (Note 7)	2,817	2,885
Other staff's retirement benefits scheme contributions	1,311	1,610
Other staff costs (Note)	<b>6,812</b>	9,283
Total employee benefits expenses	<b>10,940</b>	13,778
Depreciation of property, plant and equipment	1,699	3,948
Amortisation of other intangible assets	<b>17,688</b>	26,878
Depreciation and amortisation (included in the production costs line item)	<b>19,387</b>	30,826
Depreciation of property, plant and equipment	2,363	2,200
Amortisation of:		
– prepaid lease payments	232	321
– land rehabilitation costs	<b>377</b>	1,704
Depreciation and amortisation (included in the depreciation and amortisation line item)	<b>2,972</b>	4,225
Rental income arising from investment properties	<b>(240)</b>	(360)
Less: direct outgoing expenses	<b>17</b>	42
	<b>(223)</b>	(318)
Auditors' remuneration	800	750
Cost of inventories recognised as an expense	<b>58,548</b>	112,611
Operating lease rentals in respect of rented premises	<b>3,284</b>	2,389
Net foreign exchange loss/(gain)	<b>1,300</b>	(156)
Dividend income from equity investments at FVTPL	<b>(750)</b>	–
Interest income	<b>(1,569)</b>	(2,145)

Note: The costs exclude production staff costs of approximately HK\$7,495,000 (2018: HK\$11,107,000) which were included in the purchase and production costs line item.

## Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 March 2019

### 10. (Loss)/Earnings Per Share

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

#### (Loss)/earnings:

	2019 HK\$'000	2018 HK\$'000
(Loss)/profit for the year attributable to owners of the Company for the purpose of basic and diluted (loss)/earnings per share	<u>(27,785)</u>	<u>2,002</u>

#### Number of ordinary shares:

	2019 '000	2018 '000
Weighted average number of ordinary shares for the purpose of basic and diluted (loss)/earnings per share	<u>2,812,882</u>	<u>2,812,882</u>

The computation of diluted (loss)/earnings per share did not assume the exercise of the Company's outstanding share options since their assumed exercise would have an anti-dilutive effect (2018: the exercise price of those share options is higher than the average market price of the shares for the year 2018).

# Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 March 2019

## 11. Property, Plant and Equipment

	Land and buildings	Plant and machinery	Computer equipment	Furniture, fixtures and equipment	Motor vehicles	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>Cost</b>						
Balance at 1 April 2017	42,183	12,938	1,858	186	3,357	60,522
Exchange adjustments	3,726	1,219	168	22	247	5,382
Additions	-	87	201	556	777	1,621
Disposal/written-off	(7,523)	(745)	(147)	(13)	(870)	(9,298)
Balance at 31 March 2018	<b>38,386</b>	<b>13,499</b>	<b>2,080</b>	<b>751</b>	<b>3,511</b>	<b>58,227</b>
Exchange adjustments	(2,208)	(786)	(119)	(43)	(158)	(3,314)
Additions	55	-	-	-	-	55
Disposal/written-off	(2,849)	(7,775)	(189)	(15)	(90)	(10,918)
<b>Balance at 31 March 2019</b>	<b>33,384</b>	<b>4,938</b>	<b>1,772</b>	<b>693</b>	<b>3,263</b>	<b>44,050</b>
<b>Accumulated depreciation and impairment</b>						
Balance at 1 April 2017	13,805	4,783	1,062	66	2,571	22,287
Exchange adjustments	1,100	433	97	6	170	1,806
Provided for the year	3,456	1,744	395	119	434	6,148
Eliminated on disposal/written-off	(4,939)	(629)	(118)	(10)	(870)	(6,566)
Balance at 31 March 2018	<b>13,422</b>	<b>6,331</b>	<b>1,436</b>	<b>181</b>	<b>2,305</b>	<b>23,675</b>
Exchange adjustments	(757)	(367)	(82)	(10)	(126)	(1,342)
Provided for the year	2,418	878	218	426	311	4,251
Eliminated on disposal/written-off	(2,390)	(4,190)	(80)	(421)	(80)	(7,161)
Impairment loss recognised (Note 13)	8,857	875	-	-	-	9,732
<b>Balance at 31 March 2019</b>	<b>21,550</b>	<b>3,527</b>	<b>1,492</b>	<b>176</b>	<b>2,410</b>	<b>29,155</b>
<b>Carrying amounts</b>						
<b>Balance at 31 March 2019</b>	<b>11,834</b>	<b>1,411</b>	<b>280</b>	<b>517</b>	<b>853</b>	<b>14,895</b>
Balance at 31 March 2018	24,964	7,168	644	570	1,206	34,552

Depreciation expenses of approximately HK\$2,363,000 (2018: approximately HK\$2,200,000) have been included in profit or loss in the depreciation and amortisation line item, approximately HK\$1,699,000 (2018: approximately HK\$3,948,000) have been included in profit or loss in the purchase and production costs line item for the year ended 31 March 2019.

As at 31 March 2019, the carrying amount of a motor vehicle of approximately HK\$493,000 (2018: HK\$644,000) was held under finance lease. The leased asset was pledged as security for the finance lease.



## Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 March 2019

### 12. Investment Properties

#### At fair value

	2019 HK\$'000	2018 HK\$'000
Balance at beginning of year	10,200	8,992
Net gain from fair value adjustment recognised in profit or loss	90	1,208
Balance at end of year	10,290	10,200

The Group's property interests held under operating leases to earn rental or for capital appreciation purpose are measured using the fair value model and are classified and accounted for as investment properties.

The Group's property interests were held under medium-term operating lease and situated in Hong Kong.

The fair value of the Group's investment properties as at 31 March 2019 has been arrived at by using direct comparison method on an open market basis with the major input being the market price per unit of floor area.

Investment properties are measured at fair value at the end of reporting period across the three levels of the input to the valuation methodologies in accordance with the HKFRS 13 *Fair value measurement* ("HKFRS 13"). The level are defined as follows:

Level 1 valuations: Fair value measured using only level 1 inputs i.e. unadjusted quoted prices in active market for identical assets or liabilities at the measurement date.

Level 2 valuations: Fair value measured using level 2 inputs i.e. observable inputs which fail to meet level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available.

Level 3 valuations: Fair value measured using significant unobservable inputs.

The Group's investment properties measured at approximately HK\$10.3 million (2018: HK\$10.2 million) represent a commercial building located in Hong Kong and was classified as Level 3 under the fair value hierarchy in accordance with HKFRS 13. In estimating the fair value of properties, the highest and best use of the properties is their current use.

Direct comparison method is adopted based on the principle of substitution, where comparison is made based on prices realised on actual sales and/or asking prices of comparable market transactions as available. The key input was the market unit price. A significant increase/(decrease) in the market unit price (per square meter) would result in a significant increase/(decrease) in the fair value of the investment properties.

