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 2021

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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.

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Corporate Information

Directors

Executive Directors

Felipe TAN *(Chairman)*
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
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Hong Kong

Bankers

Hang Seng Bank Limited
OCBC Wing Hang Bank Limited

Registered Office

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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

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Chairman's Statement

On behalf of the board (the "Board") of directors ("Director(s)") of the Company, I am pleased to present the annual report of the Group for the financial year ended 31 March 2021. As a former Board member and previous chairman of the Board, I am honoured to serve in this position again and look forward to leading the Company forward.

The year 2020 was like no other. The enormous impact of COVID-19 pandemic on global economy has been profound, and put our Group to ultimate test. The Mining Business of the Group faced a significant challenge during the year under review, not only from the fluctuations of the external market caused by the COVID-19 pandemic, but also from the decrease in our mineral resources. The extraction of the mineral resources in the current mining zone (phase one) of the Baishiquan Nickel-copper Mine had been completed and a great portion of inventory of nickel-copper products were sold. However, benefited from the transition to a global electrified clean energy economy and the growing popularity of electric vehicles, the global nickel market is expected to have a bright prospect. In order to seize this opportunity, resources of the Group will be focused on speeding up the development process of phase two of the Baishiquan Nickel-copper Mine.

For the Other Business, 2020 had been an unprecedented time. Our associates and investment projects had been confronted with the financial and operational uncertainties, and forced business closure and restrictions driven by the COVID-19 pandemic. To survive, they had carried out cost saving policies, disposed of deficit operation and applied for financial assistance under COVID-19-related government programs. The progress of the new material and nano projects were also delayed due to infection control measures. When the anti-epidemic measures are loosened, we shall resume and accelerate the development.

In the wake of COVID-19, there is an increase in awareness on hygiene and cleanliness because of the initiatives and support of government and other organisations. Our foresight to allocate resources in previous years to develop hygiene and sanitisation technology and products has proven correct in view of the significant growth of the market. As we move forwards, our market share in hygiene and sanitisation product industries is expected to be increased in the coming years. We see the next financial year as the year of acceleration.

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
Felipe Tan
Chairman

Hong Kong, 18 June 2021

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, development and sale agency of bio and nano materials products as well as investments in startup fund, software maintenance and development services ("Other Business"). In addition to these 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, revenue was generated from the Group's two operating segments, among which, the Mining Business accounted for 99.5% (2020: 100%) while the Other Business accounted for 0.5% (2020: 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 2021, high-grade nickel-copper ores, nickel concentrate and copper concentrate were the products sold under the Mining Business.

During the year ended 31 March 2021, our mining production got through the tough time. The pandemic hit in early February 2020 and the whole society came to a standstill. When the anti-pandemic quarantine rules have been loosened gradually in Xinjiang, our mining operation resumed in late March 2020, later than February 2020 as planned. The COVID-19 pandemic had profound impact on the Mining Business during the reporting year, including but not limited to shortage of technical staff, delay in product transportation and oxidation of head ores attributable to long-term storage. In addition, closed-off management policies implemented in the mine site from July to September 2020 due to multiple re-emergence of infection cases in Xinjiang delayed our production process. For the year ended 31 March 2021, our processing plant recorded a loss of 20 working days in total attributable to infection control measures and facility malfunction. Pivoting with great agility, the Group has taken a series of actions to ensure the business operation and successfully completed the production objective of the reporting year.

After development for many years, the extraction work in the current mining zone (phase one) of the Baishiquan Nickel-copper Mine had been completed and the tenancy of its processing plant was also expired in March 2021. As at the date of this report, a majority of inventory of nickel-copper products were sold. The remaining inventory is expected to be sold on or before September 2021. The Group has conducted staff layoff for the mine site and the processing plant in February 2021 and so there was an increase in staff cost during the year under review. The other mining zone (phase two) of the Baishiquan Nickel-copper Mine has mineral resources and the information gathering is being carried out to facilitate the qualified professional to prepare the detailed exploration report for the mining zone (phase two). After the detailed exploration report is approved by the regulatory authority, the Group will prepare the feasibility study.

For the year ended 31 March 2021, the extraction of nickel-copper ores and sales of nickel-copper products both increased as compared to last year. Turnover from nickel-copper products amounted to approximately HK$189.0 million (2020: HK$113.7 million), comprising of sales of 24,730 tonnes of high-grade nickel-copper ores of approximately HK$80.7 million (2020: 10,544 tonnes of HK$30.2 million), 17,471 tonnes of nickel concentrate of approximately HK$83.8 million (2020: 13,652 tonnes of HK$63.4 million) and 1,846 tonnes of copper concentrate of approximately HK$24.5 million (2020: 1,815 tonnes of HK$20.1 million).

