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 2020

Characteristics of GEM of The Stock Exchange of Hong Kong Limited (the "Stock Exchange")

GEM has been positioned as a market designed to accommodate small and mid-sized companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration.

Given that the companies listed on GEM are generally small and mid-sized companies, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board and no assurance is given that there will be a liquid market in the securities traded on GEM.

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

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

This report shall remain on the "Latest Company Announcements" page of the GEM website at www.hkgem.com for at least seven days from the date of its publication and on the Company's website at www.timeless.com.hk.

Contents

Corporate Information	02
Chief Executive Officer's Statement	03
Management Discussion and Analysis	04
Biographical Details of Directors and Senior Management	13
Corporate Governance Report	15
Environmental, Social and Governance Report	27
Directors' Report	36
Independent Auditors' Report	51
Consolidated Statement of Profit or Loss and Other Comprehensive Income	55
Consolidated Statement of Financial Position	56
Consolidated Statement of Changes in Equity	57
Consolidated Statement of Cash Flows	58
Notes to the Consolidated Financial Statements	59
Major Property Information	135
Five-Year Financial Summary	136

Corporate Information

Directors

Executive Directors

CHAN Mei Ying Spencer
(Chief Executive Officer)
LAM Kai Ling Vincent
LAU Yun Fong Carman
Ronald TAN

Independent Non-Executive Directors

CHAN Choi Ling
LAM Kwai Yan
TSANG Wai Chun Marianna

Compliance Officer

LAU Yun Fong Carman

Audit Committee

TSANG Wai Chun Marianna *(Chairlady)*
CHAN Choi Ling
LAM Kwai Yan

Nomination Committee

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

Remuneration Committee

CHAN Choi Ling *(Chairlady)*
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

Email

info@timeless.com.hk

Chief Executive Officer'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 2020. It has undoubtedly been a tough year as both of our two business segments had gone through a hard time.

For the Mining Business, the year under review was a tale of two halves. Benefited from the surge of nickel price in the first half, the sales of nickel products once achieved a strong performance. However, nickel bubble deflated in the second half as the inventories in China's exchange warehouses began to rise. Therefore, our Mining Business was overshadowed by the steady decline of the nickel price. Furthermore, the outbreak of COVID-19 pandemic made 2020 a very challenging year for the nickel market. A near total shutdown of economic and social activities all over the world, together with oversupply of the metal in the market, depressed global nickel price further. Although nickel is a major component of batteries used in electric vehicles and a major raw material to produce stainless steel, we can hardly be optimistic about the nickel market condition due to the unprecedented economic uncertainty related to COVID-19 as well as the potential increase of global supply due to nickel dumping by Russia.

Apart from the unfavorable external factors, the Mining Business is confronted with a vital problem of fast depletion of mineral resources in the current zone of Baishiquan Nickel-copper Mine after many years of exploitation. Although the other zone still has available resources, we will hold up our development plan under the uncertain market conditions and the increasing cost of mining caused by the stringent safety and environmental policies and regulations imposed by the Chinese government. As its valuation was less than the carrying amount, the Group recorded an impairment loss on its mining assets in this financial year.

Despite such situation, we continue to focus on keeping stable production of nickel products to ensure sustainable cash inflow from operation with increased sales of nickel and copper concentrates this year. Loss for the year was HK$111.3 million. The Group's adjusted EBITDA was HK$19.1 million, representing an increase by 1.1 times as compared with last year.

The macro environment faced by the investment projects of the Group has become more complex and challenging, especially for the e-sports project. The market depression attributable to social unrest and economic downturn in Hong Kong caused by the COVID-19 pandemic and social distancing restrictions led to the cancellation of a large number of offline e-sports activities and the plunge of the e-sports stadium revenue. The new material and nano projects were progressing according to plan until the COVID-19 pandemic brought to a halt due to infection control measures. Market stimulus strategies and programs, covering both on-line and off-line e-sports games and tournaments, will be implemented aiming at relieving operation pressure. Development of new material and nano projects were resumed in April 2020. Products being developed under such projects have bright prospects, in particular the general disinfection equipment under the nano bubble project for hygienic, sanitisation and surface cleaning purposes. We believe that such products will have good prospect in the post-COVID-19 era due to heightened alert for better household, commercial and community hygiene.

By virtue of the recent crisis caused by COVID-19, we will adjust our business development strategies to tackle the economic and business challenges the Group faces. We remain committed to building on the progress we have made in diversifying our business which will generate medium to long term profits for our shareholders.

Finally, I would like to thank the Board and all staff for their hard work and dedication to our Group and its development, and express my most sincere gratitude for the continuing supports of our shareholders, business partners and parties from various fields.

On behalf of the Board
Chan Mei Ying Spencer
Executive Director and Chief Executive Officer

Hong Kong, 23 June 2020

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) research and development of bio and nano new materials as well as various investments in startup fund, software maintenance and development, and e-commerce services ("Other Business").

In addition to the above operating segments, the Group has investment in various projects including e-sports tournament services, nano applications as well as smart farming solution and services.

During the year under review, all (2019: 100.0%) revenue was generated from the Group's Mining Business while there was no revenue generated from Other Business (2019: nil).

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 2020, nickel-copper ores, nickel concentrate and copper concentrate were the products sold under the Mining Business.

During the year ended 31 March 2020, our mining production has been under pressure from high staff turnover of our subcontractor and stringent security regulation requested by relevant authorities. In this regard, we have implemented a series of on-site management strategies to minimise the impact of these difficulties. Throughout the year, inconformity in grading of head ores interfered with the proficiency of our processing activities. The Group exerted effort to upgrade our processing technology and carry out rational ore blending to ensure stable output of ores processed. During the year under review, the nickel price once jumped to a five-year high of approximately US$18,000 per tonne in August 2019 triggered by a piece of news regarding an export ban in Indonesia. Following the strong performance of such base metal, the global nickel price saw an obvious drop-down, resulting in more uncertainties in the sales of our nickel products. Moreover, increase in transportation expenses imposed burden on our cost control during the reporting period.

Among the remaining mineral resources in the current mining zone, a great portion became unextractable or loss recoverable reserves due to mine design, processing technique limitations and stringent regulation on mining conditions in vertical shafts and the tectonoclastic zone. Although the other mining zone of the Baishiquan Nickel-copper Mine has available mineral resources, the development cannot be justified economically in view of the current market conditions and the projected nickel price. The development cost is expected to be much higher as a result of the increasingly stringent government regulations on mining technique and production safety, and transportation expenditure has been rising after the implementation of the national environmental policy by the Chinese government.

For the year ended 31 March 2020, the extraction of nickel-copper ores and sales of nickel-copper products both increased as compared to last year. Turnover from nickel-copper products comprised of sales of 10,544 tonnes of nickel-copper ores of approximately HK$30.2 million (2019: 13,090 tonnes of HK$40.6 million), 13,652 tonnes of nickel concentrate of approximately HK$63.4 million (2019: 8,162 tonnes of HK$31.5 million) and 1,815 tonnes of copper concentrate of approximately HK$20.1 million (2019: 553 tonnes of HK$6.1 million).

Business Review and Outlook (Continued)

Mining Business (Continued)

Impairment on mining assets

For the year ended 31 March 2020, the Group recognised an impairment loss on its mining assets of approximately HK$80.3 million (2019: HK$56.0 million) since the recoverable amount of the mining cash generating unit ("CGU") was less than its carrying amount. It was mainly caused by the unfavourable market condition and continuous low level of nickel price, the strengthened requirements on work safety, mining technique and environmental policy, manpower shortage caused by COVID-19, increase in budgeted operating cost as well as capital expenditure required for the development of the mine. 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 are those regarding the nickel and copper prices, production cost, development plan and cost and discount rate. The directors consider that these assumptions are application and the values assigned to key assumptions are consistent with external information sources. At the end of the reporting period, the carrying amount of the mining assets were reduced to its recoverable amount of approximately HK$20,720,000.

Any change in assumptions in value in use calculation will lead to further losses of impairment.

Resource estimates update

The details of the resource estimates as at 31 March 2020 are set out below:

Mine	Resource category	Tonnage	Average grade	
		(tonnes*1,000)	(Ni%)	(Cu%)
Baishiquan Nickel-copper Mine	Measured	204	**1.15**	0.44
	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 update on mineral resource and reserve quantities are based on the production and exploration since the date of the aforesaid Competent Person's Report and the report prepared by the Group's internal experts.

(3) Cut-off grade is 0.3%.

Business Review and Outlook (Continued)

Mining Business (Continued)

Exploration, Development and Mining Production Activities

Mine	Activity Exploration	Development	Mining
Baishiquan Nickel-copper Mine	No material exploration	Completed drift construction of approximately 1,581 meters	Ores extracted: 122,883 tonnes

For the year ended 31 March 2020, both the extraction of nickel-copper ores and sales of nickel-copper products increased. The production schedule resumed normally with the extraction resumed in April 2019 and processing activities resumed in May 2019. Approximately 122,883 tonnes of nickel-copper ores were extracted during the year (2019: 109,108 tonnes). Turnover from the sales of nickel-copper products amounted to approximately HK$113.7 million (2019: HK$78.2 million) representing the sales of 10,544 tonnes of nickel-copper ores (2019: 13,090 tonnes), 13,652 tonnes of nickel concentrate (2019: 8,162 tonnes) and 1,815 tonnes of copper concentrate (2019: 553 tonnes).

Expenditure Incurred

During the year ended 31 March 2020, the Group had incurred expenditure of approximately HK$71.3 million on exploration, development, mining and processing activities, details of which are set out below:

		Total HK$'000
1.	**Capital Expenditure**	
1.1	Exploration activities	
	Drilling and analysis	–
Subtotal		–
1.2	Development activities (including mine construction)	
	Addition of property, plant and equipment	–
	Construction of tunnels	7,286
Subtotal		7,286
Total Capital Expenditure		**7,286**

Business Review and Outlook (Continued)

Mining Business (Continued)

Expenditure Incurred (Continued)

		Total HK$'000
2.	**Operating Expenditure for Mining Activities**	
	Staff cost	2,579
	Consumables	1,609
	Fuel, electricity, water and other services	1,401
	Non-income taxes, royalties and other government charges	785
	Sub-contracting charges	8,490
	Transportation	7,022
	Depreciation and amortisation	23,662
	Others	738
Total Operating Expenditure		**46,286**
Total Capital and Operating Expenditure		**53,572**
3.	**Processing Expenditure**	
	Staff cost	6,349
	Consumables	5,294
	Fuel, electricity, water and other services	2,880
	Non-income taxes, royalties and other government charges	81
	Depreciation and amortisation	80
	Transportation	30
	Rental	2,796
	Others	249
Total Processing Expenditure		**17,759**
Total Expenditure		**71,331**

Processing Activities

For the year ended 31 March 2020, the main products of the Mining Business were nickel-copper ores, nickel concentrate and copper concentrate.

The processing proficiency was impacted by inconformity in grading of head ores. To cope with such conditions, the processing plant performed rational ore blending scheme to utilise the mineral resources in a reasonable manner and ensure stable output of ores processed. For the year ended 31 March 2020, the nickel-copper ores extracted from the mine was approximately 122,883 tonnes (2019: 109,108 tonnes) and processed by the processing plant was approximately 125,785 tonnes (2019: 79,969 tonnes).

Infrastructure projects and subcontracting arrangements

There were new contracts entered into during the year ended 31 March 2020 in respect of exploration and blasting work, land rehabilitation of mine and security service. As at 31 March 2020, there was HK$3.9 million (2019: HK$2.9 million) outstanding commitments in relation to these contracts for the Group.

Business Review and Outlook (Continued)

Mining Business (Continued)

Outlook

In the year ahead, it is hard to be optimistic for the Mining Business by virtue of the combined effect of the decline of the nickel price and economic turmoil caused by the outbreak of COVID-19 pandemic. During the year under review, the outperformance of the nickel price once briefly stimulated the sales of our nickel products. However, its steady falling after the short bullish sign reversed such situation. In addition, the technical breakthrough of liberating nickel minerals from nickel oxide ore will lay more burden on the nickel price. The expected dumping of nickel from Russia caused by a price war between major crude oil exporters will add negative pressures. To mitigate the impact of price drop of nickel metal, the Group will have to increase our cut-off grade to balance cost, which may accelerate the resources drop of the Baishiquan Nickel-copper Mine and decrease of the mine life. After exploited for many years, the mine is facing risks from decline in ore grade and exhaustion of mineral resources.

The current mining licence of the Baishiquan Nickel-copper Mine will expire by July 2020. We have submitted the renewal application and hopefully the application will be approved before the expiry, especially after the local land and resources department clear up the work piled up due to the outbreak of COVID-19. The Directors are of the opinion that the application for extension is procedural. In case the Group fails to obtain the licence before the expiry date, it may be required to temporarily suspend its mining activities. Adjustment on the mining and development plan would further impact on the volume of ores to be extracted in the year ahead.

In view of the current depression of the nickel market and high development cost, we will suspend the development and exploitation of the other mining zone of the Baishiquan Nickel-copper Mine until the situation improves and we find an economic way to extract the remaining resources. In addition, as the current mining zone has entered into the final mining stage and may be exhausted in about two years, we will seek for potential mining and exploration projects to supplement our mineral reserves.

Moreover, the challenging business environment due to COVID-19 crisis led to a significant drop in sales of electric vehicles, resulting in a crash in nickel demand. In this regard, sales of our nickel products will face the risks from slashed price, while transportation costs will raise up attributable to longer distance caused by road renovation. Additionally, recent departures of skilled workers attributable to the novel coronavirus postponed the production progress. The unexperienced new workers will be organised to participate technical and safety trainings. Apart from this, the Group is required to make more mine yard renovations to eliminate latent dangers. Therefore, the security expenses will surge in the year ahead.

Other Business

Overview and outlook

Other Business comprised of research and development of bio and nano new materials as well as various investments in startup fund, software maintenance and development, and e-commerce services. There was no turnover from Other Business for the year ended 31 March 2020 and the segment loss was approximately HK$0.1 million (2019: 1.4 million), representing a decrease of 93% as compared to last year. The decrease in segment loss was mainly due to the research expenditures for the application of nano technology only incurred in last year.

The Group owned 80% indirect equity interest in SRJJ Limited which is mainly engaged in the development of water-soluble products, characterised by bio degradable materials.

SRJJ Limited is planning to place more focus from product development to production, sale and/or distribution of bio-degradable products, such as water-soluble plastic bags and packing materials. As the progress of such projects has been postponed due to the COVID-19 outbreak and its implications, we will review the development schedule and adjust the scheme on a timely basis.

Business Review and Outlook (Continued)

Interests in Associates

As at 31 March 2020, the Group owned 4,000 ordinary shares, representing 30.82% indirect equity interest in CGA Holdings Limited ("CGA Holdings"), an e-sports company at an investment cost of HK$50,000,000. The equity interest of CGA Holdings owned by the Group decreased from 32.52% to 30.82% after the allotment in March 2020. Subsequent to the end of the reporting period on 14 May 2020, the Group disposed of 0.82% equity interest in CGA Holdings to Bloom Explorer Limited, one of the existing shareholders of CGA Holdings, at a consideration of HK$406,800. CGA Holdings and its subsidiaries (together the "CGA Group") operate an e-sports gaming platform which provides various gaming and marketing services to e-sports enthusiasts and enterprise promoters. The business of CGA Group, especially the e-sports stadium in Mong Kok, has been impacted by the social events over the second half of year 2019. The business challenges they are facing are further aggravated by the recent and rapid spread of COVID-19 and the government-ordered shutdown of the e-sports stadium. During the year ended 31 March 2020, the Group recorded a share of loss of CGA Group of HK$11.0 million (2019: HK$3.1 million). Pursuant to the subscription agreement dated 16 May 2018, the major beneficial shareholders of Cyber Games Arena Limited (the "Guarantors") jointly and severally guaranteed to the Group that the net profit after tax of CGA Group 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"). During the year, the Group recognised a gain on fair value change of approximately HK$864,000 (2019: HK$6,382,000) on the CGA Profit Guarantee.

The Group owned 22.53% indirect equity interest in Nano Bubble Limited which is mainly engaged in hygienic, sanitisation products and related solutions research and development based on nano-ozone technology. During the year under review, the company has been designing the prototype of a machine for pesticide removal, surface cleaning and general sanitisation products for both domestic and commercial environments. As affected by the COVID-19, the progress of finalising the production version once suspended. However, driven by the growing pervasiveness of infectious diseases, the surface cleaner market is expected to grow. Therefore, the company has accelerated the modification of such sample with an aim to launch it to the market as soon as practical.