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

## Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 March 2019

### 13. Other Intangible Assets

	<b>Mining rights</b> HK\$'000
<b>Cost</b>	
Balance at 1 April 2017	341,590
Effect of foreign currency exchange differences	<u>36,398</u>
Balance at 31 March 2018	<b>377,988</b>
Effect of foreign currency exchange differences	<b>(21,700)</b>
<b>Balance at 31 March 2019</b>	<b>356,288</b>
<b>Accumulated amortisation and impairment</b>	
Balance at 1 April 2017	146,226
Effect of foreign currency exchange differences	17,450
Provided for the year	<u>28,104</u>
Balance at 31 March 2018	<b>191,780</b>
Effect of foreign currency exchange differences	<b>(10,908)</b>
Provided for the year	<b>19,563</b>
Impairment loss recognised	<b>46,313</b>
<b>Balance at 31 March 2019</b>	<b>246,748</b>
<b>Carrying amounts</b>	
<b>Balance at 31 March 2019</b>	<b>109,540</b>
Balance at 31 March 2018	<u>186,208</u>

At 31 March 2019, the carrying amount of the mining rights for nickel-copper mine was approximately HK\$109,540,000 (2018: HK\$186,208,000).

The effective amortisation rate of mining rights for the year approximates to 5% (2018: 8%).

Amortisation expenses of approximately HK\$17,688,000 (2018: HK\$26,878,000) have been included in profit or loss in the production costs line item and approximately HK\$2,319,000 (2018: HK\$1,226,000) have been capitalised in the cost of inventories as at 31 March 2019.

## Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 March 2019

### 13. Other Intangible Assets (Continued)

#### Impairment assessment of mining assets

In view of the unfavourable market condition and the drop-in revenue of the Group during the year, the Group have adjusted its production strategy, and at the end of the reporting period, the Group has reassessed the projected cash flow relating to the value-in-use with reference to valuation performed by an independent professional valuer and conducted an impairment review on the mining assets of the Group.

For the purpose of impairment testing, the recoverable amount is determined based on value-in-use calculation that uses cash flow projections based on the most recent financial budget after taking into account the operation environment and market conditions at the point of time. The key assumptions for the value-in-use calculation are those regarding the discount rate and production output and direct costs during the year. Management estimates the discount rate of 17% (2018: 17%) using pre-tax rate that reflect current market assessments of the time value of money and the risks specific to the cash-generating unit. Changes in selling prices and direct costs are based on past experience and expectations of changes in market.

The directors of the Company are of the opinion that based on the value in use assessment, the recoverable amount of the mining assets was lower than its carrying amounts and impairment loss on the mining rights and property, plant and equipment of approximately HK\$46,313,000 and HK\$9,732,000 respectively had been recognised in the consolidated statement of profit or loss and other comprehensive income within “impairment loss on mining assets” for the year ended 31 March 2019 (2018: nil).

### 14. Interests in Associates

	2019 HK\$'000	2018 HK\$'000
Unlisted investments, at cost	124,543	75,143
Share of post-acquisition results and other comprehensive income	(77,431)	(74,851)
Impairment loss	(7,835)	–
	<u>39,277</u>	<u>292</u>
Amounts due from associates	80	–
	<u>39,357</u>	<u>292</u>

On 29 September 2017, the Company disposed the entire 25.035% equity interest of 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 software development and information technology services in the PRC, to an independent third party for a total consideration of RMB5,752,500. The Group recognised a gain of HK\$3,057,000 from the disposal during the year ended 31 March 2018.

## Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 March 2019

### 14. Interests in Associates (Continued)

Details of the Group's principal associates at the end of the reporting period are as follow:

Name of associate	Country of incorporation/ registration	Principal place of business	Ownership interest held by the Group		Principal activity
			2019	2018	
CGA Holdings Limited ("CGA Holdings") (Formerly known as Summit Soar Limited)	British Virgin Islands	Hong Kong	32.52%	-	Investment holdings
CGA VR Entertainment Limited*	Hong Kong	Hong Kong	32.52%	-	VR Entertainment
CGA e-Commerce Limited*	Hong Kong	Hong Kong	32.52%	-	E-commerce
CGA Stadium Limited*	Hong Kong	Hong Kong	32.52%	-	Operating a e-Stadium
Cyber Games Arena Limited*	Hong Kong	Hong Kong	32.52%	-	Promoting e-sport activities and organising of e-sport tournament
CGA Legend Limited*	Hong Kong	Hong Kong	32.52%	-	Organising e-sport tournament
Nano Bubble Limited ("Nano Bubble")	Hong Kong	Hong Kong	22.53%	-	Development of domestic pesticide removal, surface cleaning and sanitisation products
Nano Energy Limited ("Nano Energy")	Hong Kong	Hong Kong	27.03%	-	Development of different power generation mechanisms

\* Wholly-owned subsidiaries of CGA Holdings.

On 19 June 2018, the Group subscribed for 4,000 ordinary shares of CGA Holdings, representing its 28.57% equity interest at a consideration of HK\$50,000,000. The subscription constitutes a discloseable transaction of the Company under the GEM Listing Rules. On 25 January 2019, CGA Holdings brought back and cancelled 1,700 ordinary shares from its shareholders at HK\$9,500,000. The equity interest of CGA Holdings owned by the Group increased to 32.52% after the buyback. The principal activities of CGA Holdings and its subsidiaries are provision of advertising and promotion service of e-sport activities, organisation of regular e-sport tournament, operating a e-Stadium and store.

Pursuant to the subscription agreement dated 16 May 2018, the major shareholders of Cyber Games Arena Limited (the "Guarantors") undertake the profit guarantee compensation and jointly and severally guaranteed to the Group that the net profit after tax of CGA Holdings and its subsidiaries after restructuring as shown in the audited consolidated financial statements of CGA Holdings for the years ending 31 March 2020 and 31 March 2021 (excluding the one-off, non-operational in nature and items not incurred in the ordinary and usual course of business) shall not be in aggregate less than HK\$32,000,000 ("CGA Profit Guarantee"). The CGA Profit Guarantee was accounted for as financial assets at FVTPL on initial recognition (Note 17). During the year, the Group recognised a gain on fair value change of approximately HK\$6,382,000 (2018: nil) on the CGA Profit Guarantee in the consolidated statement of profit or loss and other comprehensive income for the year ended 31 March 2019.

## Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 March 2019

### 14. Interests in Associates (Continued)

During the year, the Group invested in the equity interest of Nano Bubble and Nano Energy at a consideration of HK\$570,000 and HK\$30,000 respectively. The Group also made a proportional shareholders loan to Nano Bubble and Nano Energy of HK\$53,000 and HK\$768,000 respectively. Nano Bubble is principally engaged in the development of domestic pesticide removal, surface cleaning and sanitisation products with the application of Nano technology and the principal activities are Nano Energy are development of different power generation mechanism.