Business Review and Outlook (Continued)

Mining Business (Continued)

Changes in accounting estimates

At the beginning of the year, the Group re-assessed the estimated remaining useful lives for the property, plant and equipment assigned for its mining operation in view of the expected completion of extraction of the current mining zone (phase one) of the Baishiquan Nickel-copper Mine and sale of all nickel-copper ores extracted by September 2021. As a result, there is an increase in depreciation for the year ended 31 March 2021 of HK$1.6 million as disclosed in note 3.2 to the consolidated financial statements.

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. No impairment of mining assets was recognised for the year under review.

Resource estimates update

As at 31 March 2021, all the measured resources in the current mining zone (phase one) has been extracted. The details of the resource estimates of the other mining zone (phase two) as at 31 March 2021 are set out below:

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

Notes:

(1) The resource estimates are prepared by internal experts based on the production and exploration adjusted from the JORC resource and reserve estimates previously disclosed.

(2) Cut-off grade is 0.3%.

Exploration, Development and Mining Production Activities

		Activity	
Mine	Exploration	Development	Mining
Baishiquan Nickel-copper Mine	No material exploration	Completed drift construction of approximately 1,629 meters	Ores extracted: 158,456 tonnes

For the year ended 31 March 2021, both the extraction of nickel-copper ores and sales of nickel-copper products increased. The extraction activities were resumed in March 2020 and completed in December 2020. Approximately 158,456 tonnes of nickel-copper ores were extracted during the year (2020: 122,883 tonnes).

Business Review and Outlook (Continued)

Mining Business (Continued)

Expenditure Incurred

During the year ended 31 March 2021, the Group had incurred expenditure on exploration, development, mining and processing activities as follows:

		Total HK$'000
1.	**Capital Expenditure**	
1.1	Exploration activities	
	Drilling and analysis	–
1.2	Development activities (including mine construction)	
	Construction of drift	5,440
Total Capital Expenditure		**5,440**
2.	**Operating Expenditure for Mining Activities**	
	Staff cost	2,306
	Consumables	1,264
	Fuel, electricity, water and other services	2,109
	Non-income taxes, royalties and other government charges	1,059
	Sub-contracting charges	10,601
	Transportation	11,025
	Depreciation and amortisation	25,911
	Others	908
Total Operating Expenditure		**55,183**
Total Capital and Operating Expenditure		**60,623**
3.	**Processing Expenditure**	
	Staff cost	5,995
	Consumables	5,523
	Fuel, electricity, water and other services	3,429
	Non-income taxes, royalties and other government charges	105
	Depreciation and amortisation	217
	Transportation	2
	Rental	2,479
	Others	227
Total Processing Expenditure		**17,977**
Total Expenditure		**78,600**

Business Review and Outlook (Continued)

Mining Business (Continued)

Processing Activities

The processing activities were resumed in May 2020 and completed in February 2021. The tenancy of the processing plant was also expired in March 2021.

For the year ended 31 March 2021, the processing proficiency was impacted by oxidation of head ores. As a solution, the processing plant adjusted the processing technique and reformulated chemical mix of processing. The average cost of production remained stable at HK$140 per tonne (2020: HK$141 per tonne) and the nickel-copper ores processed by the processing plant was approximately 126,775 tonnes (2020: 125,785 tonnes).

Infrastructure projects and subcontracting arrangements

There were new contracts entered into during the year ended 31 March 2021 in respect of drift construction, ore extraction and transportation of nickel-copper ores. As at 31 March 2021, there was no outstanding commitments (2020: HK$3.9 million) in relation to these contracts.

Outlook

Throughout this financial year, we have worked hard to ensure the normal production under the mining business segment and has completed all of the extraction and final clearing works in the current mining zone of the Baishiquan Nickel-copper Mine. Looking ahead, we will focus on exploring the development of the other mining zone (phase two). The expected length of time from feasibility study to commercial production of the phase two mining zone is about 2.5 to 3 years, including preparation and submission of the detailed exploration report, feasibility study report, safety evaluation report, evaluation report on environmental impact, mining design report etc. to the local government authority for approval and mine construction. In 2020, we have successfully obtained a renewed mining licence with an effective period till September 2022. We shall apply for extension before the expiry.