The Group also owned 27.03% indirect equity interest in Nano Energy Limited which is engaged in the research and development of nano-power generation products using different nanomaterials and related technologies. Nano Energy Limited is in the process of turning nano-power generation technology concept into products. As at the reporting date, such project entered into the second-research stage where the company has been seeking for better solutions to productise market-oriented product.

The Group recorded share of loss of associates, including CGA Group, of approximately HK$11.0 million (2019: HK$3.9 million).

Impairment loss on interests in associates

During the year, the business of CGA Group, especially the e-sports stadium, was severely impacted by the Hong Kong social events and compulsory quarantine measures caused by the outbreak of the COVID-19. For the year ended 31 March 2020, the Group performed an impairment review on its investment in CGA Group and recognised an impairment loss on interests in associates of HK$27.8 million (2019: HK$7.8 million) based on value-in-use calculation. 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 are those regarding discount rate, revenue, gross profit margin, operating expenses and long-term growth rate. The Directors consider that these assumptions are applicable and the values assigned to key assumptions are consistent with external information sources. At the end of the reporting period, the carrying amount of interests in CGA Group of approximately HK$27,808,000 were reduced to its recoverable amount of zero.

Any change in assumption in value in use calculation will lead to further losses of impairment.

Business Review and Outlook (Continued)

Interests in Associates (Continued)

Outlook

2020 will be a challenging year as COVID-19, a devastating social and economic crisis facing many industries, has caused us to adjust the progress of our investment projects.

As a result of the infection control measures amid COVID-19, most of the offline e-sports activities of CGA Group are expected to be cancelled, and the e-sports tournaments in summer is still hanging in the balance as COVID-19 pandemic rages on. Operations in the e-sports stadium will not return to normal until economy swiftly recovers once the pandemic has passed. The current turnover of the e-sports stadium is insufficient to sustain its operations. To cope with the crisis, CGA Group will organise more online activities, including "Stay at Home, Stay in the Game" tournament and other theme games, to stimulate revenue.

Despite the recent economic slowdown posed by COVID-19, Nano Bubble Limited plans to accelerate the development of its disinfection machine as the hygiene-consciousness was fostered among public. Additionally, supportive government policies in relation to infection control are further expected to positively impact the growth of market. By grasping such opportunity, we will continue to follow through our target to develop products with commercial potentials and suitable for the market. We are confident that our nano bubble general sanitisation machine is a product ahead of competition and appealing to a wide range of customers.

Other Investments

As at 31 March 2020, the Group owned 600,000 ordinary shares of Dragon Silver Holdings Limited ("Dragon Silver"), representing approximately 8.86% of its issued share capital, at an investment cost 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 on 29 December 2017, 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 ("Actual Profit") 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 ("Compensation Amount"). As the Actual Profit of Dragon Silver for the financial year ended 30 June 2019 was less than HK$15,000,000, the Guaranteed Profits was not fulfilled and the Guarantor paid to the Group the Compensation Amount of HK$766,000 in June 2020. Due to the collective impact of the outbreak of COVID-19, US-China trade tensions, decrease in sales and trading as a result of the frustration in the global production lines and supply chains, the Group and the Guarantor entered into a supplemental agreement on 24 April 2020 to waive the profit guarantee given by the Guarantor for the two financial years ending 30 June 2020 and 30 June 2021 and the Guarantor agreed to extend the profit guarantee period for three additional financial years for the financial years ending 30 June 2023, 30 June 2024 and 30 June 2025, details of which are stated in the announcement of the Company dated 24 April 2020. In addition, the Guarantor and the Group entered into 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.

Business Review and Outlook (Continued)

Other Investment (Continued)

During the year ended 31 March 2020, the Group received dividend income of HK$750,000 (2019: HK$750,000) from Dragon Silver in accordance with the Guaranteed Dividends and fair value change on the investment of approximately HK$1,365,000 (2019: HK$71,000) which was mainly contributed by gain on fair value change on the profit guarantee and the put option.

Owing to COVID-19, the global tin market will face a more frustrated and uncertain situation. In addition, the ongoing US-China trade tensions put more downward pressure on production lines and supply chains. Dragon Silver is expected to be confronted with more uncertainties triggered by such dilemma in the next financial year.

Financial Performance Review

For the year ended 31 March 2020, the Group recorded a total turnover of approximately HK$113.7 million (2019: HK$78.2 million), representing an increase of 45% as compared with the last financial year. Other income and gains of approximately HK$1.8 million for the year under review (2019: HK$3.4 million) mainly represented interest income, dividend income and rental income. Loss for the year was approximately HK$111.3 million (2019: HK$66.8 million), representing an increase by 67% as compared with the year ended 31 March 2019. The increase in loss was mainly due to the recognition of impairment loss on mining assets of HK$80.3 million (2019: HK$56.0 million) in total under Mining Business, impairment loss on interest in associate of HK$27.8 million (2019: HK$7.8 million) and share of loss of associates of HK$11.0 million (2019: HK$3.9 million).

The Mining Business segment recorded revenue of approximately HK$113.7 million (2019: HK$78.2 million) and segmental loss for the year of HK$67.9 million (2019: HK$56.3 million), representing an increase of 45% and 21% respectively as compared with the prior financial year. The increase in revenue was contributed both by the increase in sales volume as well as increase in nickel price. The increase in loss was mainly due to further impairment loss on mining assets were recognised in current year.

Same as last year, there was no turnover from Other Business (2019: nil). Segmental loss was HK$0.1 million (2019: HK$1.4 million), representing a decrease of 93% as compared with last year.

Loss attributable to owners of the Company was approximately HK$61.7 million, as compared to approximately loss of HK$27.8 million for the prior financial year.

The adjusted EBITDA of the Group, a non-GAAP financial measure, in the current year increased by HK$10.0 million to HK$19.1 million as compared to HK$9.1 million last year, details of which is provided on page 41 of this annual report.

Liquidity and Financial Resources

As at 31 March 2020, the Group had bank balances and cash of approximately HK$47.9 million (2019: HK$41.6 million) and net current assets amounted to HK$33.4 million (2019: HK$32.4 million). Out of the Group's bank balances and cash, about 20% was denominated in Hong Kong dollars (2019: 20%), 79% was denominated in Chinese Renminbi (2019: 78%) and 1% was denominated in United States dollars (2019: 2%).

As at 31 March 2020, the current ratio was 2.18 (2019: 1.96).

Liquidity and Financial Resources (Continued)

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 2020, the Group had outstanding borrowings of approximately HK$15.2 million (2019: HK$16.2 million), which mainly represented amount due to related companies and lease liabilities while last year also included obligations under a finance lease and amount due to a non-controlling interest.

Capital Commitments

The Group has no significant capital commitment as at 31 March 2020.

Gearing Ratio

As at 31 March 2020, the Group's gearing ratio was approximately 35.48% (2019: 15.08%), based on total borrowings of approximately HK$15.2 million (2019: HK$16.2 million) and equity attributable to owners of the Company of approximately HK$42.7 million (2019: HK$107.2 million). The increase in the ratio was mainly due to loss incurred in current year which caused the decrease in equity attributable to owners of the Company.

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

None of the Group's assets was pledged 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 2020.

Material Acquisitions and Disposals of Subsidiaries, Associates and Joint Ventures

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 2020, there was no material contingent liabilities incurred by the Group.

Biographical Details of Directors and Senior Management

Directors

Executive Directors

Mr. CHAN Mei Ying Spencer, aged 63, has been appointed as an independent non-executive Director ("INED") of the Company since 25 October 2005 and was re-designated as an executive Director of the Company and appointed as the Chief Executive Officer on 2 October 2019. 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, Fontainbleau, France.

Mr. LAM Kai Ling Vincent, aged 37, has been appointed as an executive Director of the Company since 12 September 2019. He has extensive experience in accounting and finance works in different industries in the past 15 years, of which more than 8 years' working experiences were in precious metals industry, especially in operation control and project management. Mr. Lam obtained a Bachelor degree of Accountancy from City University of Hong Kong and a Master degree of Finance Management in Shanghai University of Finance and Economics. Mr. Lam was appointed as a non-executive Director of the Company on 27 May 2015 and resigned on 29 July 2016. He is also directors of a subsidiary and certain associates of the Company.

Ms. LAU Yun Fong Carman, aged 54, 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 had worked in an international accounting firm and then served for 10 years in companies listed on the Main Board of the Stock Exchange and 3 years in a company listed on GEM of the Stock Exchange. Ms. Lau graduated from the University of Hong Kong with a Bachelor's degree of Social Sciences. She is also director of a subsidiary of the Company.

Mr. Ronald TAN, aged 28, has been appointed as an executive Director of the Company since 2 October 2019. He joined the Group in 2016 and is the project manager of the Group, responsible for evaluating and overseeing different investment projects. Mr. Tan is directors of a subsidiary and certain associates of the Company that are engaged in e-sports business. He is also responsible for strategic planning and international expansion of such associates. Mr. Tan graduated from the University of Hong Kong with a Master degree of Arts.

Directors (Continued)

Independent Non-executive Directors

Ms. CHAN Choi Ling, aged 45, has been appointed as an INED 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 15 years' experience in civil litigation. Ms. Chan currently practises as a solicitor in a law firm in Hong Kong.

Mr. LAM Kwai Yan, aged 60, has been appointed as an INED since 23 December 2008. Mr. Lam has a degree in Business Studies from the University of Southern Queensland, Australia. He is a member of the Hong Kong Institute of Certified Public Accountants, a fellow member of the CPA Australia and Institute of Singapore Chartered Accountants. Mr. Lam has worked for various large corporations, and has vast experiences with SME's, including auditing and consulting on re-organisation and restructuring businesses that have cross-border operations in China. His work also included advising and consulting for listed public companies.

Ms. TSANG Wai Chun Marianna, aged 65, has been appointed as an INED 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 Chartered Governance Institute 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 was an INED of Loco Hong Kong Holdings Limited, the shares of which are listed on GEM of the Stock Exchange (Stock Code : 8162) from 22 July 2014 to 28 June 2019.

Compliance Officer

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

Company Secretary

Ms. KO Yuen Kwan, aged 55, 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 also currently the chief financial officer, vice president corporate affairs & secretary and director of GobiMin Inc. ("GobiMin"), the shares of which are listed on the TSX Venture Exchange in Canada (Symbol: GMN). Ms. Ko had been the company secretary of a company listed on the Main Board the Stock Exchange for more than 10 years and another company listed on GEM of the Stock Exchange for about 3 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 Hong Kong Institute of Certified Public Accountants and the CPA Australia. She is also a Chartered Secretary, a Chartered Governance Professional and a fellow member of both The Chartered Governance Institute 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 2020, 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, Mr. Felipe Tan was immediately appointed as the chairman of the Board (the "Chairman") until his resignation as the Chairman and an executive Director of the Company on 12 September 2019. With effect from 2 October 2019, Mr. Chan Mei Ying Spencer was re-designated as an executive Director of the Company and appointed as the Chief Executive Officer of the Company. Throughout the year ended 31 March 2020, the roles of the Chairman and the Chief Executive Officer, during their vacant, have been performed by the executive Directors collectively.

Following the resignation of Mr. Felipe Tan as the Chairman on 12 September 2019, the Company currently has no Chairman. The daily operation and management of the Company is monitored by the executive Directors and the management. The Board is of the view that although there is no Chairman, the balance of power and authority is ensured by the operation of the Board, which comprises experienced individuals who would meet from time to time to discuss issues affecting operation of the Company and the Group. This arrangement can still enable the Company to make and implement decisions promptly, and thus achieve the Company's objectives efficiently and effectively in response to the changing environment.

The Company will, at the appropriate time, arrange for the election of the new Chairman in order to fill up the vacancy left due to resignation of the Chairman.

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.

Board of Directors (Continued)

Composition and Responsibilities (Continued)

The Board 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 Chief Executive Officer.

The Board currently comprises seven Directors, including four executive Directors and three independent non-executive Directors.

The composition of the Board is currently as follows:

Executive Directors:

Mr. CHAN Mei Ying Spencer *(Chief Executive Officer)*
Mr. LAM Kai Ling Vincent
Ms. LAU Yun Fong Carman
Mr. Ronald TAN

Independent Non-executive Directors:

Ms. CHAN Choi Ling
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 13 to 14 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 8 meetings during the year ended 31 March 2020.

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 2020:

	Board Meeting	Audit Committee Meeting	Remuneration Committee Meeting	Nomination Committee Meeting	2019 Annual General Meeting
	Number of Meetings Attended/Held				
Executive Directors:					
Felipe TAN (note 1)	4/8	–	–	–	1/1
CHAN Mei Ying Spencer (note 2)	8/8	3/5	3/4	3/4	1/1
LAM Kai Ling Vincent (note 3)	4/8	–	–	–	–
LAU Yun Fong Carman	8/8	–	–	–	1/1
Ronald TAN (note 4)	3/8	–	–	–	–
Independent Non-executive Directors:					
CHAN Choi Ling	8/8	5/5	4/4	4/4	1/1
LAM Kwai Yan	8/8	5/5	4/4	4/4	1/1
TSANG Wai Chun Marianna	8/8	5/5	4/4	4/4	1/1

Board of Directors (Continued)

Composition and Responsibilities (Continued)

Directors' Attendance at Board/Board Committee/General Meetings (Continued)

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.

Notes:

1. Mr. Felipe TAN resigned as the Chairman and executive Director of the Company with effect from 12 September 2019.
2. Mr. CHAN Mei Ying Spencer was re-designated as an executive Director of the Company and appointed as the Chief Executive Officer with effect from 2 October 2019.
3. Mr. LAM Kai Ling Vincent was appointed as executive Director of the Company with effect from 12 September 2019.
4. Mr. Ronald TAN was appointed as executive Director of the Company with effect from 2 October 2019.

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 one or 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.

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 2020.

Board of Directors (Continued)

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 (resigned on 12 September 2019), Mr. Chan Mei Ying Spencer, Mr. Lam Kai Ling Vincent, Ms. Lau Yun Fong Carman, Mr. Ronald Tan, Ms. Chan Choi Ling, Mr. Lam Kwai Yan and Ms. Tsang Wai Chun Marianna, confirmed that, during the year under review and where applicable, up to the date of cessation as director, they have participated in continuous professional development to develop and refresh their knowledge and skills.

Directors' and Officers' Liabilities Insurance and Indemnity

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

Board Committees

Audit Committee

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

Ms. TSANG Wai Chun Marianna *(Chairlady)*
Ms. CHAN Choi Ling
Mr. LAM Kwai Yan

The primary duties of the Audit Committee are to review and supervise the financial reporting process, internal control and risk management systems of the Group.

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

For the year ended 31 March 2020, 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.

Board Committees (Continued)

Audit Committee (Continued)

The Audit Committee has reviewed the accounts for the year ended 31 March 2020 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 2020, 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 three independent non-executive Directors, namely:

Mr. LAM Kwai Yan *(Chairman)*
Ms. CHAN Choi Ling
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 2020, the Nomination Committee held 4 meetings. Details of the attendance of the members of the Nomination Committee in the said meeting are set out under the sub-heading "Directors' Attendance at Board/Board Committee/General Meetings" above.

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

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

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

Board Committees (Continued)

Nomination Committee (Continued)

I. Nomination Policy (Continued)

Nomination Process (Continued)

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.

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.

Board Committees (Continued)

Nomination Committee (Continued)

I. Nomination Policy (Continued)

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.

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.