The amounts due from associates are unsecured, interest-free and have no fixed term of repayment. During the year, the Group considered that an amount due from an associate of approximately HK\$740,000 was credit-impaired and accordingly recognised a loss on amount due from an associate of HK\$740,000 in the consolidated statement of profit or loss and other comprehensive income for the year ended 31 March 2019.

In view that the actual operating results from the newly developed lines of business of CGA Holdings is progressed slower and less than planned, at the end of the reporting period, the Group conducted an impairment review on its interests in associates. For the purpose of impairment testing, the recoverable amount is determined based on value-in-use calculation that uses cash flow projections based on most recent financial budget after taking into account the operation environment and market conditions at the point of time approved by the management covering a five-year period using a pre-tax discount rate of 17.8%. The cash flow beyond the five-year period are extrapolated using zero growth rate. The key assumptions for the value in use calculation are those regarding the discount rate and revenue and direct costs during the year. Management estimates the discount rate that reflect current market assessments of the time value of money and the risks specific to the investment. Changes in revenue and direct costs are based on past experience and expectations of changes in market. Based on the impairment assessment, an impairment loss of approximately HK\$7,835,000 was recognised in the consolidated statement of profit or loss and other comprehensive income for the year ended 31 March 2019.

On 30 September 2018, the Group disposed of the 48% equity interest of Easy Park Holdings Limited at a total consideration of HK\$100,000. No gain or loss was recognised from the disposal.

#### Summarised financial information of material associates

As at 31 March 2019, the material associates of the Group were CGA Holdings and its subsidiaries ("CGA Group"). The Group has no material associate as at 31 March 2018.

The summarised financial information in respect of the Group's material associate as at 31 March 2019 is set out below. The summarised financial information below represents amounts shown in the associate's financial statements prepared in accordance with HKFRSs.

All of these associates are accounted for using the equity method in these consolidated financial statements.

## Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 March 2019

### 14. Interests in Associates (Continued)

#### CGA Group

The summarised financial position is as follows:

	2019 HK\$'000
Current assets	30,505
Non-current assets	19,242
Current liabilities	(15,079)
Non-current liabilities	(1,800)
Net assets	<u>32,868</u>

The summarised total comprehensive expense is as follows:

	2019 HK\$'000 (Note)
Revenue	<u>53,892</u>
Loss for the period	(9,790)
Other comprehensive expense for the period	–
Total comprehensive expense for the period	<u>(9,790)</u>

Note: The summarised financial information represent total comprehensive expense of CGA Group since date of acquisition to 31 March 2019.

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

	2019 HK\$'000
Net assets of CGA Group	32,868
Proportion of the Group's ownership interest in CGA Group	32.52%
The Group's share of net assets of CGA Group	10,690
Goodwill	36,253
Less: Impairment loss	(7,835)
Carrying amount of the Group's interest in CGA Group	<u>39,108</u>

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

	2019 HK\$'000	2018 HK\$'000
Share of associates' result and total comprehensive expense for the year	(862)	(807)
Aggregate carrying amount of the Group's interests in the associates	<u>249</u>	<u>292</u>

## Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 March 2019

### 15. Other Financial Assets

	2019 HK\$'000	2018 HK\$'000
Financial assets at fair value through profit or loss – designated as such upon initial recognition	–	10,625

For the year ended 31 March 2018, the Group entered into a subscription agreement, shareholders' agreement and put option deed on 29 December 2017 and subscribed for 600,000 new issued shares of Dragon Silver Holdings Limited ("Dragon Silver"), representing approximately 8.86% of its enlarged issued share capital, at a consideration of HK\$7,800,000. Dragon Silver is a company incorporated in Hong Kong principally engaged in trading, production, processing and investment in precious metals and non-ferrous metals and related products.

Pursuant to the subscription agreement, the major shareholder of Dragon Silver (the "Guarantor"), agreed to irrevocably warrant and guarantee to the Group that (i) the audited net profit after tax of Dragon Silver (excluding items which are one-off, non-operating in nature and not incur in the ordinary and usual courses of business) shall not be less than HK\$15,000,000 ("Guaranteed Profits") for each of the financial years ending from 30 June 2018 to 2022 (the "Relevant years"); and (ii) the amount of dividends declared and paid by Dragon Silver during each of the Relevant years shall not be less than HK\$1.25 per share ("Guaranteed Dividends").

In the event that the actual audited profit after tax of Dragon Silver for each of the Relevant years shall be less than the Guaranteed Profits, the Guarantor shall compensate the Group for the sum being calculated as the shortfall of the actual profits (i.e. the Guaranteed Profits less actual audited profit) multiplied by 8.86. The maximum amount payable by the Guarantor under the Guaranteed Profits shall not be more than the consideration paid by the Group (i.e. HK\$7,800,000).

In the event that the dividend declared and paid by Dragon Silver for each of the Relevant years shall be less than the Guaranteed Dividends, the Guarantor shall compensate the Group for the sum being calculated as the shortfall of the dividend (i.e. the Guaranteed Dividends less actual dividend paid) multiplied by the number of new shares subscribed by the Group (i.e. 600,000 shares).

In addition, pursuant to the subscription agreement, the Guarantor and the Group entered into the put option deed at completion that the Group has the right to sell all the 600,000 shares subscribed to the Guarantor at the consideration of HK\$7,800,000 within the period commencing from the fourth anniversary of the date of the put option deed to the date falling five years from the date of the put option deed.

The transaction constituted a connected transaction of the Company under the GEM Listing Rules.

The investment in Dragon Silver was regarded as a hybrid instrument that contains one or more embedded derivatives and was designated as financial assets at fair value through profit or loss on initial recognition. As described in note 2, upon initial application of HKFRS 9, the investment was reclassified from financial assets designated as at FVTPL to financial assets at FVTPL (Note 17).

During the year, the Group received dividend income of approximately HK\$750,000 (2018: nil) from Dragon Silver in accordance with the Guaranteed Dividends mentioned above and fair value changes of approximately HK\$71,000 (2018: HK\$2,825,000) was recognised in the consolidated statement of profit or loss and other comprehensive income for the year ended 31 March 2019.



## Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 March 2019

### 16. Prepaid Lease Payments

	2019 HK\$'000	2018 HK\$'000
<b>Balance at beginning of year</b>	7,170	6,829
Effect of foreign currency exchange differences	(412)	662
Addition	20	–
Amortisation expense	(232)	(321)
<b>Balance at end of year</b>	<u>6,546</u>	<u>7,170</u>
<b>Analysis of the carrying amounts of prepaid lease payments is as follows:</b>		
Prepaid lease payments	6,546	7,170
Less: portion to be charge to profit or loss in the coming twelve months and shown as current assets	(233)	(245)
Classified as non-current assets	<u>6,313</u>	<u>6,925</u>

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.