Although development and exploitation of phase two of the Baishiquan Nickel-copper Mine will face a lot of uncertainties caused by the increasing stringent regulations on environmental protection and safety management, nickel-copper mining business is expected to have a rapid growing market. Most of nickel consumption is from the nickel-based stainless steel market. Increasing demand for nickel in automobile batteries and energy storage systems is the major driving factor for the market growth. In consideration of the bright prospect, we will try our best to formulate an efficient and economic way to extract the remaining mineral resources. Meanwhile, we will timely adjust our development plan in response to the multiple impacts of the COVID-19 pandemic, economic fluctuations and possible changes in the market. Moreover, the Group would also consider the possibility of acquiring potential mining and exploration projects to replenish our mineral resources and reserves.

Other Business

Overview

Other Business comprised of research, development and sale agency of bio and nano materials products as well as investments in startup fund, software maintenance and development services. For the year ended 31 March 2021, there was turnover of approximately HK$0.9 million (2020: nil) from Other Business and the segment profit was approximately HK$1.2 million (2020: segment loss of HK$0.1 million). The segment profit was mainly contributed by the service fee income of HK$0.6 million from the sales and marketing of bio and nano materials products and cash rebate of HK$0.3 million for research and development of nano products from the Innovation and Technology Commission.

Business Review and Outlook (Continued)

Other Business (Continued)

Overview (Continued)

During the reporting year, the Group acquired the non-controlling interests of a subsidiary engaging in the development and sales of water soluble products, characterised by biodegradable materials at a minimal consideration. Due to the improvement of environmental and hygiene awareness of the public, more clients tend to choose biodegradable packing materials. For the year end 31 March 2021, the Group started to have turnover from client in the textile industry of HK$16,000 (2020: nil).

Outlook

The Other Business has been a tumultuous year when the development of our investment projects has been delayed due to the COVID-19 pandemic. However, we viewed the challenges as opportunities, especially for the biodegradable material and nano projects, as the pandemic has also brought new attention to personal and environmental hygiene and sanitisation.

As we move forward, we see significant opportunities to develop the biodegradable material project as well as research and development of water soluble foam materials. Such material has desirable virtues of strength, light weight, and its principal component is degradable, making it very easy to dispose of in an eco-friendly way. In addition, we have expectation on the trading of water soluble plastic bags as many potential customers have shown interest after the roll-out of such product.

Interests in Associates

For the year ended 31 March 2021, the Group recorded share of loss of its associates of approximately HK$0.1 million (2020: loss of HK$11.0 million).

As at 31 March 2021, the Group owned 3,890 ordinary shares, representing 29.97% equity interests in CGA Holdings Limited ("CGA Holdings"), whose subsidiaries are engaged in the e-sport business. The equity interest of CGA Holdings owned by the Group decreased from 30.82% to 29.97% after the Group disposed of 0.85% equity interest in CGA Holdings to one of its existing shareholders at a consideration of HK$407,000. 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. During the year ended 31 March 2021, the business of CGA Group, especially the e-sports stadium in Mong Kok, has been severely impacted by the COVID-19 pandemic. To comply with the social distancing and gathering restriction policies, CGA Group had to cancel most of its offline e-sports activities and scaled down the remaining ones, which deteriorated the profitability of the major business of CGA Group. Moreover, its e-sports stadium was ordered to shut down for several months in accordance with the ban imposed by the government, which further worsened its financial position and performance. In consideration of the uncertain duration of the difficult operating environment caused by the epidemic, CGA Group disposed of two subsidiaries ("Disposed Subsidiaries") to a company owned by one of its founders. CGA Group ceased operating an e-sports stadium and store since the disposal so as to stop loss on such deficit business. Since the Disposed Subsidiaries had a negative net worth upon the disposal, CGA Group recorded a gain on disposal of HK$71.0 million. In expecting that precautionary and control measures will be loosened after the COVID-19 Vaccination Programme implemented in Hong Kong, CGA Group is planning to launch a series of marketing and promotion events to increase revenue, including but not limited to engaging KOLs to be commentators and inviting strong sponsors. Furthermore, more online events will be launched, focusing on passionate young gamers and inspiring people to join the e-sports community.

Business Review and Outlook (Continued)

Interests in Associates (Continued)

Pursuant to the subscription agreement dated 16 May 2018, the three founders of CGA Holdings (the "CGA 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"). For the two years ended 31 March 2020 and 2021, CGA Group recorded a loss of HK$37.7 million in total. The Group is in the process of negotiating with the CGA Guarantors on the settlement of the CGA Profit Guarantee.