Board Committees (Continued)

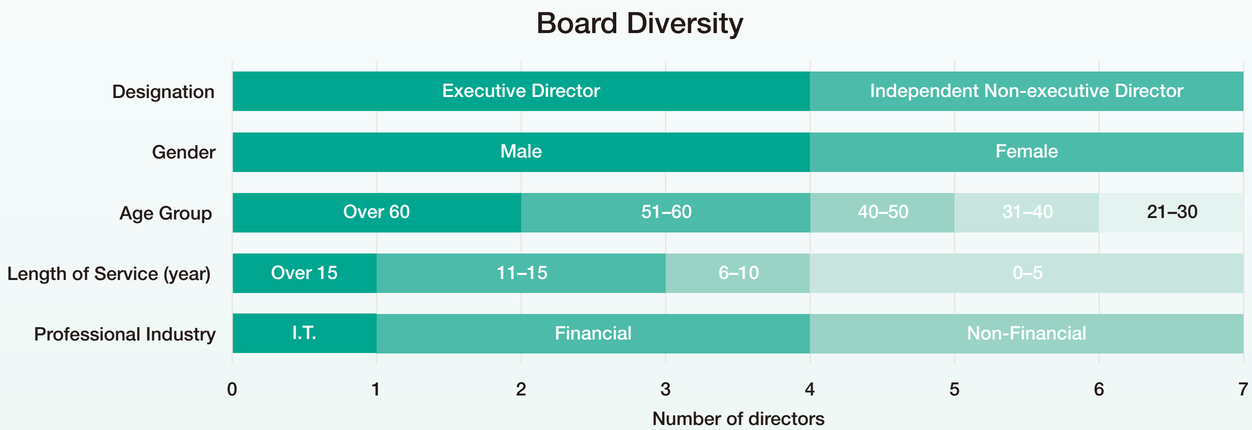
Nomination Committee (Continued)

II. Board Diversity Policy (Continued)

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:



Remuneration Committee

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

Ms. CHAN Choi Ling *(Chairlady)*
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 2020, the Remuneration Committee held 4 meetings. 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 2020, 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	750,000

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 51 to 54 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.

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 Chief Executive Officer on corporate governance matters and is accountable to the Board for matters relating to the Director's duties.

For the year ended 31 March 2020, 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 2020, 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 Chief Executive Officer 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 Hong Kong Companies Ordinance 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.

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 as stated on the Company's website.

About this Report

Pursuant to the Environmental, Social and Governance Reporting Guide ("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 2020.

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 the exploration and exploitation of mines ("Mining 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 year from 1 April 2019 to 31 March 2020 (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 2020.

The 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 "Employment 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.

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 16%, 6%, 0.5%, 1.52%, 0.5% and 5% of the total monthly basic salary respectively.

Quality of Working Environment (Continued)

Employment (B1) (Continued)

6. The Group concerns our employees and emphasizes the physical and mental health of employees. We commit to improve employees' morale and satisfaction. There are basketball courts, table tennis rooms, snooker rooms and other recreational facilities in the staff dormitory which provide employees opportunities and space for social activities during their spare time. In addition, every year the Group organizes, for our employees, travel trip to other provinces and cultural performances banquet in order to enhance the relationship between employees and promote sense of belonging.

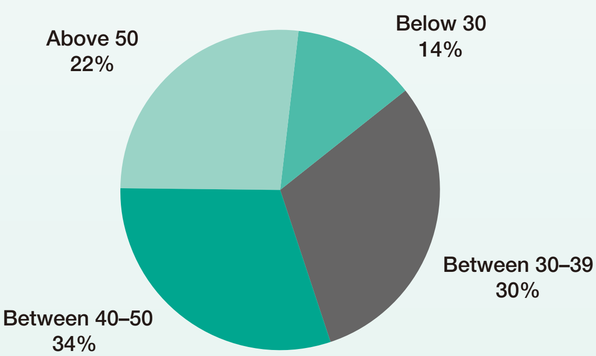
Laws, regulations and relevant systems and requirements mentioned above were strictly followed with an aim to provide a favorable working environment for all of our employees.

As of end of 31 March 2020, total number of employees in Xinjiang was 121. Due to the nature of our business, our employees gender distribution is approximately 88% male and 12% female. Employee age group distribution is summarized in the chart.

We respect culture of all races and do not tolerate any acts of discrimination of any kind and we value and promote equal opportunities for all employees.

For the year ended 31 March 2020, there was no violation of relevant codes, rules and regulations.

DISTRIBUTION OF EMPLOYEE AGE GROUP



Quality of Working Environment (Continued)

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 2020, there was no violation of relevant codes, rules and regulations.

For the year ended 31 March 2020, 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.

Quality of Working Environment (Continued)

Health and Safety (B2) (Continued)

2. Arranging at least two occupational health checks for each employee (one before employment and one before loss of office).

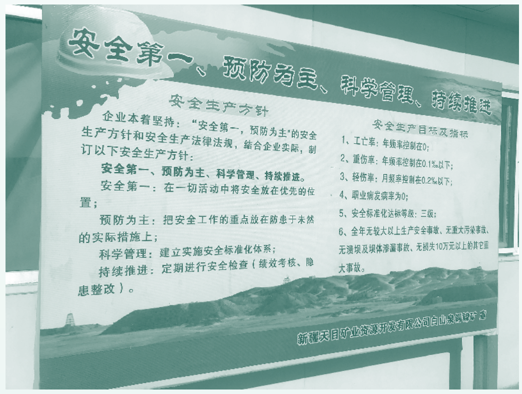
3. The establishment of production facilities which meet hygiene standards. Timely distribution of national standard protective articles. Strict implementation of ventilation and dustproof management system, strengthening the management of ventilation to prevent dust, toxic and hazardous substances from harming human health.

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.

For the year ended 31 March 2020, 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 recognised academic diplomas.

For the year ended 31 March 2020, staff training mainly included:

Staff	Average training time (hours)	Number of participants
Person in charge	24	4
Safety & security	24	106

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.

Quality of Working Environment (Continued)

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"(《禁止使用童工的規定(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 2020.

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 2020, there was no violation of relevant codes, rules and regulations.

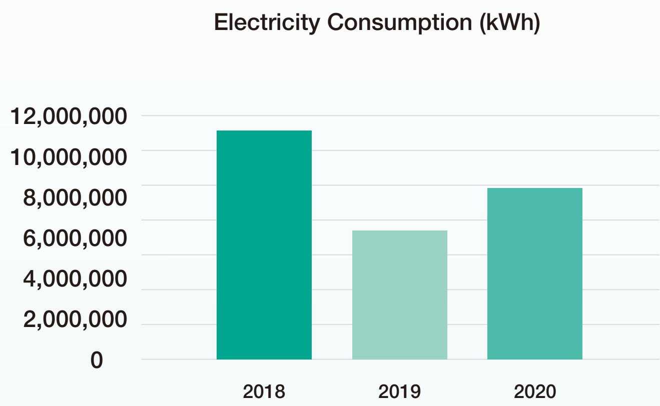
For the year ended 31 March 2020, the Group generated barren rocks of approximately 26,494 tonnes (2019: 23,118 tonnes), representing an increase of 3,376 tonnes as compared to previous year. Out of the barren rocks generated, about 5,774 tonnes were used to fill the wells of the mine instead of pulling to the surface. Increased extraction activities led to higher barren rocks generation during the year. The Group disposed of dust of approximately 132,499 kg (2019: 26,080 kg), representing an increase of 106,419 kg as compared to 2019. The reason was that part of 2019 ore production was prepared by some of the excavation work conducted in 2018 leading to less dust emission in 2019. Increased extraction activities in 2020 also gave rise to the increased dust emission. Increased ore transportation distance between mine and processing plant has further increased the dust emission. The Group disposed of exhaust gas of approximately 246.5 million m^3 in (2019: 260.80 million m^3) which remained almost same level for last two years.

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.

Environmental Protections (Continued)

Use of Resources (A2)

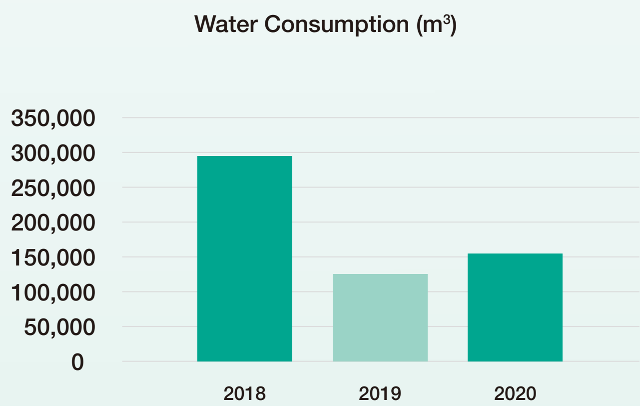
For the year ended 31 March 2020, we consumed electricity of approximately 8,443,200 kWh (2019: 6,330,300 kWh), representing an increase of 2,112,900 kWh as compared to previous year. The increase in consumed electricity was mainly due to the increased production activities in both nickel-copper processing plant and the mine. 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.



For the year ended 31 March 2020, we consumed water of approximately 154,597 m^3 (2019: 125,457 m^3), representing an increase of 29,140 m^3 as compared to 2019. The increased production activities of the nickel-copper processing plant resulted in increased water consumption during the year. 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.

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.



Environmental Protections (Continued)

The Environment and Natural Resources (A3) (Continued)

For the year ended 31 March 2020, the following management actions have 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.

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 Chief Executive Officer and the Chairlady of the Audit Committee.

For the year ended 31 March 2020, we have not received any report on illegal and criminal activities such as bribery, extortion, fraud and money laundering in the Group.

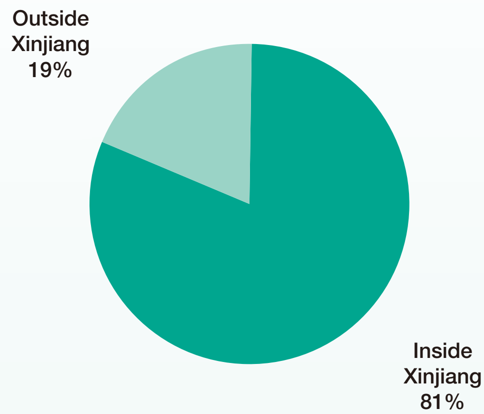
For the year ended 31 March 2020, the Group did not have any illegal and criminal case of bribery, extortion, fraud and money laundering.

Operating Practices (Continued)

Supply Chain Management (B5)

Our suppliers provide various types of products, but with different production quality. There are 108 suppliers, of which 87 located in Xinjiang and 21 located outside Xinjiang. We adopted both normal price enquiry and review approach and tender approach for all procurement. 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 access their product quality and credibility. 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 GEOGRAPHICAL DISTRIBUTION



Product Responsibilities (B6)

Nickel-copper ores, nickel concentrate and copper concentrate 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. Analysis of product quality and mineral content will be performed by the customers to ensure the products satisfy their requirement. 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.

In order to maintain product quality, all suppliers are selected carefully during out procurement process and employees are required to conduct examination on the purchased material.

For the year ended 31 March 2020, there was no complaint nor product recall due to quality or impact on health for our products.

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.

During the year 2019, we have participated into the "Hundred Corporates for Hundred Villages" activities which provided poverty alleviation assistance to villages located in rural area of Hami area of Xinjiang including construction of fish pond and development of hygiene facilities and infrastructure. The primary objective is to improve the living standard of the people, poverty alleviation and satisfy basic needs for living.

Directors' Report

The Directors present their annual report and the audited consolidated financial statements for the year ended 31 March 2020.

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 12. 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, social situation and global economy. Any of these uncertainty factors may, individually or jointly, result in fluctuation of the commodity prices and it is impossible to predict copper and nickel price movements in the future. The COVID-19 outbreak and lockdowns, since the beginning of 2020, has caused global economic disruption. The decline in real GDP and consumer spending may have adverse impact on the industrial production and reduce metals demand which consequentially results in increased uncertainty in metal prices. On the other hand, the trade and tariff-related tension between the US and China creates further instability in metal demand and prices. 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. Exchange rate fluctuations in RMB may adversely affect the Group's financial position and operating results. These fluctuations became more unpredictable under the current global political and economic situation and the monetary quantitative easing policies adopted by different countries. The Group does not currently engage in foreign currency hedging activities.

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. Such risks may not be eliminated even with a combination of careful evaluation and extensive experience and knowledge. 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 various 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 requirement. The exact effect of these factors cannot be measured but the combinations of these factors may impact the success of the Group's mineral exploration, development and acquisition activities. Even after the commencement of mining operations, such operations may be subject to risks and hazards such as environmental hazards, industrial accidents, cave-ins, rock bursts, unusual or unexpected geological formations, ground control problems and flooding. The occurrence of any of the foregoing could result in damage to or destruction of mineral properties and production facilities, personal injuries, environmental damage, delays or interruptions of production, increases in production costs, monetary losses, legal liability and adverse government action.

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

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

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

Business Review (Continued)

Mining Business (Continued)

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

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 estimations are subjective processes. 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 only estimates 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 and 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.

(vi) Permits and Licences

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

Business Review (Continued)

Mining Business (Continued)

(vi) Permits and Licences (Continued)

The Group's exploration and mining licences are subject to annual audit by the Department of Land and Resources of Xinjiang, China. The Group's compliance with relevant laws and regulations will be assessed by the authorities during their annual audit. If the Group fails to meet relevant requirements or materially breaches any laws or regulations, it may not pass such audit. In some cases, the Group may be given a deadline to rectify the deficiencies. The Group may subject to penalties, in accordance to applicable laws, and the penalties amount will be subjected to the seriousness of non-compliance and the result of rectification. In serious cases, the Group may 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.

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.

Business Review (Continued)

Compliance with the Relevant Laws and Regulations

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

Environmental Policies and Performance

The Group is committed to the long term sustainable development of the environment and communities in which it operates and is aware of the potential impact that its subsidiaries may have on the environment.

The Group closely monitors the evolving environmental legislation and requirements, adopts measures to enhance environmental sustainability and ensures that it and its subsidiaries comply with the relevant regulatory requirements with regard to the environment. The Group will regularly review its environmental practices to implement appropriate environmental-friendly measures and practices which closely adhering to the 3Rs principle — Reduce, Recycle and Reuse and enhancing environmental sustainability.

The Group endeavored to maintain safety standard 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 contribute the development of local communities. More details are set out in the "Environmental Protections" section of Environmental, Social and Governance Report on pages 31 and 33, which form part of this Directors' Report.

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 135. 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 the Other Business for the Group. The underlying data are sourced from internal company records. Some of the KPIs presented are non-GAAP financial measures*, including those derived from our reported results that reduce factors that distort year-on-year comparisons.

Business Review (Continued)

Financial Key Performance Indicators (Continued)

KPIs			For the year ended 31 March 2020	2019
The Group				
1.	Loss per share — basic and diluted	HK cents	**(2.19)**	(0.99)
2.	Adjusted EBITDA*	HK$'000	**19,147**	9,099
3.	Operating cash flow per share*	HK cents	**1.04**	0.24
4.	Current ratio*	times	**2.18**	1.96
5.	Gearing ratio	%	**35.48**	15.08
Mining Business				
6.	Nickel-copper ores extracted	tonnes	**122,883**	109,108
7.	Cash mining cost per tonne of nickel-copper ores extracted	HK$	**243**	288
8.	Cash processing cost per tonne of nickel-copper ores processed	HK$	**141**	180

* These KPIs are non-GAAP financial measures that should be considered in addition to, instead of a substitute for, measures of the Group's financial performance prepared in accordance with HKFRS. Definition of these non-GAAP financial measures may be different across different companies.

1. Loss per share — basic and diluted

The basic and diluted loss per share increased to HK cents 2.19 for the year ended 31 March 2020 (2019: HK cents 0.99). The increase in loss per share was mainly due to the increase in impairment loss on mining assets and interests in associates recognised in current year.

Relevance to Strategy: It is calculated by dividing the loss attributable to the owners of the Group of approximately HK$61,751,000 in 2020 (2019: HK$27,785,000) by the weighted average of the number of shares in issue. It measures the amount of Group's profit or loss per outstanding share of stock. It indicates the profitability and is often used as an important indicator to determine share price and value.

2. Adjusted EBITDA

The adjusted EBITDA of the Group increased by HK$10.0 million from approximately HK$9.1 million for the year ended 31 March 2019 to approximately HK$19.1 million for the year ended 31 March 2020. The increase was mainly attributed by the increase in sales of nickel concentrate to 13,652 tonnes (2019: 8,162 tonnes) and sales of copper concentrate to 1,815 tonnes (2019: 553 tonnes) in current year together with the increase in nickel and copper price.