### 17. Financial Assets at Fair Value through Profit or Loss

	2019 HK\$'000	2018 HK\$'000
Financial assets measured at FVTPL:		
Listed debt securities (Note 22)	2,957	–
Unlisted equity investment (Note 15)	10,696	–
Convertible loan	726	–
CGA Profit Guarantee (Note 14)	6,382	–
	<u>20,761</u>	<u>–</u>
Analysed for reporting purposes:		
Current assets	2,957	–
Non-current assets	17,804	–
	<u>20,761</u>	<u>–</u>

The convertible loan in the principal sum of HK\$777,000 bears interest rate of 6% per annum with maturity on 15 March 2022. The Group has the right to convert all or part of the loan amount into equity shares of the borrower according to the terms and conditions of the convertible loan agreement entered into between the Group and the borrower.

## Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 March 2019

### 18. Deposits

Long-term deposits of the Group represent the land restoration and environmental recoverability guarantee deposits for the Group's mines. The amounts are restricted and not expected to be refunded within the next 12 months as at 31 March 2019.

### 19. Land Rehabilitation Costs

	2019 HK\$'000	2018 HK\$'000
<b>Balance at beginning of year</b>	<b>2,813</b>	4,118
Effect of foreign currency exchange differences	(161)	399
Amortisation expense	(377)	(1,704)
<b>Balance at end of year</b>	<b>2,275</b>	<b>2,813</b>

The land rehabilitation costs relate to the restoration costs for the occupation of lands at mining sites. The amortisation period ranges from approximately 6 to 13 years.

### 20. Inventories

	2019 HK\$'000	2018 HK\$'000
Raw materials	14,096	6,459
Finished goods	6,016	–
	<b>20,112</b>	<b>6,459</b>

## Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 March 2019

### 21. Trade and Other Receivables

	2019 HK\$'000	2018 HK\$'000
Trade receivables:		
Note receivables (Note)	–	7,360
Prepayments	184	1,412
Deposits	24,380	29,656
Other receivables	468	105
	<u>25,032</u>	<u>38,533</u>
Less: deposits classified as non-current assets (Note 18)	<u>(23,720)</u>	<u>(29,234)</u>
	<u>1,312</u>	<u>9,299</u>

Note: Note receivables represented bank acceptance bills of exchange and are interest-free.

The following is an analysis of note receivables by age, presented based on the date to maturity of notes:

	2019 HK\$'000	2018 HK\$'000
0 to 90 days	–	4,300
91 to 180 days	–	3,060
	<u>–</u>	<u>7,360</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 2019 and 2018, the Group did not have any account receivables.

## Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 March 2019

### 22. Held-for-Trading Investments

It represents Hong Kong listed debt securities with fixed interest rates of 4.6% to 7.5% and maturity dates in September 2022 and June 2023 respectively. The fair value of these investments are determined with reference to quoted market prices. As described in note 2, upon initial application of HKFRS 9, the held-for-trading investments under HKAS 39 was reclassified as financial assets at FVTPL (Note 17). For the year ended 31 March 2019, the Group recognised a fair value loss of approximately HK\$87,000 (2018: HK\$53,000).

### 23. Bank Balances and Cash

Bank balances and cash comprise cash held by the Group and short-term bank deposits with effective interest rates ranging between 0.3% and 2.0% (2018: between 0.3% and 1.69%) per annum.

At 31 March 2019, the Group had bank balances and cash of approximately HK\$22,970,000 (2018: HK\$87,164,000) 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.

### 24. Trade and Other Payables

	2019 HK\$'000	2018 HK\$'000
Trade payables	2,481	3,098
Other payables	9,174	10,267
	<u>11,655</u>	<u>13,365</u>

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

	2019 HK\$'000	2018 HK\$'000
0 to 30 days	126	5
31 to 60 days	1	101
61 to 90 days	940	897
More than 90 days	1,414	2,095
	<u>2,481</u>	<u>3,098</u>

Included in other payables are mainly deposits received of approximately HK\$3,136,000 (2018: HK\$3,699,000), and other payables and accruals of approximately HK\$6,038,000 (2018: HK\$6,297,000).

Other income of approximately HK\$194,000 was recognised in the current year that relates to carried-forward contract liabilities and was included in the contract liabilities at the beginning of year.

## Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 March 2019

### 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 repayable by instalments in accordance with the terms of the PN on each anniversary date of issue. The PN was secured by a charge over a 51% equity interest of Goffers Management Limited, a non-wholly owned subsidiary of the Company. The PN was fully repaid during the year and the charge was released accordingly.

### 26. Provision for Land Rehabilitation

	2019 HK\$'000	2018 HK\$'000
<b>Balance at beginning of year</b>	<b>9,781</b>	8,917
Effect of foreign currency exchange differences	(561)	864
<b>Balance at end of year</b>	<b>9,220</b>	9,781
Less: provision for land rehabilitation classified as non-current liabilities	(6,872)	(7,291)
Land rehabilitation classified as current liabilities	<b>2,348</b>	2,490

The Group had made provision for land reclamation cost and mine closures for the Group's existing mines which was determined by the directors based on their best estimates of the anticipated costs of rehabilitation, restoration and dismantling of mining areas.

## Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 March 2019

### 27. Obligations under Finance Lease

	2019 HK\$'000	2018 HK\$'000
Analysed for reporting purposed as:		
Current liabilities	271	256
Non-current liabilities	–	271
	<u>271</u>	<u>527</u>

The Group purchased a motor vehicle by way of a finance lease. The lease term is 3 years and the interest rate is 2.5% per annum and repayable by monthly instalments with an option for the Group to purchase the motor vehicle at the end of the lease term at a consideration of HK\$500. The finance lease is secured by the Group's motor vehicle with carrying amount of approximately of HK\$493,000 (2018: HK\$644,000) and personal guarantee provided by Mr. Felipe Tan.

	Minimum lease payments 2019 HK\$'000	Present value of minimum lease payments 2019 HK\$'000	Minimum lease payments 2018 HK\$'000	Present value of minimum lease payments 2018 HK\$'000
<b>Obligations under finance leases payable:</b>				
Within one year	275	271	275	256
Within a period of more than one year but not more than two years	–	–	275	271
Total minimum finance lease payment	<u>275</u>	<u>271</u>	550	<u>527</u>
Less: future finance charges	<u>(4)</u>		<u>(23)</u>	
Present value of lease obligations	271		527	
Less: Amount due for settlement with 12 months	<u>(271)</u>		<u>(256)</u>	
Amount due for settlement after 12 months	<u>–</u>		<u>271</u>	

## Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 March 2019

### 28. Loans from Related Companies

On 20 July 2018, the Group entered into loan agreements to borrow HK\$15,000,000 from related companies which are beneficially owned by Mr. Felipe Tan, a director and substantial shareholder of the Company. The loans are unsecured, repayable on demand and bear interest at 4.5% per annum.