Business Review (Continued)

Financial Key Performance Indicators (Continued)

2. Adjusted EBITDA (Continued)

Reconciliation of the Adjusted EBITDA from loss for the year	2020 HKD'000	2019 HKD'000
Loss for the year	**(111,313)**	(66,759)
Income tax credit	**(981)**	(3,660)
(Gain)/loss on disposal/written off of property, plant and equipment	**(20)**	3,724
Impairment loss on mining assets	**80,346**	56,045
Impairment loss on interests in associates	**27,808**	7,835
Fair value gain on investment properties	**(550)**	(90)
Fair value changes on financial assets at fair value through profit or loss	**(1,804)**	(6,315)
Gain on disposal of intangibles assets	**(1,716)**	–
Interest income	**(608)**	(1,569)
Depreciation and amortisation	**27,293**	19,386
Finance cost	**692**	502
Adjusted EBITDA	**19,147**	9,099

Relevance to Strategy: Adjusted EBITDA is considered a non-GAAP financial measure. Adjusted EBITDA should be considered in additional to, rather than as a substitute for, profit for the year as a measure of our performance. It stands for earnings before interest income and expense, income taxes, depreciation, amortisation, and items listed on the reconciliation table. These items were excluded from the calculation of adjusted EBITDA as these items do not reflect the operating decision of the Group while adjusted EBITDA focuses on operating performance of the Group. It is an indicator of the ability to generate operating cash flow to fund working capital and capital expenditures and to serve debt obligations. It also provides additional insight into the financial performance of the Group after eliminating the one-off costs, such as fair value adjustment and should not be considered as normal operational costs.

3. Operating cash flow per share

The operating cash flow per share increased to HK cents 1.04 per share for the year ended 31 March 2020 (2019: HK cents 0.24). The increase was mainly due to increase in turnover as well as decrease in inventory level in current year.

Relevance to Strategy: Operating cash flow per share is considered a non-GAAP financial measure. We believe operating cash flow per share should be considered in addition to, rather than as a substitute for, loss per share as a measure of our performance. It is the net cash generated from or utilised in operating activities of approximately HK$29,248,000 (2019: HK$6,862,000) divided by the weighted average of the number of shares in issue. It helps measure the ability to generate cash from the whole business. Operating cash flow per share eliminated significant level of recurring non-cash depreciation and amortisation expenses. It also excludes impairment charges and fair value changes on properties, plant and equipment, investment and other intangible assets. We believe that operating cash flow per share is useful because it is one of the bases for comparing our operating performance with other companies in the industries although our measures of operating cash flow per share may not be directly comparable to similar measures used by other companies.

Business Review (Continued)

Financial Key Performance Indicators (Continued)

4. Current ratio

The current ratio increased from 1.96 as at 31 March 2019 to 2.18 as at 31 March 2020. The increase in current ratio was mainly due to increase in cash level resulted from the increased operating cash flow of the Group during the year ended 31 March 2020.

Relevance to Strategy: Current ratio is considered a non-GAAP financial measure. It is calculated by dividing the current assets of approximately HK$61,585,000 (2019: HK$66,193,000) by the current liabilities of approximately HK$28,206,000 (2019: HK$33,761,000) 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. We believe that current ratio provides additional insight of the Group's ability to pay its short term obligation.

5. Gearing ratio

The gearing ratio increased from 15.08% as at 31 March 2019 to 35.48% as at 31 March 2020. The increase in the ratio was mainly due to loss incurred in current year which caused the decrease in equity attributable to owners of the Company.

Relevance to Strategy: It is calculated by dividing the total borrowings of the Group of approximately HK$15.2 million (2019: HK$16.2 million) by the equity attributable to owners of the Company of approximately HK$42.7 million (2019: HK$107.2 million). It measures the financial risk to which the Group is subjected to.

6. Nickel-copper ore extracted

The nickel-copper ore extraction increased by 13,775 tonnes to 122,883 tonnes for the year ended 31 March 2020 (2019: 109,108 tonnes). The Group resumed the extraction and processing of nickel-copper ores in April 2019 compared with the delay in resumption of mine operation in May 2018. Also, there is an extraction suspension caused by serious flooding during the September 2018 which decreased the extraction rate.

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

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

The cash mining cost per tonne of nickel-copper ores extracted decreased 16% to HK$243 per tonne (2019: HK$288 per tonne). The increase in extraction volume reduced the fixed cost of extraction per tonne as well as achieving economies of scale and therefore the average cash mining cost per tonne of nickel-copper ores extracted decreased in current year.

Relevance to Strategy: It is calculated by dividing the aggregate cash mining cost (excluding any depreciation and amortisation) by nickel-copper ores quantity extracted which was 122,883 tonnes in 2020 (2019: 109,108 tonnes). Aggregate mining cash cost is computed as total operating expenditure of approximately HK$54,250,000 in 2020 (2019: HK$53,477,000) subtracting depreciation and amortisation of approximately HK$24,340,000 in 2020 (2019: HK$22,058,000). It is used to monitor the unit cash cost of extraction and is used as a reference in designing the mining plan.

Business Review (Continued)

Financial Key Performance Indicators (Continued)

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

The cash processing cost per tonne of nickel-copper ores processed decreased by 22% to HK$141 per tonne (2019: HK$180 per tonne). Same as the cash mining cost per tonne of nickel-copper ore extracted, the decrease was mainly attributed by the increase in production volume which achieve the economies of scale and lower the average cost.

Relevance to Strategy: It is calculated by dividing the aggregate cash processing cost (excluding depreciation and amortisation) by nickel-copper ores quantity processed which was 125,785 in 2020 (2019: 79,969 tonnes). Aggregate cash processing cost is computed as total processing expenditure of approximately HK$17,759,000 in 2020 (2019: HK$14,441,000) subtracting depreciation and amortisation of approximately HK$80,000 in 2020 (2019: HK$71,000). It is used to monitor the efficiency of the production.

Relationship with Employees, Suppliers and Customers

(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.

In terms of the Group's revenue from the Mining Business, the top two customers are large enterprises located in Gansu. We maintained stable relationship with our largest and second largest customers since 2014 and 2018 respectively. All the trade receivables from them have been fully collected and no provision is necessary for the year ended 31 March 2020.

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

During the year, the aggregate sales attributable to the Group's five largest customers comprised approximately 100% (2019: 100%) of the Group's total sales while the sales attributable to the Group's largest customer was approximately 49% (2019: 57%) of the Group's total sales.

The aggregate purchases during the year attributable to the Group's five largest suppliers comprised approximately 31% (2019: 49%) of the Group's total purchases while the purchases attributable to the Group's largest supplier was approximately 19% (2019: 14%) of the Group's total purchases.

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

Business Review (Continued)

Relationship with Employees, Suppliers and Customers (Continued)

(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 34 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.

The abovementioned competing business is operated and managed by a 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. Mr. Felipe TAN resigned as the Chairman and executive Director of the Company with effect from 12 September 2019.

(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 2020, the Group employed a total staff of 129. 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 2020, there was no serious work safety issue on our Group's employees. Certain employees have worked for the Group for over 10 years.

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 55.

The Directors do not recommend the payment of dividend nor transfer of any amount to reserves (2019: nil).

Share Capital

Details of the movement in share capital of the Company during the year are set out in note 32 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 57 and note 42 to the consolidated financial statements, respectively.

The Company had no reserves available for distribution to shareholders as at 31 March 2020 (2019: nil).

Property, Plant and Equipment

Details of the movements in property, plant and equipment of the Group during the year are set out in note 12 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:

CHAN Mei Ying Spencer *(Chief Executive Officer)*
LAM Kai Ling Vincent
LAU Yun Fong Carman
Ronald TAN

Independent Non-executive Directors:

CHAN Choi Ling
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 one or 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.

Directors and Directors' Service Contracts (Continued)

Other than the existing Directors named above, the following persons were the directors of the subsidiaries undertakings during the financial year ended 31 March 2020 or during the period beginning on 1 April 2019 and ending on the date of this report:

1. HAN Zhaoju
2. HU Caixia
3. KO Yuen Kwan
4. LI Jianping
5. LIN Ka Man
6. Felipe TAN
7. TAN Qingfeng
8. ZHU Jing

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

As at 31 March 2020, 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

	Number of ordinary shares held in the capacity of		
Name of Directors	Beneficial owner	Total number of shares	Percentage of shareholding
Executive Directors			
CHAN Mei Ying Spencer	1,800,000	1,800,000	0.06%
Independent Non-Executive Directors			
CHAN Choi Ling	1,200,000	1,200,000	0.04%
LAM Kwai Yan	1,200,000	1,200,000	0.04%

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

Long positions (Continued)

(b) 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 1.4.2019	During the year: Granted	During the year: Exercised	During the year: Cancelled	During the year: Lapsed	Outstanding at 31.3.2020
Executive Directors									
CHAN Mei Ying Spencer	02.03.2017	02.03.2017 – 01.03.2027	0.1080	1,000,000	–	–	–	–	1,000,000
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
Ronald TAN*	02.03.2017	02.03.2017 – 01.03.2027	0.1080	2,000,000	–	–	–	–	2,000,000
Independent Non-Executive Directors									
CHAN Choi Ling	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

* Mr. Ronald Tan was appointed as an executive Director of the Company on 2 October 2019.

Save as disclosed above, as at 31 March 2020, 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 2020, 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 shareholders	Nature of interests	Number of shares or underlying shares held: Ordinary shares	Share options	Total	Percentage of the issued share capital as at 31.3.2020
Felipe TAN	Beneficial owner	158,128,000	2,000,000	160,128,000	5.69%
	Interest of a controlled corporation	678,074,400	–	678,074,400	24.11%
Starmax Holdings Limited*	Beneficial owner	678,074,400	–	678,074,400	24.11%
WONG Kei Yuen	Interest of a controlled corporation	150,100,000	–	150,100,000	5.33%
CHP 1855 Limited**	Beneficial owner	150,100,000	–	150,100,000	5.33%

* Starmax Holdings Limited ("Starmax") is beneficially owned by Mr. Felipe Tan. By virtue of the SFO, Mr. Felipe Tan was deemed to have interest in the shares of the Company held by Starmax.

** CHP 1855 Limited ("CHP") is beneficially owned by Mr. Wong Kei Yuen. By virtue of the SFO, Mr. Wong Kei Yuen was deemed to have interest in the shares of the Company held by CHP.

Particulars of the substantial shareholder's interest in share options to subscribe for shares in the Company pursuant to the 2013 Share Options Scheme of the Company were as follows:

Name of substantial shareholder	Date of grant	Vesting and exercisable period	Exercise price per share HK$	Number of share options and underlying shares: Outstanding at 1.4.2019	During the year: Granted	Exercised	Cancelled	Lapsed	Outstanding at 31.3.2020
Felipe TAN	02.03.2017	02.03.2017 – 01.03.2027	0.1080	2,000,000	–	–	–	–	2,000,000

Saved as disclosed above, as at 31 March 2020, the Company has not been notified by any persons (other than the Directors) who has interests or short positions in the Shares or underlying Shares of the Company which would 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 336 of the SFO, to be recorded in the register referred to therein.

Share Options

Details of the Company's share option schemes adopted on 28 April 2003 and 25 September 2013 are set out in note 34 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.

Connected Transaction

Details of related party transactions are set out in note 41 to the consolidated financial statements for the year ended 31 March 2020. The related party transactions were carried out in the ordinary and normal course of business of the Group. The transactions were entered into on normal commercial terms mutually negotiated between the Group and the respective related parties; or where there is no available comparison, on the terms that are no less favourable to the Group than terms to or from independent third parties.

None of the "Related party transactions" 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 15 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
Chan Mei Ying Spencer
Executive Director and Chief Executive Officer

Hong Kong, 23 June 2020

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 55 to 134, which comprise the consolidated statement of financial position as at 31 March 2020, 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 2020, 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.

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 16 to the consolidated financial statements. As at 31 March 2020, the Group has mining right on nickel-copper mining of approximately HK$12,730,000. 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.

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 HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgement and maintain professional scepticism 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.

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, 23 June 2020

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 March 2020

	Notes	2020 HK$'000	2019 HK$'000
Revenue	5	**113,679**	78,154
Other income and gains		**1,770**	3,358
Production costs		**(88,165)**	(58,548)
Staff costs		**(10,670)**	(10,940)
Depreciation and amortisation		**(1,459)**	(2,972)
Other operating expenses		**(11,653)**	(13,110)
Gain/(loss) on disposal/written-off of property, plant and equipment		**20**	(3,724)
Impairment loss on mining assets	16	**(80,346)**	(56,045)
Impairment loss on interests in associates	17	**(27,808)**	(7,835)
Fair value gain on investment properties		**550**	90
Fair value changes on financial assets at fair value through profit or loss	18	**1,804**	6,315
Gain on disposal of intangible assets		**1,716**	–
Finance costs	6	**(692)**	(502)
Share of loss of associates	17	**(11,028)**	(3,920)
Impairment loss on amount due from an associate	17	**(12)**	(740)
Loss before tax		**(112,294)**	(70,419)
Income tax credit	7	**981**	3,660
Loss for the year	8	**(111,313)**	(66,759)
Other comprehensive expense, net of income tax			
Items that may not be reclassified subsequently to profit or loss:			
Exchange differences on translating foreign operations		**(9,226)**	(14,569)
Other comprehensive expense for the year, net of income tax		**(9,226)**	(14,569)
Total comprehensive expense for the year		**(120,539)**	(81,328)
Loss attributable to:			
Owners of the Company		**(61,734)**	(27,785)
Non-controlling interests		**(49,579)**	(38,974)
		(111,313)	(66,759)
Total comprehensive expense attributable to:			
Owners of the Company		**(64,133)**	(31,575)
Non-controlling interests		**(56,406)**	(49,753)
		(120,539)	(81,328)
		HK cents	HK cents
Loss per share			
– Basic and diluted	11	**(2.19)**	(0.99)

Consolidated Statement of Financial Position

At 31 March 2020

	Notes	2020 HK$'000	2019 HK$'000
Non-current assets			
Property, plant and equipment	12	**4,411**	14,895
Right-of-use assets	13	**6,149**	–
Prepaid lease payments	14	**–**	6,313
Investment properties	15	**10,840**	10,290
Other intangible assets	16	**12,730**	109,540
Interests in associates	17	**197**	39,357
Financial assets at fair value through profit or loss	18	**19,173**	17,804
Deposits	19	**22,157**	23,720
Land rehabilitation costs	20	**279**	2,275
		75,936	224,194
Current assets			
Inventories	21	**8,649**	20,112
Prepaid lease payments	14	**–**	233
Other receivables	22	**2,398**	1,312
Financial assets at fair value through profit or loss	18	**2,626**	2,957
Bank balances and cash	23	**47,912**	41,579
		61,585	66,193
Current liabilities			
Trade and other payables	24	**10,782**	11,655
Contract liabilities	25	**72**	77
Dividends payable to non-controlling interests		**–**	4,410
Provision for land rehabilitation	26	**2,193**	2,348
Lease liabilities	27	**159**	–
Obligations under finance leases	28	**–**	271
Loan from related companies	29	**15,000**	15,000
		28,206	33,761
Net current assets		**33,379**	32,432
Total assets less current liabilities		**109,315**	256,626
Non-current liabilities			
Amount due to a non-controlling interest	30	**–**	891
Provision for land rehabilitation	26	**6,420**	6,872
Lease liabilities	27	**3**	–
Deferred tax liabilities	31	**4,387**	15,930
		10,810	23,693
Net assets		**98,505**	232,933
Capital and reserves			
Share capital	32	**906,074**	906,074
Reserves	33	**(863,337)**	(798,917)
Equity attributable to owners of the Company		**42,737**	107,157
Non-controlling interests		**55,768**	125,776
Total equity		**98,505**	232,933

The consolidated financial statements were approved and authorised for issue by the board of directors on 23 June 2020 and are signed on its behalf by:

Chan Mei Ying Spencer
Director

Lau Yun Fong Carman
Director

Consolidated Statement of Changes in Equity

For the year ended 31 March 2020

	Share capital HK$'000	Share options reserve HK$'000	General reserve HK$'000	Property revaluation reserve HK$'000	Translation reserve HK$'000	Accumulated deficit HK$'000	Attributable to owners of the Company HK$'000	Non-controlling interests HK$'000	Total HK$'000
Balance at 1 April 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 non-controlling interests	–	–	–	–	–	–	–	2	2
Transfer to general reserve	–	–	503	–	–	(503)	–	–	–
Dividends distributed to non-controlling interests	–	–	–	–	–	–	–	(25,323)	(25,323)
Balance at 31 March 2019	906,074	2,024	1,150	964	(3,683)	(799,372)	107,157	125,776	232,933
Effect on initial application of HKFRS 16 (Note 2)	–	–	–	–	–	(287)	(287)	74	(213)
Balance at 1 April 2019	**906,074**	**2,024**	**1,150**	**964**	**(3,683)**	**(799,659)**	**106,870**	**125,850**	**232,720**
Loss for the year	**–**	**–**	**–**	**–**	**–**	**(61,734)**	**(61,734)**	**(49,579)**	**(111,313)**
Other comprehensive expense for the year	**–**	**–**	**–**	**–**	**(2,399)**	**–**	**(2,399)**	**(6,827)**	**(9,226)**
Total comprehensive expense for the year	**–**	**–**	**–**	**–**	**(2,399)**	**(61,734)**	**(64,133)**	**(56,406)**	**(120,539)**
Transfer to general reserve	**–**	**–**	**440**	**–**	**–**	**(440)**	**–**	**–**	**–**
Dividends distributed to non-controlling interests	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(13,629)**	**(13,629)**
Acquisition of non-controlling interests	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(47)**	**(47)**
Balance at 31 March 2020	**906,074**	**2,024**	**1,590**	**964**	**(6,082)**	**(861,833)**	**42,737**	**55,768**	**98,505**

Consolidated Statement of Cash Flows

For the year ended 31 March 2020

	2020 HK$'000	2019 HK$'000
Cash flows from operating activities		
Loss before tax	(112,294)	(70,419)
Adjustments for:		
Interest income	(608)	(1,569)
Interest expense	692	502
Dividend income	(750)	(750)
Share of loss of associates	11,028	3,920
Depreciation and amortisation	27,293	22,359
(Gain)/loss on disposal/written off of property, plant and equipment	(20)	3,724
Impairment loss on mining assets	80,346	56,045
Impairment loss on interests in associates	27,808	7,835
Fair value gain on investment properties	(550)	(90)
Fair value changes on financial assets at fair value through profit or loss	(1,804)	(6,315)
Impairment loss on amount due from an associate	12	740
	31,153	15,982
Movements in working capital:		
Decrease/(increase) in inventories	7,822	(11,938)
(Increase)/decrease in other receivables	(320)	7,454
Decrease in deposits	–	3,829
Decrease in trade and other payables	(426)	(721)
Decrease in contract liabilities	–	(194)
Cash generated from operations	38,229	14,412
Income taxes paid	(8,981)	(7,550)
Net cash generated by operating activities	29,248	6,862
Cash flows from investing activities		
Interest received	608	1,569
Addition to interests in associates	–	(51,660)
Addition to prepaid lease payments	–	(20)
Dividends received	750	750
Increase in convertible loan note	–	(777)
Payments for property, plant and equipment	(1,585)	(55)
Proceed for disposal an associate	–	100
Proceed from disposal of property, plant and equipment	20	33
Net cash used in investing activities	(207)	(50,060)
Cash flows from financing activities		
Repayment of promissory note	–	(10,266)
Repayment of amount due to a non-controlling interest	(828)	–
Loans from related companies	–	15,000
(Acquisition of)/capital injection from a non-controlling interest	(47)	2
Interest paid	(676)	(502)
Lease payment		
– capital elements	(443)	–
– interest elements	(16)	–
Repayments of obligation under finance lease	–	(256)
Dividends paid to non-controlling interests	(18,039)	(48,832)
Net cash used in financing activities	(20,049)	(44,854)
Net increase/(decrease) in cash and cash equivalents	8,992	(88,052)
Cash and cash equivalents at the beginning of year	41,579	133,585
Effect of foreign exchange rate changes	(2,659)	(3,954)
Cash and cash equivalents at the end of year	47,912	41,579
Analysis of the balances of cash and cash equivalents		
Bank balances and cash	47,912	41,579

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 16	*Leases*
HK(IFRIC)-Int 23	*Uncertainty over Income Tax Treatments*
Amendments to HKFRS 9	*Prepayment Features with Negative Compensation*
Amendments to HKAS 19	*Plan Amendment, Curtailment or Settlement*
Amendments to HKAS 28	*Long-term Interests in Associates and Joint Ventures*
Amendments to HKFRSs	*Annual Improvements to HKFRSs 2015–2017 Cycle*

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 16 *Leases*

Definition of a lease

The Group has elected the practical expedient to apply HKFRS 16 to contracts that were previously identified as leases applying HKAS 17 and HK(IFRIC)-Int 4 *Determining whether an Arrangement contains a Lease* and not apply this standard to contracts that were not previously identified as containing a lease. Therefore, the Group has not reassessed contracts which already existed prior to the date of initial application.

For contracts entered into or modified on or after 1 April 2019, the Group applies the definition of a lease in accordance with the requirements set out in HKFRS 16 in assessing whether a contract contains a lease.

As a lessee

The Group adopted HKFRS 16 using the modified retrospective method of adoption with the date of initial application of 1 April 2019. Under this method, the standard is applied retrospectively with the cumulative effect of initially applying the standard recognised at the date of initial application as an adjustment to the opening accumulated deficit and comparative information has not been restated.

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

New and amendments to HKFRSs that are mandatorily effective for the current year (Continued)

2.1 HKFRS 16 *Leases* (Continued)

As a lessee (Continued)

When applying the modified retrospective approach under HKFRS 16 at transition, the Group applied the following practical expedients to leases previously classified as operating leases under HKAS 17, on lease-by-lease basis, to the extent relevant to the respective lease contracts:

i. relied on the assessment of whether leases are onerous by applying HKAS 37 *Provisions, Contingent Liabilities and Contingent Assets* as an alternative of impairment review;

ii. elected not to recognise right-of-use assets and lease liabilities for leases with lease term ends within 12 months of the date of initial application;

iii. excluded initial direct costs from measuring the right-of-use assets at the date of initial application;

iv. applied a single discount rate to a portfolio of leases with a similar remaining terms for similar class of underlying assets in similar economic environment; and

v. used hindsight based on facts and circumstances as at date of initial application in determining the lease term for the Group's leases with extension and termination options.

When recognising the lease liabilities for leases previously classified as operating leases, the Group has applied weighted average incremental borrowing rate at the date of initial application. The weighted average incremental borrowing rates applied by the Group is 4.75%.

The following table reconciles the opening lease commitments as at 31 March 2019 to the opening balance for lease liabilities recognised as at 1 April 2019:

	HK$'000
Operating lease commitment disclosed as at 31 March 2019	3,058
Add: recognition of lease liabilities under HKFRS 16	356
Less: short-term leases not recognised as a liability	(3,058)
	356
Weighted average incremental borrowing rate as at 1 April 2019	4.75%
Lease liabilities relating to operating leases recognised upon application of HKFRS 16	334
Add: Obligations under finance lease recognised at 31 March 2019	271
Lease liabilities as at 1 April 2019	605
Analysed as	
Current	441
Non-current	164
	605

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

New and amendments to HKFRSs that are mandatorily effective for the current year (Continued)

2.1 HKFRS 16 *Leases* (Continued)

As a lessee (Continued)

At initial application, right-of-use assets were measured at their carrying amounts as if HKFRS 16 had always been applied since the commencement date of the leases, discounted at the lessee's incremental borrowing rate at the date of initial application.

The carrying amount of right-of-use assets for own use as at 1 April 2019 comprised the following:

	Right-of-use assets HK$'000
Right-of-use assets relating to operating leases recognised upon application of HKFRS 16	440
Reclassified from prepaid lease payments	6,546
Amounts included in property, plant and equipment under HKAS 17	
– Assets previously under finance leases	493
	7,479
By class:	
Land and properties	6,986
Motor vehicle	493
	7,479

Payments for leasehold lands in the People's Republic of China ("PRC") for own used properties were classified as prepaid lease payments as at 31 March 2019. Upon application of HKFRS 16, the current and non-current portion of prepaid lease payments amounting to approximately HK$233,000 and HK$6,313,000 respectively were reclassed to right-of-use assets.

In relation to assets previously under finance leases, the Group recategorised the carrying amounts of the relevant assets which were still under lease as at 1 April 2019 amounting to approximately HK$493,000 as right-of-use assets.

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

New and amendments to HKFRSs that are mandatorily effective for the current year (Continued)

2.1 HKFRS 16 *Leases* (Continued)

Interests in associates

The net effects arising from the initial application of HKFRS 16 resulted in a decrease in the carrying amounts of interests in associates of approximately HK$313,000 with corresponding adjustment to accumulated deficit.

The following table summarises the impact of transition to HKFRS 16 on accumulated deficit at 1 April 2019.

	Impact of adopting HKFRS 16 at 1 April 2019 HK$'000
Accumulated deficit	
Effect on recognitions of right-of-use assets	26
Decrease in interests in associates	(313)
Impact at 1 April 2019	(287)

Adjustments recognised in the consolidated statement of financial position on 1 April 2019

The following adjustments were made to the amount recognised in the consolidated statement of financial position at 1 April 2019. Line items that were not affected by the changes have not been included.

	Carrying amounts previously reported at 31 March 2019 HK$'000	Adjustments HK$'000	Carrying amount under HKFRS 16 at 1 April 2019 HK$'000
Non-current assets			
Property, plant and equipment	14,895	(493)	14,402
Right-of-use assets	–	7,479	7,479
Prepaid lease payments	6,313	(6,313)	–
Interests in associates	39,357	(313)	39,044
Current assets			
Prepaid lease payments	233	(233)	–
Current liabilities			
Trade and other payables	11,655	6	11,661
Obligations under finance leases	271	(271)	–
Lease liabilities	–	441	441
Non-current liabilities			
Lease liabilities	–	164	164
Capital and reserves			
Reserves	(798,917)	(287)	(799,204)
Non-controlling interests	125,776	74	125,850

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 17	*Insurance Contracts*[1]
Amendments to HKFRS 3	*Definition of a business*[2]
Amendments to HKFRS 10 and HKAS 28	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[3]
Amendments to HKAS 1 and HKAS 8	*Definition of Material*[4]
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	*Interest Rate Benchmark Reform*[4]
Amendments to HKFRS 16	*Covid-19 Related Rent Concession*[5]

1 Effective for annual periods beginning on or after 1 January 2021.
2 Effective for business combinations and asset acquisitions for which the acquisition date is on or after the beginning of the first annual period beginning on or after 1 January 2020.
3 Effective for annual periods beginning on or after a date to be determined.
4 Effective for annual periods beginning on or after 1 January 2020.
5 Effective for annual periods beginning on or after 1 June 2020.

In addition to the above new and amendments to HKFRSs, a revised Conceptual Framework for Financial Reporting was issued in 2018. Its consequential amendments, the *Amendments to References to the Conceptual Framework in HKFRS Standards*, will be effective for annual periods beginning on or after 1 January 2020.

The directors of the Company anticipate that the application of all new and amendments to HKFRSs will have no material impact on the consolidated financial statements in the foreseeable future.

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.

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 HKFRS 16 (since 1 April 2019) or HKAS 17 (before application of HKFRS 16), 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*.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

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

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

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

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

The principal accounting policies are set out below.

3. Significant Accounting Policies (Continued)

Basis of consolidation

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

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

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

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

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

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

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

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

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

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.

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 carrying amount of the assets (including goodwill), and liabilities of the subsidiary attributable to the owners of the Company. 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 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);

- 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; and

- lease liabilities are recognised and measured at the present value of the remaining lease payments (as defined in HKFRS 16) as if the acquired leases were new leases at the acquisition date, except for leases for which (a) the lease term ends within 12 months of the acquisition date; or (b) the underlying asset is of low value. Right-of-use assets are recognised and measured at the same amount as the relevant lease liabilities, adjusted to reflect favourable or unfavourable terms of the lease when compared with market terms.

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, as appropriate. 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 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.

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.

3. Significant Accounting Policies (Continued)

Goodwill (Continued)

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 in 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 (or group of cash-generating units).

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.

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 is not allocated to any asset, including goodwill, that 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, 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.

Revenue from contracts with customers

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.

3. Significant Accounting Policies (Continued)

Revenue from contracts with customers (Continued)

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 the same contract are accounted for and presented on a net basis.

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 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.

Leases

(i) Definition of a lease (upon application of HKFRS 16 in accordance with transitions in note 2)

A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

3. Significant Accounting Policies (Continued)

Leases (Continued)

(i) Definition of a lease (upon application of HKFRS 16 in accordance with transitions in note 2) (Continued)

For contracts entered into or modified or arising from business combinations on or after the date of initial application, the Group assesses whether a contract is or contains a lease based on the definition under HKFRS 16 at inception, modification date or acquisition date, as appropriate. Such contract will not be reassessed unless the terms and conditions of the contract are subsequently changed.

(ii) The Group as a lessee (upon application of HKFRS 16 in accordance with transitions in note 2)

Allocation of consideration to components of a contract

For a contract that contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components, including contract for acquisition of ownership interests of a property which includes both leasehold land and non-lease building components, unless such allocation cannot be made reliably.

The Group also applies practical expedient not to separate non-lease components from lease component, and instead account for the lease component and any associated non-lease components as a single lease component.

Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option. It also applies the recognition exemption for lease of low-value assets. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis or another systematic basis over the lease term.

Right-of-use assets

The cost of right-of-use asset includes:

- the amount of the initial measurement of the lease liability;
- any lease payments made at or before the commencement date, less any lease incentives received;
- any initial direct costs incurred by the Group; and
- an estimate of costs to be incurred by the Group in dismantling and removing the underlying assets, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities.

Right-of-use assets in which the Group is reasonably certain to obtain ownership of the underlying leased assets at the end of the lease term are depreciated from commencement date to the end of the useful life. Otherwise, right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

The Group presents right-of-use assets as a separate line item on the consolidated statement of financial position.

When the Group obtains ownership of the underlying leased assets at the end of the lease term, upon exercising purchase options, the carrying amount of the relevant right-of-use asset is transferred to property, plant and equipment.

3. Significant Accounting Policies (Continued)

Leases (Continued)

(ii) The Group as a lessee (upon application of HKFRS 16 in accordance with transitions in note 2) (Continued)

Lease liabilities

At the commencement date of a lease, the Group recognises and measures the lease liability at the present value of lease payments that are unpaid at that date. In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable.

The lease payments include:

- fixed payments (including in-substance fixed payments) less any lease incentives receivable;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable by the Group under residual value guarantees;
- the exercise price of a purchase option if the Group is reasonably certain to exercise the option; and
- payments of penalties for terminating a lease, if the lease term reflects the Group exercising an option to terminate the lease.

After the commencement date, lease liabilities are adjusted by interest accretion and lease payments.

The Group remeasures lease liabilities (and makes a corresponding adjustment to the related right-of-use assets) whenever:

- the lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the related lease liability is remeasured by discounting the revised lease payments using a revised discount rate at the date of reassessment.
- the lease payments change due to changes in market rental rates following a market rent review/expected payment under a guaranteed residual value, in which cases the related lease liability is remeasured by discounting the revised lease payments using the initial discount rate.

Lease modifications

The Group accounts for a lease modification as a separate lease if:

- the modification increases the scope of the lease by adding the right to use one or more underlying assets; and
- the consideration for the leases increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

3. Significant Accounting Policies (Continued)

Leases (Continued)

(ii) The Group as a lessee (upon application of HKFRS 16 in accordance with transitions in note 2) (Continued)

Lease modifications (Continued)

For a lease modification that is not accounted for as a separate lease, the Group remeasures the lease liability based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

The Group accounts for the remeasurement of lease liabilities by making corresponding adjustments to the relevant right-of-use asset. When the modified contract contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the modified contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

(iii) The Group as a lessee (prior to 1 April 2019)

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.

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, including the cost of acquiring land held under operating leases, are recognised as an expense on a straight-line basis over the lease term. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

(iv) The Group as a lessor

Classification and measurement of leases

Leases for which the Group is a lessor are classified as finance or operating leases. Whenever the terms of the lease transfer substantially all the risks and rewards incidental to ownership of an underlying asset to the lessee, the contract is classified as a finance lease. All other leases are classified as operating leases.

3. Significant Accounting Policies (Continued)

Leases (Continued)

(iv) The Group as a lessor (Continued)

Classification and measurement of leases (Continued)

Rental income from operating leases is recognised in profit or loss on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset, and such costs are recognised as an expense on a straight-line basis over the lease term except for investment properties measured under fair value model.