### 29. Amount Due to a Non-Controlling Interest

The amount represents loan from a non-controlling interest and is unsecured, interest-free and is not repayable within one year.

### 30. Deferred Taxation

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

	Withholding tax on undistributed profits HK\$'000	Fair value adjustments arising from business combination HK\$'000	Total HK\$'000
<b>Balance at 1 April 2017</b>	1,873	27,648	29,521
Effect of foreign currency exchange differences	182	2,681	2,863
Charge/(credit) to profit or loss			
Origination and reversal of temporary differences	908	(2,217)	(1,309)
Reversal upon payment	(2,247)	–	(2,247)
	<u>716</u>	<u>28,112</u>	<u>28,828</u>
<b>Balance at 31 March 2018</b>			
Effect of foreign currency exchange differences	(41)	(1,614)	(1,655)
Charge/(credit) to profit or loss			
Origination and reversal of temporary differences	499	(11,135)	(10,636)
Reversal upon payment	(607)	–	(607)
	<u>567</u>	<u>15,363</u>	<u>15,930</u>
<b>Balance at 31 March 2019</b>			



## Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 March 2019

### 30. Deferred Taxation (Continued)

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.

Fair value adjustments arising from business combination mainly represent the deferred tax differences recognised in respect of the Group's mining rights, property, plant and equipment and prepaid lease payments.

At the end of the reporting period, the Group has estimated unused tax losses of approximately HK\$304,000,000 (2018: HK\$298,000,000) 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. No deferred tax asset has been recognised in respect of these estimated unused tax losses due to unpredictability of future profit streams.

### 31. Share Capital

	Number of ordinary shares		Amount	
	2019	2018	2019 HK\$'000	2018 HK\$'000
<b>Ordinary shares, issued and fully paid:</b>				
At beginning of year and end of year	<u>2,812,881,803</u>	<u>2,812,881,803</u>	<u>906,074</u>	<u>906,074</u>

### 32. Reserves

The amounts of the Group's reserves and the movements therein for the current and prior years are presented in the consolidated statement of changes in equity of the consolidated financial statements.

#### Share options reserve

The share options reserve comprises the portion of the grant date fair value of unexercised share options granted to eligible participants of the Group that has been recognised in accordance with the accounting policy adopted for share-based payments.

#### Translation reserve

The translation reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations.

## Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 March 2019

### 33. 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 2019

### 33. 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 (“2013 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 2013 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 2013 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 2019 was about 4.5 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 2019, the total number of shares available for issue under the 2013 Share Option Scheme is 99,574,203 (2018: 98,574,203) shares, representing 3.5% (2018: 3.5%) 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 2019

## 33. Share Options (Continued)

Details of the movements in the number of share options granted during the year are as follows:

Type of Particulars	Date of grant	Vesting and Exercisable period	Exercise price per share HK\$	Number of share options									
				Outstanding at 1.4.2017		During the year		Outstanding at 31.3.2018		During the year		Outstanding at 31.3.2019	
						Cancelled	Lapsed			Cancelled	Lapsed		
<b>2003 Share Option Scheme</b>													
<b>Employee</b>	20.11.2012	20.11.2012 – 19.11.2022	0.1281	3,113,514	-	-	-	3,113,514	-	-	-	3,113,514	
<b>Total</b>				3,113,514	-	-	-	3,113,514	-	-	-	3,113,514	
<b>Weighted average exercise price (HK\$)</b>				0.1281	N/A	N/A	N/A	0.1281	N/A	N/A	N/A	0.1281	

# Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 March 2019

## 33. Share Options (Continued)

Type of Particulars	Date of grant	Vesting and Exercisable period	Exercise price per share HK\$	No of share options						
				Outstanding at 1.4.2017	Cancelled	Lapsed	Outstanding at 31.3.2018	Cancelled	Lapsed	Outstanding at 31.3.2019
<b>2013 Share Option Scheme</b>										
<b>Directors</b>										
	03.10.2013	03.10.2013 – 02.10.2023	0.1435	2,075,676	-	-	2,075,676	-	-	2,075,676
	17.02.2014	17.02.2014 – 16.02.2024	0.1329	415,135	-	-	415,135	-	-	415,135
	02.03.2017	02.03.2017 – 01.03.2027	0.1080	7,000,000	-	-	7,000,000	-	-	7,000,000
				9,490,811	-	-	9,490,811	-	-	9,490,811
<b>Employees</b>										
	03.10.2013	03.10.2013 – 02.10.2023	0.1435	3,632,433	-	-	3,632,433	-	-	3,632,433
	17.02.2014	17.02.2014 – 16.02.2024	0.1329	622,703	-	-	622,703	-	-	622,703
	02.03.2017	02.03.2017 – 01.03.2027	0.1080	12,000,000	-	-	12,000,000	-	(1,000,000)	11,000,000
				16,255,136	-	-	16,255,136	-	(1,000,000)	15,255,136
<b>Others</b>										
	03.10.2013	03.10.2013 – 02.10.2023	0.1435	3,113,514	(8,113,514)	-	-	-	-	-
	02.03.2017	02.03.2017 – 01.03.2027	0.1080	25,000,000	(12,000,000)	-	13,000,000	-	-	13,000,000
				28,113,514	(15,113,514)	-	13,000,000	-	-	13,000,000
<b>Total</b>				53,859,461	(15,113,514)	-	38,745,947	-	(1,000,000)	37,745,947
<b>Weighted average exercise price (HK\$)</b>				0.1143	0.1153	N/A	0.1139	N/A	0.1080	0.1141

Notes:

1. No share options have been granted under the share option schemes during the year ended 31 March 2019 (2018: nil).
2. No share options granted under the share option schemes were exercised during the year ended 31 March 2019 (2018: nil).
3. Options granted are fully vested at the date of grant.

## Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 March 2019

### 34. Operating Lease Commitments

#### The Group as lessee

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

	2019 HK\$'000	2018 HK\$'000
Within one year	<u>3,058</u>	<u>176</u>

Operating lease payments represent rentals payable by the Group for certain of its land use right and office premises. Leases are negotiated for terms up to two 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.

#### The Group as lessor

At the end of the reporting period, the Group had contracted with tenants for the following future minimum lease payments:

	2019 HK\$'000	2018 HK\$'000
Within one year	<u>-</u>	<u>330</u>

Property rental income earned during the year was approximately HK\$240,000 (2018: 360,000).

### 35. Retirement Benefits Schemes

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

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

During the year ended 31 March 2019, 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\$1,466,000 (2018: HK\$1,654,000).

## Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 March 2019

### 36. Particulars of Principal Subsidiaries of the Company

#### General information of principal subsidiaries

Details of the Company's principal subsidiaries, all of which, excluding those explained below, are limited liability companies, at the end of the reporting period are as follows:

Name of subsidiary	Place of incorporation/ registration/ operations	Issued ordinary/ registered capital	Percentage of equity attributable to the Company		Principal activities
			Directly	Indirectly	
Nano Tech Limited	Hong Kong	HK\$100,000	–	90.1%	Investment holding
SRJJ Limited	Hong Kong	HK\$10,000	–	80%	Research and development of Styrofoam
Time Rich HK Limited	Hong Kong	HK\$100	–	100%	Investment holding and provision of business services
Timeless T12M Capital Limited	Hong Kong	HK\$1,000,000	–	90.1%	Technology and business investment activities
新疆天目礦業資源開發有限公司 ("Xinjiang Tianmu")	PRC	Renminbi ("RMB") 36,000,000	–	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

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.



## Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 March 2019

### 36. Particulars of Principal Subsidiaries of the Company (Continued)

#### 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 establishment/ registration and principal place of business	Proportion of ownership interests held by the non-controlling interests		(Loss)/profit allocated to non-controlling interests		Accumulated non-controlling interests	
		2019	2018	2019	2018	2019	2018
				HK\$'000	HK\$'000	HK\$'000	HK\$'000
Xinjiang Tianmu	PRC	74%	74%	(37,640)	12,997	122,202	186,662
Individually immaterial subsidiaries with non-controlling interests						3,574	14,188
						<u>125,776</u>	<u>200,850</u>

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.

## Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 March 2019

### 36. Particulars of Principal Subsidiaries of the Company (Continued)

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

##### Xinjiang Tianmu

	2019 HK\$'000	2018 HK\$'000
Current assets	44,368	102,947
Non-current assets	156,249	259,088
Current liabilities	(13,222)	(74,352)
Non-current liabilities	(22,235)	(35,403)
<b>Net assets</b>	<b>165,160</b>	<b>252,280</b>
Equity attributable to owners of the Company	42,958	65,618
Non-controlling interests	122,202	186,662
<b>Total equity</b>	<b>165,160</b>	<b>252,280</b>
Revenue	78,154	173,872
Other income and gains	2,051	3,044
Expenses	(131,077)	(159,350)
<b>(Loss)/profit for the year</b>	<b>(50,872)</b>	<b>17,566</b>
(Loss)/profit attributable to owners of the Company	(13,232)	4,569
(Loss)/profit attributable to the non-controlling interests	(37,640)	12,997
<b>(Loss)/profit for the year</b>	<b>(50,872)</b>	<b>17,566</b>
Other comprehensive (expense)/income attributable to owners of the Company	(3,789)	7,532
Other comprehensive (expense)/income attributable non-controlling interests	(10,780)	21,428
<b>Other comprehensive (expense)/income for the year</b>	<b>(14,569)</b>	<b>28,960</b>
Total comprehensive (expense)/income attributable to owners of the Company	(17,021)	12,101
Total comprehensive (expense)/income attributable to non-controlling interests	(48,420)	34,425
<b>Total comprehensive (expense)/income for the year</b>	<b>(65,441)</b>	<b>46,526</b>
<b>Dividends paid to non-controlling interests of Xinjiang Tianmu</b>	<b>21,681</b>	<b>15,049</b>
Net cash inflow from operating activities	16,594	74,136
Net cash inflow from investing activities	1,243	1,102
Net cash outflow from financing activities	(78,128)	(31,939)
Effect of foreign exchange rate changes	(3,912)	5,439
<b>Net (decrease)/increase in cash and cash equivalents</b>	<b>(64,203)</b>	<b>48,738</b>

# Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 March 2019

## 37. Financial Instruments

### (a) Categories of financial instruments

	2019 HK\$'000	2018 HK\$'000
<b>Financial assets</b>		
Held-for-trading investments	–	3,044
Financial assets at FVTPL	20,761	–
Financial assets designated as at FVTPL	–	10,625
Financial assets at amortised cost	66,427	–
Loans and receivables (including cash and cash equivalents)	–	170,706
<b>Financial liabilities</b>		
Amortised cost	32,227	54,397

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

The Group's major financial instruments include financial assets at FVTPL, deposits, trade and other receivables, held-for-trading investments, other financial asset, bank balances and cash, trade and other payables, dividend payable to non-controlling interests, promissory note, obligations under a finance lease, loan from related companies and amount due to a non-controlling interest. Details of the financial instruments are disclosed in respective notes. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

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

#### Market risk

##### *Foreign currency risk management*

Foreign currency risk refers to the risk that movement in foreign currency exchange rate will affect the Group's financial results and its cash flows. The management considers that the Group is not exposed to significant foreign currency risk as majority of its transactions are denominated in Hong Kong dollars and Renminbi (functional currencies of the major group entities) and the Group do not have major monetary assets/liabilities denominated in currencies other than the functional currencies of the relevant group entities at the end of the reporting period.

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.

# Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 March 2019

## 37. Financial Instruments (Continued)

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

#### Market risk (Continued)

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

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

	2019 HK\$'000	2018 HK\$'000
Asset		
United States Dollars ("US\$")	962	805
RMB	10,469	15,692

Most of the US\$ denominated monetary assets at the end of the reporting period are held under the Group's subsidiaries in Hong Kong. Since HK\$ is pegged to US\$, the directors consider that the Group's exposure to foreign currency exchange in respect of US\$ is insignificant.

The following table details the Group's sensitivity to a 5% weakening in the 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 an increase in profit/decrease in loss where HK\$ weakens against RMB. For a 5% weakening of RMB against HK\$, there would be an equal and opposite impact on the profit/loss.

	2019 HK\$'000	2018 HK\$'000
RMB	523	785

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.

# Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 March 2019

## 37. Financial Instruments (Continued)

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

#### Market risk (Continued)

##### *Other price risk*

The Group is exposed to other price risk through its investment in equity and debt securities measured at FVTPL. The management manages this exposure by maintaining a portfolio of investments with different risk and return profiles and monitor the other price risk and will consider hedging the risk exposure should the need arise.

The sensitivity analyses below have been determined based on the exposure to other price risk in respect of the listed debt securities at the reporting date. If the prices of the respective instruments had been 10% increased higher/lower, the loss before tax for the year would decrease/increase by approximately HK\$296,000 (2018: profit before tax increase/decrease by approximately HK\$304,000).

#### 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 statement of financial position.

In respect of trade and other receivables, credit evaluations are performed on all customers and counterparties. These evaluation focus on the counterparty's financial position, past history of making payments and take into account information specific to the counterparty as well as pertaining to the economic environment in which the counterparty operates. Monitoring procedures have been implemented to ensure that follow-up action is taken to recover overdue debts. In addition, the Group performs impairment assessment under ECL model upon application of HKFRS 9 (2018: incurred loss model) on its financial assets. In this regard, management considers that the Group's credit risk is significantly reduced.