(v) The Group as a lessor (upon application of HKFRS 16 in accordance with transitions in note 2)

Allocation of consideration to components of a contract

When a contract includes both leases and non-lease components, the Group applies HKFRS 15 to allocate consideration in a contract to lease and non-lease components. Non-lease components are separated from lease component on the basis of their relative stand-alone selling prices.

Lease modification

The Group accounts for a modification to an operating lease as a new lease from the effective date of the modification, considering any prepaid or accrued lease payments relating to the original lease as part of the lease payments for the new 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.

3. Significant Accounting Policies (Continued)

Foreign currencies (Continued)

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).

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.

3. Significant Accounting Policies (Continued)

Share-based payments

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 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.

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 to the same taxation entity by the same taxation authority.

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

Property, plant and equipment

Property, plant and equipment are tangible assets that are held for use in the production or supply of goods or services, or for administrative purposes. Property, plant and equipment 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. Costs include any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management and, for qualifying assets, borrowing costs capitalised in accordance with the Group's accounting policy. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

3. Significant Accounting Policies (Continued)

Property, plant and equipment (Continued)

When the Group makes payments for ownership interests of properties which includes both leasehold land and building elements, the entire consideration is allocated between the leasehold land and the building elements in proportion to the relative fair values at initial recognition.

To the extent the allocation of the relevant payments can be made reliably, interest in leasehold land that is accounted for as an operating lease is presented as "right-of-use assets" (upon application of HKFRS 16) or "prepaid lease payments (before application of HKFRS 16) in the consolidated statement of financial position. When the consideration cannot be allocated reliably between non-lease building element and undivided interest in the underlying leasehold land, the entire properties are classified as property, plant and equipment.

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:

Buildings and properties	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 a property 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 leasehold land under HKFRS 16 or prepaid lease payments under HKAS 17) 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.

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

Investment properties

Investment properties are properties held to earn rentals and/or for capital appreciation. 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 value, adjusted to exclude any prepaid or accrued operating lease income.

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.

3. Significant Accounting Policies (Continued)

Investment properties (Continued)

Investment properties measured using the fair value model (Continued)

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from 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.

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.

3. Significant Accounting Policies (Continued)

Impairment on property, plant and equipment, right-of-use assets, and intangible assets other than goodwill

At the end of each reporting period, the Group reviews the carrying amounts of its property, plant and equipment, right-of-use assets, 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 property, plant and equipment, right-of-use assets, 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.

In addition, the Group assesses whether there is indication that corporate assets may be impaired. If such indication exists, corporate assets are also allocated to individual cash-generating units, when a reasonable and consistent basis of allocation can be identified, 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. For corporate assets or portion of corporate assets which cannot be allocated on a reasonable and consistent basis to a cash-generating unit, the Group compares the carrying amount of a group of cash-generating units, including the carrying amounts of the corporate assets or portion of corporate assets allocated to that group of cash-generating units, with the recoverable amount of the group of cash-generating units. 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 or the group of cash-generating units. 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 or the group of cash-generating units. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount under another standard, in which case the impairment loss is treated as a revaluation decrease under that standard.

When an impairment loss subsequently reverses, the carrying amount of the asset (or cash generating unit or a group of cash-generating units) 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 or a group of cash-generating units) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount under another standard, in which case the reversal of the impairment loss is treated as revaluation increase under that standard.

3. Significant Accounting Policies (Continued)

Inventories

Raw materials, work in progress and finished goods are stated at the lower of cost and net realisable value and are determined on a weighted average method. 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.

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.

3. Significant Accounting Policies (Continued)

Financial instruments

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

Financial assets

Classification and subsequent measurement of financial assets

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 fair value through other comprehensive income ("FVTOCI"):

- the financial asset is held within a business model whose objective is achieved by both selling and collecting contractual cash flow; 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 of HKFRS 9/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 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.

3. Significant Accounting Policies (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Classification and subsequent measurement of financial assets (Continued)

A financial asset is 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.

(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 FVTOCL 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

The Group performs impairment assessment under expected credit loss (“ECL”) model 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, 12-month ECL (“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.

3. Significant Accounting Policies (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets (Continued)

The ECL on these assets are assessed individually and/or collectively 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.

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 aforegoing, 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.

3. Significant Accounting Policies (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets (Continued)

(i) Significant increase in credit risk (Continued)

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.

(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:

- significant financial difficulty of the issuer or the borrower;
- a breach of contract;
- 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;
- it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or
- 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. 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.

3. Significant Accounting Policies (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets (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.

Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an 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 measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

3. Significant Accounting Policies (Continued)

Financial instruments (Continued)

Financial liabilities and equity instruments

Classification as debt or equity

Debt and equity instruments 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 at amortised cost

Financial liabilities including trade and other payables, dividend payable to non-controlling interests, lease liabilities, 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.

Derecognition of financial liabilities

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.

Derivative financial instruments

Derivatives are initially recognised at fair value at the date when derivative contracts are entered into and are subsequently remeasured to their fair value at the end of the reporting period. The resulting gain or loss is recognised in profit or loss unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

Embedded derivatives

Derivatives embedded in hybrid contracts that contain financial asset hosts within the scope of HKFRS 9 are not separated. The entire hybrid contract is classified and subsequently measured in its entirety as either amortised cost or fair value as appropriate.

Derivatives embedded in non-derivative host contracts that are not financial assets within the scope of HKFRS 9 are treated as separate derivatives when they meet the definition of a derivative, their risks and characteristics are not closely related to those of the host contracts and the host contracts are not measured at FVTPL.

Generally, multiple embedded derivatives in a single instrument that are separated from the host contracts are treated as a single compound embedded derivative unless those derivatives relate to different risk exposures and are readily separable and independent of each other.

3. Significant Accounting Policies (Continued)

Financial instruments (Continued)

Offsetting a financial asset and a financial liability

A financial asset and a financial liability are offset and the net amount presented in the consolidated statement of financial position when, and only when, the Group currently has a legally enforceable right to set off the recognised amounts; and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Related parties

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

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

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

(ii) has significant influence over the Group; or

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

or

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

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

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

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

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

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

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

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

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

Close members of the family of a person are those family members who may be expected to influence, or be influence 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.

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.

Estimated 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.

Fair value measurement of financial instruments

As at 31 March 2020, certain of the Group's financial assets are measured at fair value with fair value being determined based on significant unobservable inputs using valuation techniques. Judgment and estimation are required in establishing the relevant valuation techniques and the relevant inputs thereof. Changes in assumptions relating to these factors could result in material adjustments to the fair value of these instruments.

Estimated impairment of associates

As at 31 March 2020, in response to the impairment indicators observed, the Group performed impairment assessment on its interests in associates. The value in use calculation requires the management of the Group to estimate the present value of the estimated cash flows expected to arise from the investment taking into factor including discount rate and growth rate used for determining the value-in-use.

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. 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. Accordingly, these were grouped in "Other Business" segment.

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

Segment revenues and results

Year ended 31 March 2020

	Mining Business HK$'000	Other Business HK$'000	Total HK$'000
Segment revenue			
Sales to external customers	113,679	–	113,679
Segment results	(67,946)	(109)	(68,055)
Interest income			608
Unallocated other income and gains			901
Unallocated corporate expenses			(8,562)
Fair value changes on financial assets at FVTPL			1,804
Fair value gain on investment properties			550
Impairment loss on interests in associates			(27,808)
Finance costs			(692)
Share of loss of associates			(11,028)
Impairment loss on amount due from an associate			(12)
Loss before tax			(112,294)

5. Revenue and Segment Information (Continued)

Segment revenues and results (Continued)

Year ended 31 March 2019

	Mining Business HK$'000	Other Business HK$'000	Total HK$'000
Segment revenue			
Sales to external customers	78,154	–	78,154
Segment results	(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)

Segment revenue reported above represents revenue generated from external customers. There were no inter-segment sales in the current year (2019: nil).

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

5. Revenue and Segment Information (Continued)

Segment assets and liabilities

	2020 HK$'000	2019 HK$'000
Segment assets		
Mining Business	55,277	177,648
Other Business	–	5
Total segment assets	55,277	177,653
Interests in associates	197	39,357
Unallocated	82,047	73,377
Consolidated assets	137,521	290,387
Segment liabilities		
Mining Business	22,972	36,024
Other Business	4	16
Total segment liabilities	22,976	36,040
Unallocated	16,040	21,414
Consolidated liabilities	39,016	57,454

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, 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, loan from related companies, amount due to a non-controlling interest and head office and unallocated liabilities.

5. Revenue and Segment Information (Continued)

Other segment information

	2020 HK$'000	2019 HK$'000
Additions to non-current assets*		
Mining Business	1,400	75
Other Business	–	–
Unallocated	185	–
	1,585	75
Impairment on mining assets		
Mining Business	80,346	56,045
Gain/(loss) on disposal/written off property, plant and equipment		
Mining Business	20	(3,724)
Depreciation and amortisation		
Mining Business	1,290	2,820
Other Business	–	–
Unallocated	169	152
	1,459	2,972
Depreciation and amortisation included in production costs		
Mining Business	25,834	19,387
Total depreciation and amortisation recognised in profit and loss	27,293	22,359

* Additions to non-current assets include additions to property, plant and equipment.

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:

	2020 HK$'000	2019 HK$'000
Revenue from external customers		
PRC	113,679	78,154
Non-current assets		
Hong Kong	11,350	10,783
PRC	23,059	132,530
	34,409	143,313

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:

	2020 HK$'000	2019 HK$'000
Customer A[1]	56,128	44,739
Customer B[1]	20,111	N/A[2]
Customer C[1]	N/A[2]	11,874
Customer D[1]	30,189	15,431

1 Revenue from Mining Business.

2 The corresponding revenue did not contribute over 10% of the Group's revenue.

5. Revenue and Segment Information (Continued)

Disaggregation by major products

	2020 HK$'000	2019 HK$'000
Types of goods		
Sales of nickel-copper ores	30,189	40,597
Sales of nickel concentrates	63,379	31,447
Sales of copper concentrates	20,111	6,110
	113,679	78,154

Timing of revenue recognition

	HK$'000	HK$'000
At a point of time	113,679	78,154

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.

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.

6. Finance Costs

	2020 HK$'000	2019 HK$'000
Interest on loan from related companies	676	449
Interest on finance leases	–	19
Interest on lease liabilities	16	–
Effective interest on promissory note	–	34
Total borrowing costs	692	502

7. Income Tax Credit

	2020 HK$'000	2019 HK$'000
Current tax		
– PRC Enterprise Income Tax	9,086	5,761
– (Over)/under provision in prior years	(105)	1,215
– PRC withholding tax	569	607
Deferred tax (Note 31)	(10,531)	(11,243)
Total income tax credit recognised in profit or loss	(981)	(3,660)

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.

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

	2020 HK$'000	2019 HK$'000
Loss before tax	(112,294)	(70,419)
Tax at the Hong Kong Profits Tax rate of 16.5%	(18,529)	(11,619)
Tax effect of share of loss of associates	1,822	647
Tax effect of expenses not deductible for tax purposes	10,920	2,536
Tax effect of income not taxable for tax purposes	(681)	(1,281)
Tax effect of unrecognised tax losses	1,334	1,082
(Over)/under provision in the prior years	(105)	1,215
Effect of different tax rates for subsidiaries operating in jurisdictions other than Hong Kong	3,596	3,261
PRC withholding tax	662	499
Income tax credit for the year	(981)	(3,660)

8. Loss for the Year

	2020 HK$'000	2019 HK$'000
Loss for the year has been arrived at after charging/(crediting):		
Directors' and chief executive's emoluments (Note 9)	2,819	2,817
Other staff's retirement benefits scheme contributions	1,316	1,311
Other staff costs (Note)	6,535	6,812
Employee benefits expenses	10,670	10,940
Depreciation of property, plant and equipment	1,883	1,699
Amortisation of other intangible assets	23,951	17,688
Depreciation and amortisation (including in the production costs line item)	25,834	19,387
Depreciation of property, plant and equipment	560	2,363
Depreciation of right-of-use assets	538	–
Amortisation of:		
– prepaid lease payments	–	232
– land rehabilitation costs	361	377
Depreciation and amortisation (included in the depreciation and amortisation line item)	1,459	2,972
Rental income arising from investment properties	(108)	(240)
Less: direct outgoing expenses	92	17
	(16)	(223)
Auditors' remuneration	750	800
Cost of inventories recognised as an expense	80,011	58,548
Operating lease rentals in respect of rented premises previously classified as operating leases under HKAS 17	–	3,284
Expense relating to short-term leases not included in the measurement of lease liabilities	3,030	–
Net foreign exchange loss	100	1,300
Dividend income from equity investments at FVTPL	(750)	(750)
Interest income	(608)	(1,569)

Note: The costs exclude production staff costs of approximately HK$8,928,000 (2019: HK$7,495,000) which were included in the production costs line item.

9. 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 2020

	Fee 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
Executive directors					
Felipe Tan (Note ii)	–	546	10	46	602
Chan Mei Ying Spencer (Note iv)	–	435	9	–	444
Lau Yun Fong Carman	–	754	18	60	832
Lam Kai Ling Vincent (Note i)	–	267	10	18	295
Ronald Tan (Note iii)	–	178	9	18	205
Independent non-executive directors					
Tsang Wai Chun Marianna	126	–	–	–	126
Chan Mei Ying Spencer (Note iv)	63	–	–	–	63
Lam Kwai Yan	126	–	–	–	126
Chan Choi Ling	126	–	–	–	126
	441	2,180	56	142	2,819

For the year ended 31 March 2019

	Fee 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
Executive directors					
Felipe Tan (Note ii)	–	1,254	25	214	1,493
Lau Yun Fong Carman	–	750	18	52	820
Independent non-executive directors					
Tsang Wai Chun Marianna	126	–	–	–	126
Chan Mei Ying Spencer (Note iv)	126	–	–	–	126
Lam Kwai Yan	126	–	–	–	126
Chan Choi Ling	126	–	–	–	126
	504	2,004	43	266	2,817

Notes:

i. Mr. Lam Kai Ling Vincent was appointed on 12 September 2019.

ii. Mr. Felipe Tan resigned on 12 September 2019.

iii. Mr. Ronald Tan was appointed on 2 October 2019.

iv. Mr. Chan Mei Ying Spencer was appointed as the chief executive officer and re-designated as an executive director from the position of an independent non-executive director of the Company on 2 October 2019.

9. Directors' and Chief Executive's Emoluments (Continued)

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 (2019: nil). None of the directors or the chief executive has waived any emoluments during the year (2019: nil).

10. Five Highest Paid Employees

The five individuals with the highest paid employees of the Group during the year included three directors (2019: two directors) of which Mr. Felipe Tan resigned as a director of the Company during the year but remained as employee of the Group. Remuneration paid to him during the period when he was a director of the Company are set out in note 9 above. He was also one of the five highest paid employees during the year. Details of his remuneration and the remaining two (2019: three) highest paid employees who are neither a director nor chief executive of the Company are as follows:

	2020 HK$'000	2019 HK$'000
Salaries and allowances	**2,423**	1,453
Retirement benefits scheme contribution	**54**	37
Performance and discretionary bonus	**141**	159
	2,618	1,649

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

	Number of employees	
	2020	2019
Nil to HK$1,000,000	**1**	3
HK$1,000,001 to HK$1,500,000	**2**	–
	3	3

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 (2019: nil).

11. Loss Per Share

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

Loss:

	2020 **HK$'000**	2019 HK$'000
Loss for the year attributable to owners of the Company for the purpose of basic and diluted loss per share	**(61,734)**	(27,785)

Number of ordinary shares:

	2020 **'000**	2019 '000
Weighted average number of ordinary shares for the purpose of basic and diluted loss per share	**2,812,882**	2,812,882

The computation of diluted loss per share did not assume the exercise of the Company's outstanding share options since their assumed exercise would have an anti-dilutive effect for the years ended 31 March 2020 and 2019.