The Group performs impairment assessment under ECL model upon application of HKFRS 9 (2018: incurred loss model) on deposits, note and other receivables and bank balances based on 12m ECL.

The credit risk on deposits and other receivables is limited because the counterparties have no historical default record and the directors are of the opinion the risk of default by the counterparties of other receivables is not significant.

The credit risk on note receivables and 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.

Other than concentration of credit risk on liquid funds which are deposited with several banks with high credit ratings or good reputation, 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.

## Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 March 2019

### 37. Financial Instruments (Continued)

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

##### 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. The maturity analysis for other non-derivative financial liabilities is prepared based on the scheduled repayment dates.

	Weighted average effective interest rate %	On demand or less than 1 year HK\$'000	Over 1 year HK\$'000	Total undiscounted cash flows HK\$'000	Carrying amounts at 31 March HK\$'000
<b>2019</b>					
<b>Non-derivative financial liabilities</b>					
Trade and other payables	N/A	11,655	–	11,655	11,655
Dividend payable to non-controlling interest	N/A	4,410	–	4,410	4,410
Obligations under a finance lease	2.5	275	–	275	271
Loans from related companies	4.5	15,000	–	15,000	15,000
Amount due to a non-controlling interest	N/A	–	891	891	891
		<u>31,340</u>	<u>891</u>	<u>32,231</u>	<u>32,227</u>
<b>2018</b>					
<b>Non-derivative financial liabilities</b>					
Trade and other payables	N/A	13,094	–	13,094	13,094
Dividend payable to non-controlling interest	N/A	29,619	–	29,619	29,619
Obligations under a finance lease	2.5	275	275	550	527
Promissory note	3.0	10,300	–	10,300	10,266
Amount due to a non-controlling interest	N/A	–	891	891	891
		<u>53,288</u>	<u>1,166</u>	<u>54,454</u>	<u>54,397</u>

# Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 March 2019

## 37. Financial Instruments (Continued)

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

#### **Fair value of financial assets and financial liabilities that are measured at fair value on a recurring basis**

Some of the Group's financial assets are measured at fair value at the end of the reporting period. The following gives information about how the fair values of these financial assets are determined.

The fair value of financial instruments traded in active markets is based on quoted market prices at the end of the reporting period. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets held by the Group is the quoted market bid price. These instruments are included in Level 1.

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

If one or more of the significant inputs is not based on observable market data, the instrument is included in Level 3.

There were no transfers between Level 1 and 2 in both years.

The Group had engaged independent professional qualified valuers to perform valuation of the fair value of certain of the Group's financial instruments at the end of the reporting period. The financial assets subsequently measured at fair value on Level 3 fair value measurement represents the Group's unlisted equity investment, convertible loan and contingent consideration for the CGA Profit Guarantee.

The fair value of the unlisted equity investment in Dragon Silver at the end of the reporting period was measure using Guideline Public Company Method market approach with option-pricing method and is based on pricing multiples of market comparable companies and volatilities and adjusted to reflect the liquidity and/or marketability with major input being the volatility. For the fair value of the unlisted equity investment, the directors estimated that with all other variables held constant, an increase/decrease in the volatility by 10% would result in an increase or decrease in the fair value of the unlisted equity investment by approximately HK\$566,000 and HK\$584,000 respectively.

The fair value of the convertible loan is measured based on Goldman Sachs' Model using Monte Carol method that uses a variety of random simulations to determine the values of parameters with the major unobservable input being the credit spread rate. No sensitivity analysis for the convertible loan is presented as a reasonably possible change in key assumptions used in the sensitivity analysis would not result in any significant potential financial impact.

## Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 March 2019

### 37. Financial Instruments (Continued)

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

##### Fair value of financial assets and financial liabilities that are measured at fair value on a recurring basis (Continued)

The fair value of CGA Profit Guarantee has been determined by general accepted pricing model based on discounted cash flow analysis with Monte Carlo Simulation to incorporate the uncertainties of revenue growth. The major unobservable input being the discount rate that reflects the credit risk of the counterparty. For the fair value of CGA Profit Guarantee, the directors estimated that with all other variables held constant, an decrease/increase in the discount rate by 5% would result in an increase or decrease in the fair value of CGA Profit Guarantee by approximately HK\$713,000 and HK\$840,000 respectively.

The movements in the above financial assets are as follows:

	Unlisted equity investment HK\$'000	Convertible loan HK\$'000	CGA Profit Guarantee HK\$'000
At the beginning of year	10,625	–	–
Additions	–	777	–
Fair value changes recognised in profit or loss	71	(51)	6,382
At the end of year	10,696	726	6,382

The net gain in fair value change recognised in profit or loss amounting to approximately HK\$6,402,000 within the line item “fair value changes on financial assets at fair value through profit or loss” in the consolidated profit or loss and other comprehensive income for the year ended 31 March 2019.



## Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 March 2019

### 37. Financial Instruments (Continued)

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

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

As at 31 March 2018

	Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000	Total HK\$'000
<b>Financial liabilities</b>				
Promissory note	–	10,247	–	10,247

The carrying amount of the PN as at 31 March 2018 amounted to approximately HK\$10,266,000 whereas its fair value amounted to approximately HK\$10,247,000. The fair value of the Promissory Note at 31 March 2018 has been arrived using the effective interest method by discounting future estimated repayments at discount rate of 4.65% with reference to the United States Treasury Bonds yields and credit spreads of comparable financial instruments with similar characteristics.

The directors consider that the carrying amounts of the Group's other financial assets and liabilities carried at cost or amortised cost are not materially different from their fair values as at 31 March 2019 and 2018.

### 38. Capital Management

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

The capital structure of the Group consists of debts (which includes promissory note, obligations under a finance lease, loan from related companies and amount due to a non-controlling interest) 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.

#### Gearing ratio

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

## Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 March 2019

### 38. Capital Management (Continued)

#### Gearing ratio (Continued)

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

	2019 HK\$'000	2018 HK\$'000
Debts	16,162	11,684
Equity attributable to owners of the Company	107,157	138,732
Gearing ratio	15.1%	8.4%

### 39. Notes to the Consolidated Statement of Cash Flows

#### (a) Major non-cash transactions

During the year ended 31 March 2018, addition to a motor vehicle of approximately HK\$758,000 was financed by finance lease arrangement (Note 27).

#### (b) Reconciliation of liabilities arising from financing activities

The table below details changes in the Group's liabilities arising from financing activities. Liabilities arising from financing activities are those for which cash flow were, or future cash flows will be classified in the Groups consolidated statement of cash flows from financing activities.