12. Property, Plant and Equipment

	Buildings and properties HK$'000	Plant and machinery HK$'000	Computer equipment HK$'000	Furniture, fixtures and equipment HK$'000	Motor vehicles HK$'000	Total HK$'000
Cost						
Balance at 1 April 2018	38,386	13,499	2,080	751	3,511	58,227
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)
Balance at 31 March 2019	33,384	4,938	1,772	693	3,263	44,050
Adjustment upon application of HKFRS 16	–	–	–	–	(758)	(758)
Balance at 1 April 2019	**33,384**	**4,938**	**1,772**	**693**	**2,505**	**43,292**
Exchange adjustments	**(2,199)**	**(325)**	**(117)**	**(46)**	**(161)**	**(2,848)**
Additions	**168**	**–**	**–**	**17**	**1,400**	**1,585**
Transferred from right-of-use assets	**–**	**–**	**–**	**–**	**341**	**341**
Disposal/written off	**–**	**–**	**–**	**–**	**(130)**	**(130)**
Balance at 31 March 2020	**31,353**	**4,613**	**1,655**	**664**	**3,955**	**42,240**
Accumulated depreciation and impairment						
Balance at 1 April 2018	13,422	6,331	1,436	181	2,305	23,675
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 16)	8,857	875	–	–	–	9,732
Balance at 31 March 2019	21,550	3,527	1,492	176	2,410	29,155
Adjustment upon application of HKFRS 16	–	–	–	–	(265)	(265)
Balance at 1 April 2019	**21,550**	**3,527**	**1,492**	**176**	**2,145**	**28,890**
Exchange adjustments	**(1,680)**	**(240)**	**(101)**	**(14)**	**(144)**	**(2,179)**
Provided for the year	**1,520**	**307**	**114**	**83**	**223**	**2,247**
Eliminated on disposal/written off	**–**	**–**	**–**	**–**	**(130)**	**(130)**
Impairment loss recognised (Note 16)	**7,982**	**1,019**	**–**	**–**	**–**	**9,001**
Balance at 31 March 2020	**29,372**	**4,613**	**1,505**	**245**	**2,094**	**37,829**
Carrying amounts						
Balance at 31 March 2020	**1,981**	**–**	**150**	**419**	**1,861**	**4,411**
Balance at 31 March 2019	11,834	1,411	280	517	853	14,895

As at 31 March 2019, the carrying amount of a motor vehicle of approximately HK$493,000 was held under finance lease and the leased asset was pledged as security for the finance lease. The charge was released upon fully settlement of the lease during the year ended 31 March 2020 (Note 28).

13. Right-of-Use Assets

	Leasehold land HK$'000	Leased properties HK$'000	Motor vehicle HK$'000	Total HK$'000
As at 1 April 2019 Carrying amount	6,546	440	493	7,479
As at 31 March 2020 Carrying amount	**5,897**	**252**	**–**	**6,149**
For the year ended 31 March 2020				
Exchange adjustments	**(426)**	**(25)**	**–**	**(451)**
Transfer to property, plant and equipment	**–**	**–**	**(341)**	**(341)**
Depreciation charge	**(223)**	**(163)**	**(152)**	**(538)**
	(649)	**(188)**	**(493)**	**(1,330)**

Amounts recognised in the consolidated statement of profit or loss and other comprehensive income relating to leases:

	2020 HK$'000
Depreciation of right-of-use assets	538
Interest expense on lease liabilities	16
Expense relating to short-term leases	3,030

The right-of-use assets are depreciated over the lease term.

During the year, leased motor vehicle with an carrying amount of approximately HK$341,000 was transferred to property, plant and equipment upon exercising the purchase option.

Short-term leases relate to lease of processing factory in the PRC.

For the year ended 31 March 2020, total cash outflow for leases amounts to approximately HK$3,489,000.

14. Prepaid Lease Payments

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

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.

As described in note 2, upon initial adoption of HKFRS16, the prepaid lease payments were reclassified as right-of-use assets (Note 13).

15. Investment Properties

At fair value

	2020 HK$'000	2019 HK$'000
Balance at beginning of year	**10,290**	10,200
Net gain from fair value adjustment recognised in profit or loss	**550**	90
Balance at end of year	**10,840**	10,290

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 2020 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$10,840,000 (2019: HK$10,290,000) 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.

16. Other Intangible Assets

	HK$'000
Cost	
Balance at 1 April 2018	377,988
Effect of foreign currency exchange differences	(21,700)
Balance at 31 March 2019	**356,288**
Effect of foreign currency exchange differences	**(23,470)**
Balance at 31 March 2020	**332,818**
Accumulated amortisation and impairment	
Balance at 1 April 2018	191,780
Effect of foreign currency exchange differences	(10,908)
Provided for the year	19,563
Impairment loss recognised	46,313
Balance at 31 March 2019	**246,748**
Effect of foreign currency exchange differences	**(18,538)**
Provided for the year	**22,065**
Impairment loss recognised	**69,813**
Balance at 31 March 2020	**320,088**
Carrying amounts	
Balance at 31 March 2020	**12,730**
Balance at 31 March 2019	109,540

Other intangible assets represent the mining rights for nickel-copper mine.

The effective amortisation rate of mining rights for the year approximates to 6% (2019: 5%).

Impairment assessment of mining assets

In view of the change in the market condition of the mining business, the Group have adjusted its production strategy, and at the end of the reporting period, the Group has reassessed the recoverable amount relating to the mining assets 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 of 2 years (2019: 11 years) based on the most recent financial budget after taking into account the operation environment, market conditions and expected mining period at the point of time.

16. Other Intangible Assets (Continued)

Impairment assessment of mining assets (Continued)

The following describes each key assumption which management has based to prepare its cash flow projections to undertake impairment testing of the cash-generating unit:

Nickel and copper prices

The selling prices of nickel-copper ores, nickel concentrate and copper concentrate are determined with reference to the futures contract price of LME nickel and copper.

Production cost

Production cost are determined with reference to the past performance and relevant contracts entered.

Development plan and cost

According to the existing production plan, the Group expected that the current mining zone will be exhausted in approximately two years. To secure future production, the Group is required to further invest in the mine development. The total investment costs are based on the Group's estimation of forecasted geological conditions, stage of existing plant and equipment and future annual production levels. In view of the market condition confronted by the mining operation, the management is more cautious in making investment decision and the Group decided to suspend the development plan until a more promising future is expected. As a result, the value in use calculation was based on the two years' cashflow projection instead of eleven years' cashflow projection used in last year.

Discount rate

The pre-tax discount rate used to reflect the current market assessments of the time value of money and the risks specific to the cash-generating unit was 17% (2019: 17%).

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 approximately HK$20,720,000 which is lower than its carrying amounts and impairment loss on the mining rights, property, plant and equipment and land rehabilitation costs of approximately HK$69,813,000, HK$9,001,000 and HK$1,532,000 (2019: 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 2020. At the end of the reporting period, the carrying amount of the mining assets were reduced to its recoverable amount.

17. Interests in Associates

	2020 HK$'000	2019 HK$'000
Balance at the beginning of year	**39,277**	292
Effect on initial application of HKFRS 16	**(313)**	–
Balance at the beginning of year (as adjusted)	**38,964**	292
Addition	**–**	50,740
Share of loss	**(11,028)**	(3,920)
Impairment loss	**(27,808)**	(7,835)
Balance at the end of year	**128**	39,277
Amounts due from associates	**69**	80
	197	39,357

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 indirectly held by the Group 2020	2019	Principal activity
CGA Holdings Limited ("CGA" Holdings")	British Virgin Islands	Hong Kong	**30.82%**	32.52%	Investment holdings
CGA Entertainment Limited* (Formerly known as CGA VR Entertainment Limited)	Hong Kong	Hong Kong	**30.82%**	32.52%	E-sports business
CGA e-Commerce Limited*	Hong Kong	Hong Kong	**30.82%**	32.52%	E-commerce
CGA Stadium Limited*	Hong Kong	Hong Kong	**30.82%**	32.52%	Operating an e-sports stadium
Cyber Games Arena Limited*	Hong Kong	Hong Kong	**30.82%**	32.52%	Promoting e-sports activities and organising of e-sports tournament
CGA Legend Limited*	Hong Kong	Hong Kong	**30.82%**	32.52%	Organising e-sports tournament
Nano Bubble Limited ("Nano Bubble")	Hong Kong	Hong Kong	**22.53%**	22.53%	Development of domestic pesticide removal, surface cleaning and sanitisation product
Nano Energy Limited ("Nano Energy")	Hong Kong	Hong Kong	**27.03%**	27.03%	Development of different power generation mechanisms
Versus Arena Limited*	Hong Kong	Hong Kong	**30.82%**	–	E-sports business

* Wholly-owned subsidiaries of CGA Holdings.

17. Interests in Associates (Continued)

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. On 25 January 2019, CGA Holdings bought back and cancelled 1,700 ordinary shares from its shareholders at HK$9,500,000. After the allotment of shares in March 2020, at 31 March 2020, the Group hold 30.82% equity interest in CGA Holdings (2019: 32.52%). Subsequent to the end of the reporting period on 14 May 2020, the Group disposed of 0.82% equity interest in CGA Holdings to Bloom Explorer Limited, one of the existing shareholders of CGA Holdings, at a consideration of HK$406,800.

The principal activities of CGA Holdings and its subsidiaries ("CGA Group") are provision of advertising and promotion service of e-sports activities, organisation of regular e-sports tournament, operating an e-sports stadium and store.

Pursuant to the subscription agreement dated 16 May 2018, the major beneficial shareholders of Cyber Games Arena Limited (the "Guarantors") jointly and severally guaranteed to the Group that the net profit after tax of CGA Group 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 18). During the year, the Group recognised a gain on fair value change of approximately HK$864,000 (2019: HK$6,382,000) on the CGA Profit Guarantee.

The amounts due from associates are unsecured, interest-free and have no fixed term of repayment. At the end of the reporting period, the Group considered that an amount due from an associate of approximately HK$752,000 with gross carrying amount of HK$767,000 (2019: HK$740,000 with gross carrying amount of HK$767,000) was not recoverable and accordingly the Group recognised a loss on amount due from an associate of HK$12,000 (2019: HK$740,000) in the consolidated statement of profit or loss and other comprehensive income for the year ended 31 March 2020.

Impairment assessment of interests in associates

During the year, the business of CGA Holdings was severely impacted by the Hong Kong social events as well as the outbreak of the COVID-19, and at the end of the reporting period, the Group conducted an impairment review on its interests in associates with reference to valuation performed by an independent professional valuer. 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 of CGA Holdings after taking into account the operation environment and market conditions at the point of time approved by the management covering a five-year period.

The following describes each key assumption which management has based to prepare its cash flow projections to undertake impairment testing of the cash-generating units:

17. Interests in Associates (Continued)

Growth rate

The cash flow beyond the five-year period are extrapolated using 2.5% (2019: 2.5%) growth rate. This growth rate is based on the relevant industry growth forecasts and does not exceed average long-term growth rate for the relevant industry.

Discount rate

A pre-tax discount rate of 19% (2019: 18%) was used that reflect current market assessments of the time value of money and the risks specific to the investment.

Revenue

Revenue are based on past experience and expectations of changes in market.

Gross profit margin

Gross profit margin is based on past experience and expectations of changes in market at an average of 34% (2019: 41%).

Operating expenses

Operating expenses are mainly based on 3% (2019: 3%) growth rate.

The directors of the Company are of the opinion that based on the value in use assessment, the recoverable amount of the interest in CGA Group was zero which was lower than its carrying amounts and impairment loss of approximately HK$27,808,000 (2019: HK$7,835,000) was recognised in the consolidated statement of profit or loss and other comprehensive income for the year ended 31 March 2020. At 31 March 2020, the interest in CGA Group was fully impaired.

Summarised financial information of material associates

As at 31 March 2020, the material associates of the Group were CGA Group.

The summarised financial information in respect of the Group's material associate as at 31 March 2020 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.

17. Interests in Associates (Continued)

CGA Group

The summarised financial position is as follows:

	2020 HK$'000	2019 HK$'000
Current assets	14,869	30,505
Non-current assets	–	19,242
Current liabilities	(23,399)	(15,079)
Non-current liabilities	(25,816)	(1,800)
Net (liabilities)/assets	(34,346)	32,868

The summarised total comprehensive expense is as follows:

	2020 HK$'000	2019 HK$'000
Revenue	(53,456)	53,892
Loss for the year/period	(70,053)	(9,790)
Other comprehensive expense for the year/period	–	–
Total comprehensive expense for the year/period	(70,053)	(9,790)

Note: The summarised financial information for 2019 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:

	2020 HK$'000	2019 HK$'000
Net (liabilities)/assets of CGA Group	(34,346)	32,868
Proportion of the Group's ownership interest in CGA Group	30.82%	32.52%
	(10,585)	10,690
The Group's share of net assets of CGA Group	–	10,690
Goodwill	–	28,418
Carrying amount of the Group's interest in CGA Group	–	39,108

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

	2020 HK$'000	2019 HK$'000
Share of associates' results and total comprehensive expense for the year	(41)	(862)
Aggregate carrying amount of the Group's interests in the associates	197	249

18. Financial Assets at Fair Value through Profit or Loss

	2020 HK$'000	2019 HK$'000
Financial assets measured at FVTPL:		
Listed debt securities	**2,626**	2,957
Unlisted equity investment	**11,295**	10,696
Convertible loan	**632**	726
CGA Profit Guarantee (Note 17)	**7,246**	6,382
	21,799	20,761
Analysed for reporting purposes:		
Current assets	**2,626**	2,957
Non-current assets	**19,173**	17,804
	21,799	20,761

Listed debt securities composed of 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.

Unlisted equity investment composed of 8.86% equity interest of Dragon Silver Holdings Limited ("Dragon Silver"). 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).

18. Financial Assets at Fair Value through Profit or Loss (Continued)

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.

During the year, the Group received dividend income of HK$750,000 (2019: HK$750,000) from Dragon Silver in accordance with the Guaranteed Dividends mentioned above. As the actual profits of Dragon Silver for the year ended 30 June 2019 was less than the Guaranteed Profits, subsequent to the end of the reporting period, the Guarantor had paid to the Group HK$766,000 as compensation pursuant to the terms of the subscription agreement in June 2020.

For the year ended 31 March 2020, the Group recorded a gain on fair value changes of approximately HK$1,365,000 (2019: HK$71,000) in the consolidated statement of profit or loss and other comprehensive income.

Subsequent to the end of the reporting period on 24 April 2020, the Group entered into a supplemental agreement that the Group agreed to waive the profit guarantee given by the Guarantor for the two financial years ending 30 June 2020 and 30 June 2021 and in return, the Guarantor agreed to extend the profit guarantee period for the agree additional financial years for the financial years ending 30 June 2023, 2024 and 2025.

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.

19. 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 2020.

20. Land Rehabilitation Costs

	2020 HK$'000	2019 HK$'000
Balance at the beginning of year	**2,275**	2,813
Effect of foreign currency exchange differences	**(103)**	(161)
Amortisation expense	**(361)**	(377)
Impairment loss recognised	**(1,532)**	–
Balance at the end of year	**279**	2,275

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.

21. Inventories

	2020 HK$'000	2019 HK$'000
Raw materials	**4,333**	14,096
Finished goods	**4,316**	6,016
	8,649	20,112

22. Other Receivables

	2020 HK$'000	2019 HK$'000
Prepayments	**738**	184
Deposits	**22,777**	24,380
Other receivables	**1,040**	468
	24,555	25,032
Less: deposits classified as non-current assets (Note 19)	**(22,157)**	(23,720)
	2,398	1,312

The management closely monitors the credit quality of deposits and other receivables and considers the deposits and other receivables that are neither past due nor impaired to be of a good credit quality.

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% (2019: between 0.3% and 1.69%) per annum.

At 31 March 2020, the Group had bank balances and cash of approximately HK$37,957,000 (2019: HK$22,970,000) 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

	2020 HK$'000	2019 HK$'000
Trade payables	**2,580**	2,481
Other payables	**8,202**	9,174
	10,782	11,655

24. Trade and Other Payables (Continued)

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

	2020 HK$'000	2019 HK$'000
0 to 30 days	183	126
31 to 60 days	–	1
61 to 90 days	1,377	940
More than 90 days	1,020	1,414
	2,580	2,481

Included in other payables are mainly deposits received of approximately HK$1,080,000 (2019: HK$3,136,000), and accrued salary and other benefits of approximately HK$3,959,000 (2019: HK$3,859,000).

25. Contract Liabilities

No revenue 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 (2019: HK$194,000).

26. Provision for Land Rehabilitation

	2020 HK$'000	2019 HK$'000
Balance at beginning of year	9,220	9,781
Effect of foreign currency exchange differences	(607)	(561)
Balance at end of year	8,613	9,220
Less: provision for land rehabilitation classified as non-current liabilities	(6,420)	(6,872)
Land rehabilitation classified as current liabilities	2,193	2,348

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.