	Loan from related companies HK\$'000	Promissory note HK\$'000	Obligations under finance leases HK\$'000	Amount due to a minority share- holder HK\$'000	Dividend payable HK\$'000	Total HK\$'000
At 1 April 2017	–	20,532	–	–	5,532	26,064
Changes from financing cash flows	–	(10,599)	(275)	891	(27,403)	(37,386)
New finance leases	–	–	767	–	–	767
Dividend payable to non-controlling interests	–	–	–	–	49,864	49,864
Interest expenses	–	333	35	–	–	368
Foreign exchange	–	–	–	–	1,626	1,626
<b>At 31 March 2018</b>	<b>–</b>	<b>10,266</b>	<b>527</b>	<b>891</b>	<b>29,619</b>	<b>41,303</b>
Changes from financing cash flows	14,551	(10,300)	(275)	–	(48,832)	(44,856)
Dividend payable to non-controlling interests	–	–	–	–	25,323	25,323
Interest expenses	449	34	19	–	–	502
Foreign exchange	–	–	–	–	(1,700)	(1,700)
<b>At 31 March 2019</b>	<b>15,000</b>	<b>–</b>	<b>271</b>	<b>891</b>	<b>4,410</b>	<b>20,572</b>

## Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 March 2019

### 40. Related Party Transactions

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

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

	2019 HK\$'000	2018 HK\$'000
Rental and share of office expenses paid to related companies (Note (i))	403	381
Interest expenses paid to a related company (Note (ii))	34	333
Loan interest paid to related companies (Note (iii))	449	–
Service income received from a related company (Note (iv))	–	300
Rental income received from an associate (Note (v))	180	360
Donation by the Group (Note (vi))	–	100

Notes:

- (i) Rental and share of office 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 terms mutually agreed by both parties.
- (ii) Effective interest expenses on PN is charged at 3% per annum and payable to a related company which is beneficially owned 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) Interest expenses in respect of loans with interest rate at 4.5% per annum and payable to related companies which are beneficially owned by Mr. Felipe, a director and substantial shareholder of the Company.
- (iv) Service income in respect of services provided by the Group was received from a related company, in which Mr. Felipe Tan is a director and has indirect equity interest, at terms mutually agreed by both parties.
- (v) Rental income in respect of the leasing of office premises were received from an associate in which the Company owned a 48% equity interest, at terms mutually agreed by both parties.
- (vi) Donation was made to a charitable company, which is except from tax under section 88 of the Inland Revenue Ordinance, in which Mr. Felipe Tan acts as director and is one of the founder members.
- (vii) Personal guarantee was provided by Mr. Felipe Tan in respect of the obligations under a finance lease (Note 27).

### 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 7.

## Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 March 2019

### 41. Statement of Financial Position of the Company and Reserve Movement

#### Statement of financial position of the Company

	2019 HK\$'000	2018 HK\$'000
<b>Non-current assets</b>		
Property, plant and equipment	493	644
Investment properties	10,290	10,200
Investments in subsidiaries	14,844	14,844
	<u>25,627</u>	<u>25,688</u>
<b>Current assets</b>		
Trade and other receivables	210	185
Amounts due from subsidiaries	72,612	105,014
Bank balances and cash	322	324
	<u>73,144</u>	<u>105,523</u>
<b>Current liabilities</b>		
Trade and other payables	842	881
Obligations under a finance lease	271	256
	<u>1,113</u>	<u>1,137</u>
<b>Net current assets</b>	<u>72,031</u>	<u>104,386</u>
<b>Total assets less current liabilities</b>	<u>97,658</u>	<u>130,074</u>
<b>Non-current liabilities</b>		
Obligations under a finance lease	–	271
<b>Net assets</b>	<u>97,658</u>	<u>129,803</u>
<b>Capital and reserves</b>		
Share capital	906,074	906,074
Reserves	(808,416)	(776,271)
<b>Total equity</b>	<u>97,658</u>	<u>129,803</u>

The statement of financial position was approved and authorised for issue by the Board of Directors on 21 June 2019 and are signed on its behalf by:

**Felipe Tan**  
Director

**Lau Yun Fong Garman**  
Director

## Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 March 2019

### 41. Statement of Financial Position of the Company and Reserve Movement (Continued)

#### Reserves movements of the Company

	Share options reserve HK\$'000	Property revaluation reserve HK\$'000	Accumulated deficit HK\$'000	Total HK\$'000
Balance at 1 April 2017	2,778	964	(778,792)	(775,050)
Total comprehensive expense for the year	–	–	(1,221)	(1,221)
Release of reserve upon share options cancelled	(710)	–	710	–
<b>Balance at 31 March 2018</b>	<b>2,068</b>	<b>964</b>	<b>(779,303)</b>	<b>(776,271)</b>
Total comprehensive expense for the year	–	–	(32,145)	(32,145)
Release of reserve upon share options lapsed	(44)	–	44	–
<b>Balance at 31 March 2019</b>	<b>2,024</b>	<b>964</b>	<b>(811,404)</b>	<b>(808,416)</b>

## Major Property Information

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

Location	Existing use	Tenure	Group's interest (%)	
			2019	2018
Unit 6 on 11th Floor of Tower 2, Ever Gain Plaza, No. 88 Container Port Road, Kwai Chung, New Territories	Office	Medium term lease	100%	100%

## Five-Year Financial Summary

	Year ended 31 March				
	2015 HK\$'000	2016 HK\$'000	2017 HK\$'000	2018 HK\$'000	2019 HK\$'000
<b>RESULTS</b>					
Revenue	142,986	155,704	64,910	174,172	<b>78,154</b>
(Loss)/profit before tax	(61,904)	(1,412)	(15,949)	18,129	<b>(70,419)</b>
Income tax credit/(expense)	4,086	(8,748)	(1,882)	(4,111)	<b>3,660</b>
(Loss)/profit for the year	(57,818)	(10,160)	(17,831)	14,018	<b>(66,759)</b>
Attributable to:					
Owners of the Company	(33,443)	(20,621)	(16,574)	2,002	<b>(27,785)</b>
Non-controlling interests	(24,375)	10,461	(1,257)	12,016	<b>(38,974)</b>
	(57,818)	(10,160)	(17,831)	14,018	<b>(66,759)</b>
	2015 HK\$'000	2016 HK\$'000	2017 HK\$'000	2018 HK\$'000	2019 HK\$'000
<b>ASSETS AND LIABILITIES</b>					
Total asset	475,622	456,814	427,159	433,481	<b>290,387</b>
Total liabilities	(139,061)	(94,820)	(77,774)	(93,899)	<b>(57,454)</b>
	336,561	361,994	349,385	339,582	<b>232,933</b>
Attributable to:					
Owners of the Company	86,041	111,553	132,135	138,732	<b>107,157</b>
Non-controlling interests	250,520	250,441	217,250	200,850	<b>125,776</b>
	336,561	361,994	349,385	339,582	<b>232,933</b>