27. Lease Liabilities

	2020 HK$'000
Lease liabilities payable	**162**
Less: Amount due for settlement with 12 months shown under current liabilities	**(159)**
Amount due for settlement after 12 months shown under non-current liabilities	**3**

28. Obligations under Finance Lease

	2019 HK$'000
Analysed for reporting purposes as:	
Current liabilities	271
Non-current liabilities	–
	271

	Minimum lease payment 2019 HK$'000	Present value of minimum lease payment 2019 HK$'000
Obligations under finance leases payable:		
Total minimum finance lease payment paid within one year	275	271
Less: future finance charges	(4)	
Present value of lease obligations	271	

The Group purchased a motor vehicle by way of a finance lease with a lease term of 3 years and bore interest rate of 2.5% per annum, 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 was secured by the Group's motor vehicle and personal guarantee provided by Mr. Felipe Tan. The finance lease was fully repaid during the year. Upon maturity of the lease, the Group exercised the option to acquire the motor vehicle and the personal guarantee was released.

29. Loan from Related Companies

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

30. Amount Due to a Non-Controlling Interest

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

31. Deferred Taxation

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

	Withholding tax on undistributed profits HK$'000	Fair value adjustments arising from business combination HK$'000	Total HK$'000
Balance at 1 April 2018	716	28,112	28,828
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)
Balance at 31 March 2019	**567**	**15,363**	**15,930**
Effect of foreign currency exchange differences	**–**	**(1,012)**	**(1,012)**
Charge/(credit) to profit or loss			
Origination and reversal of temporary differences	**662**	**(10,624)**	**(9,962)**
Reversal upon payment	**(569)**	**–**	**(569)**
Balance at 31 March 2020	**660**	**3,727**	**4,387**

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$312,000,000 (2019: HK$304,000,000) 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.

32. Share Capital

	Number of ordinary shares		Amount	
	2020	2019	**2020**	2019
			HK$'000	HK$'000
Ordinary shares, issued and fully paid:				
At the beginning of year and end of year	**2,812,881,803**	2,812,881,803	**906,074**	906,074

33. 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.

34. 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.

34. Share Options (Continued)

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

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.

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.

34. Share Options (Continued)

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

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 2020 was about 3.5 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 2020 and the date of this report, the total number of shares available for issue under the 2013 Share Option Scheme is 99,574,203 (2019: 99,574,203) shares, representing 3.5% (2019: 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.

34. 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 1.4.2018	Cancelled during the year	Lapsed during the year	Outstanding at 31.3.2019	**Cancelled during the year**	**Lapsed during the year**	**Outstanding at 31.3.2020**
2003 Share Option Scheme										
Employee	20.11.2012	20.11.2012 – 19.11.2022	0.1281	3,113,514	–	–	3,113,514	**–**	**–**	**3,113,514**
Total				3,113,514	–	–	3,113,514	**–**	**–**	**3,113,514**
Weighted average exercise price				HK$0.1281	N/A	N/A	HK$0.1281	**N/A**	**N/A**	**HK$0.1281**

Notes to the Consolidated Financial Statements (Continued)
For the year ended 31 March 2020

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 March 2020

34. Share Options (Continued)

Type of Particulars	Date of grant	Vesting and Exercisable period	Exercise price per share HK$	Number of share options						
				Outstanding at 1.4.2018	Cancelled (During the year)	Lapsed (During the year)	Outstanding at 31.3.2019	**Cancelled (During the year)**	**Lapsed (During the year)**	**Outstanding at 31.3.2020**
2013 Share Option Scheme										
Directors	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**
Employees	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	–	(1,000,000)	11,000,000	**–**	**–**	**11,000,000**
				16,255,136	–	(1,000,000)	15,255,136	**–**	**–**	**15,255,136**
Others	02.03.2017	02.03.2017 – 01.03.2027	0.1080	13,000,000	–	–	13,000,000	**–**	**–**	**13,000,000**
				13,000,000	–	–	13,000,000	**–**	**–**	**13,000,000**
Total				38,745,947	–	(1,000,000)	37,745,947	**–**	**–**	**37,745,947**
Weighted average exercise price				HK$0.1080	N/A	HK$0.1080	HK$0.1141	**N/A**	**N/A**	**HK$0.1141**

Notes:

1. A total of 2,000,000 options was transferred from "Directors" category to "Employees" category upon resignation of Mr. Felipe Tan as director of the Company on 12 September 2019 and a total of 2,000,000 options granted to Mr. Ronald Tan was transferred from "Employees" category to "Directors" category after his appointment as director of the Company on 2 October 2019.

2. No share options have been granted under the share option schemes during the year ended 31 March 2020 (2019: nil).

3. No share options granted under the share option schemes were exercised during the year ended 31 March 2020 (2019: nil).

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 2020, 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$1,372,000 (2019: HK$1,466,000).

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	HKD100,000	–	90.1%	Investment holding
SRJJ Limited	Hong Kong	HKD10,000	–	80%	Research and development of Styrofoam
Time Rich HK Limited	Hong Kong	HKD100	–	100%	Investment holding and provision of business services
Timeless T12M Capital Limited	Hong Kong	HKD1,000,000	–	100%	Technology and business investment activities
新疆天目礦業資源開發有限公司 ("Xinjiang Tianmu")	PRC	RMB36,000,000	–	26%	Exploration and exploitation of certain gold, iron and nickel-copper mines in Xinjiang of the PRC and processing and sale of the outputs from the mines

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

General information of principal subsidiaries (Continued)

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.

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 allocated to non-controlling interests		Accumulated non-controlling interests	
		2020	2019	**2020 HK$'000**	2019 HK$'000	**2020 HK$'000**	2019 HK$'000
Xinjiang Tianmu	PRC	**74%**	74%	**(48,998)**	(37,640)	**52,383**	122,202
Individually immaterial subsidiaries with non-controlling interests						**3,385**	3,574
						55,768	125,776

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.

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

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

Xinjiang Tianmu

	2020 HK$'000	2019 HK$'000
Current assets	47,893	44,368
Non-current assets	45,217	156,249
Current liabilities	(12,162)	(13,222)
Non-current liabilities	(10,150)	(22,235)
Net assets	70,798	165,160
Equity attributable to owners of the Company	18,415	42,958
Non-controlling interests	52,383	122,202
Total equity	70,798	165,160
Revenue	113,679	78,154
Other income and gains	574	2,051
Gain on disposal of intangible assets	1,716	–
Expenses	(182,191)	(131,077)
Loss for the year	(66,222)	(50,872)
Loss attributable to owners of the Company	(17,224)	(13,232)
Loss attributable to the non-controlling interests	(48,998)	(37,640)
Loss for the year	(66,222)	(50,872)
Other comprehensive expense attributable to owners of the Company	(2,399)	(3,789)
Other comprehensive expense attributable non-controlling interests	(6,827)	(10,780)
Other comprehensive expense for the year	(9,226)	(14,569)
Total comprehensive expense attributable to owners of the Company	(19,623)	(17,021)
Total comprehensive expense attributable to non-controlling interests	(55,825)	(48,420)
Total comprehensive expense for the year	(75,448)	(65,441)
Dividends paid to non-controlling interests of Xinjiang Tianmu	13,629	21,681
Net cash inflow from operating activities	37,578	16,594
Net cash (outflow)/inflow from investing activities	(1,066)	1,243
Net cash outflow from financing activities	(19,170)	(78,128)
Effect of foreign exchange rate changes	(2,479)	(3,912)
Net increase/(decrease) in cash and cash equivalents	14,863	(64,203)

37. Financial Instruments

(a) Categories of financial instruments

	2020 HK$'000	2019 HK$'000
Financial assets		
Financial assets at FVTPL	21,799	20,761
Financial assets at amortised cost	71,798	66,427
Financial liabilities		
Amortised cost	25,944	32,227

(b) Financial risk management objectives and policies

The Group's major financial instruments include financial assets at FVTPL, deposits, other receivables, amounts due from associates, bank balances and cash, trade and other payables, dividend payable to non-controlling interests, lease liabilities, 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.

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:

	2020 HK$'000	2019 HK$'000
Asset		
United States Dollars ("US$")	486	962
RMB	125	10,469

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.

	2020 HK$'000	2019 HK$'000
RMB	6	523

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.

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$263,000 (2019: HK$296,000).

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 deposits 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 on its financial assts. In this regard, management considers that the Group's credit risk is significantly reduced.

The Group performs impairment assessment under ECL model on deposits, other receivables and bank balances based on 12m ECL as there is no significant increase in credit risk since initial recognition.

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

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 deposits and other receivables is not significant.

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

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.

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
2020					
Non-derivative financial liabilities					
Trade and other payables	N/A	10,782	–	10,782	10,782
Loan from related companies	4.5	15,000	–	15,000	15,000
Lease liabilities	4.75	162	4	166	162
		25,944	4	25,948	25,944
2019					
Non-derivative financial liabilities					
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
Loan from related companies	4.5	15,000	–	15,000	15,000
Amount due to a non-controlling interest	N/A	–	891	891	891
		31,340	891	32,231	32,227

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 income approach with option-pricing method and the option-pricing model is based on volatilities of market comparable companies and value of the unlisted equity investment. (2019: Guideline Public Company Method market approach with option-pricing method and was 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). The directors consider that the change in valuation technique is more representative of fair value in the current market condition. For the fair value of the unlisted equity investment, the directors consider that the significant unobservable input being the volatility and 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$310,000 and HK$291,000 (2019: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.

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, a 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$595,000 and HK$528,000 (2019: 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 1 April 2018	10,625	–	–
Additions	–	777	–
Fair value changes recognised in profit of loss	71	(51)	6,382
At 31 March 2019	**10,696**	**726**	**6,382**
Fair value changes recognised in profit or loss	**1,365**	**(94)**	**864**
Settlement	**(766)**	**–**	**–**
At 31 March 2020	**11,295**	**632**	**7,246**

The net gain in fair value change recognised in profit or loss amounting to approximately HK$2,135,000 (2019: 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 2020.

The directors consider that the carrying amounts of the Group's other financial assets and liabilities carried at amortised cost are not materially different from their fair values as at 31 March 2020 and 2019.

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 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.

38. Capital Management (Continued)

Gearing ratio

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

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

	2020 HK$'000	2019 HK$'000
Debts	**15,162**	16,162
Equity attributable to owners of the Company	**42,737**	107,157
Gearing ratio	**35.48%**	15.08%

39. Notes to the Consolidated Statement of Cash Flows

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	Lease liabilities HK$'000	Obligations under finance leases HK$'000	Amount due to a minority shareholder HK$'000	Dividend payable HK$'000	Total HK$'000
At 1 April 2018	–	10,266	–	527	891	29,619	41,303
Changes from financing cash flows	14,551	(10,300)	–	(275)	–	(48,832)	(44,856)
Dividend payable to non-controlling interest	–	–	–	–	–	25,323	25,323
Interest expenses	449	34	–	19	–	–	502
Foreign exchange	–	–	–	–	–	(1,700)	(1,700)
At 31 March 2019	15,000	–	–	271	891	4,410	20,572
Effect of adoption of HKFRS 16	–	–	605	(271)	–	–	334
At 1 April 2019	**15,000**	**–**	**605**	**–**	**891**	**4,410**	**20,906**
Changes from financing cash flows	**(676)**	**–**	**(459)**	**–**	**(828)**	**(18,039)**	**(20,002)**
Dividend payable to non-controlling interest	**–**	**–**	**–**	**–**	**–**	**13,629**	**13,629**
Other payable	**–**	**–**	**–**	**–**	**(63)**	**–**	**(63)**
Interest expenses	**676**	**–**	**16**	**–**	**–**	**–**	**692**
At 31 March 2020	**15,000**	**–**	**162**	**–**	**–**	**–**	**15,162**

40. 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
Within one year	3,058

Operating lease payments represent rentals payable by the Group for certain of processing factory 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

Minimum lease payments receivable on leases are as follows:

	2020 HK$'000
Within one year	163
In the second year	18
	181

41. 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:

	2020 **HK$'000**	2019 HK$'000
Rental and share of office expenses paid to related companies (Note i)	**503**	403
Interest expenses paid to a related company (Note ii)	**–**	34
Loan interest paid to related companies (Note iii)	**676**	449
Rental income received from related companies (Note iv)	**–**	180
Management fee income from an associate (Note v)	**38**	–
Recharge of consultancy fee to an associate (Note v)	**46**	–

41. Related Party Transactions (Continued)

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 substantial shareholder holding more than 20% equity interest in the Company, who resigned as a director of the Company on 12 September 2019, at terms mutually agreed by both parties.

ii. Effective interest expenses on promissory note was charged at 3% per annum at terms mutually agreed by both parties and payable to a related company which is beneficially owned by Mr. Felipe Tan, a substantial shareholder holding more than 20% equity interest in the Company, who resigned as a director of the Company on 12 September 2019.

iii. Interest expenses in respect of loans with interest rate at 4.5% per annum were paid to related companies which are beneficially owned by Mr. Felipe Tan, a substantial shareholder holding more than 20% equity interest in the Company, who resigned as director of the Company on 12 September 2019.

iv. 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.

v. Management fee income and recharge of consultancy fee were received from an associate in which the Company owned a 22.53% equity interest, at terms mutually agreed by both parties.

Compensation of key management personnel

The key management personnel are the directors of the Company. The details of the remuneration paid to them are set out in note 9.

42. Statement of Financial Position of the Company and Reserve Movement

Statement of financial position of the Company

	2020 HK$'000	2019 HK$'000
Non-current assets		
Property, plant and equipment	404	493
Investment properties	10,840	10,290
Investments in subsidiaries	4,844	14,844
	16,088	25,627
Current assets		
Other receivables	186	210
Amounts due from subsidiaries	27,956	72,612
Bank balances and cash	738	322
	28,880	73,144
Current liabilities		
Other payables	977	842
Amounts due to subsidiaries	1,579	–
Obligations under a finance lease	–	271
	2,556	1,113
Net current assets	26,324	72,031
Total assets less current liabilities	42,412	97,658
Net assets	42,412	97,658
Capital and reserves		
Share capital	906,074	906,074
Reserves	(863,662)	(808,416)
Total equity	42,412	97,658

The statement of financial position was approved and authorised for the issue by the Board of Directors on 23 June 2020 and are signed on its behalf by:

Chan Mei Ying Spencer
Director

Lau Yun Fong Carman
Director

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

Reserve 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 2018	2,068	964	(779,303)	(776,271)
Total comprehensive expense for the year	–	–	(32,145)	(32,145)
Release of reserve upon share options lapsed	(44)	–	44	–
Balance at 31 March 2019	**2,024**	**964**	**(811,404)**	**(808,416)**
Total comprehensive expense for the year	**–**	**–**	**(55,246)**	**(55,246)**
Balance at 31 March 2020	**2,024**	**964**	**(866,650)**	**(863,662)**

Major Property Information

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

Location	Existing use	Tenure	Group’s interest (%) 2020	2019
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				
	2016 HK$'000	2017 HK$'000	2018 HK$'000	2019 HK$'000	**2020** **HK$'000**
RESULTS					
Revenue	155,704	64,910	174,172	78,154	**113,679**
(Loss)/profit before tax	(1,412)	(15,949)	18,129	(70,419)	**(112,294)**
Income tax credit/(expense)	(8,748)	(1,882)	(4,111)	3,660	**981**
(Loss)/profit for the year	(10,160)	(17,831)	14,018	(66,759)	**(111,313)**
Attributable to:					
Owners of the Company	(20,621)	(16,574)	2,002	(27,785)	**(61,734)**
Non-controlling interests	10,461	(1,257)	12,016	(38,974)	**(49,579)**
	(10,160)	(17,831)	14,018	(66,759)	**(111,313)**

	2016 HK$'000	2017 HK$'000	2018 HK$'000	2019 HK$'000	**2020** **HK$'000**
ASSETS AND LIABILITIES					
Total assets	456,814	427,159	433,481	290,387	**137,521**
Total liabilities	(94,820)	(77,774)	(93,899)	(57,454)	**(39,016)**
	361,994	349,385	339,582	232,933	**98,505**
Attributable to:					
Owners of the Company	111,553	132,135	138,732	107,157	**42,737**
Non-controlling interests	250,441	217,250	200,850	125,776	**55,768**
	361,994	349,385	339,582	232,933	**98,505**