The Group owned 22.53% 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. The nano bubble generator prototype was released in 2020. Such machine would not only be used to replace chemical detergent to kill bacteria and micro-organism, but also be applied to aquaculture and agriculture to enrich dissolved oxygen in fish and vegetable cultivation media. In April 2021, Nano Bubble Limited participated in the 4th STARS Programme – Food Technology organised by Hong Kong Startup Council, at which it was selected to receive mentorship from industrialists across food, environmental and advanced manufacturing verticals. Nano Bubble Limited will focus on market trial on its nano bubble generator prototype so as to have continuous enhancement through customer feedbacks and consulting with experienced industrialists. It will keep developing its nanobubble-related food tech innovations and providing water solutions to improve the living environment and reduce water crises. The hydroponic machine is targeted to be available for sale in the third quarter of 2021 while the machine for domestic use is expected to be launched to the market in the fourth quarter. The Group is optimistic on the commercialisation of the research and development outcome of Nano Bubble Limited.

The Company also owned 27.03% 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. As affected by the COVID-19 pandemic, the development schedule and the progress of such project were postponed.

Other Investments

As at 31 March 2021, 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 dated 29 December 2017 (as amended and supplemented by the supplemental agreement dated 24 April 2020), the founder of Dragon Silver (the "DS Guarantor") irrevocably guaranteed to the Group that the amount of dividends declared and paid by Dragon Silver during each of the financial years ending from 30 June 2018 to 2022 (the "DS Relevant Years") shall not be less than HK$1.25 per share ("DS Guaranteed Dividends"). If the actual dividend paid by Dragon Silver for the DS Relevant Year is less than the DS Guaranteed Dividends, the DS Guarantor shall compensate the Group for the shortfall ("DS Dividend Compensation Amount").

Business Review and Outlook (Continued)

Other Investments (Continued)

As Dragon Silver has not declared and paid any dividend to the Group for the financial year ended 30 June 2020 ("FY2020"), the DS Guarantor paid to the Group the DS Dividend Compensation Amount for FY2020 of HK$750,000 on 9 October 2020. As such, the Board (including the independent non-executive Directors) considered that the obligation of the DS Guarantor in respect of the DS Guaranteed Dividends for FY2020 has been fulfilled.

The DS Guarantor also irrevocably guaranteed to the Group that the profit for each of the DS Relevant Years shall not be less than HK$15,000,000 ("DS Profit Guarantee"). 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 DS Guarantor entered into a supplemental agreement on 24 April 2020 to waive the DS Profit Guarantee for the two financial years ending 30 June 2020 and 2021 and the DS Guarantor agreed to extend the DS Profit Guarantee for three additional financial years ending 30 June 2023, 2024 and 2025.

In addition, pursuant to the put option deed dated 29 December 2017, the Group has the right to sell all the 600,000 shares to the DS Guarantor at the consideration of HK$7,800,000 within the period from 29 December 2021 to 28 December 2022.

For the year ended 31 March 2021, the Group recorded a loss on fair value change on the investment of approximately HK$1,303,000 (2020: gain of HK$1,365,000) which was the combined effect of fair value change on the equity, DS Profit Guarantee, DS Guaranteed Dividends and put option deed.

Financial Performance Review

For the year ended 31 March 2021, the Group recorded a total turnover of approximately HK$189.9 million (2020: HK$113.7 million), representing an increase of 67% as compared with the last financial year. Other income and gains of approximately HK$3.6 million for the year under review (2020: HK$1.8 million) mainly represented dividend income, interest income, rental income, subsidy from government, rebate of research and development expenses. Profit for the year was approximately HK$50.2 million (2020: loss of HK$111.3 million). The profit for the year was mainly contributed by the increase in revenue from the Mining Business due to increase in sales volume and average selling prices of nickel-copper products.

The Mining Business segment recorded revenue of approximately HK$189.0 million (2020: HK$113.7 million) and segmental profit for the year of HK$76.0 million (2020: segmental loss of HK$67.9 million), representing an increase of 66% and 2.1 times respectively as compared with the last financial year. The increase in revenue and profit was contributed both by the increase in sales volume as well as increase in average selling prices of nickel-copper products.

There was turnover of approximately HK$0.9 million from the Other Business (2020: nil). Segmental profit was HK$1.2 million (2020: segment loss of HK$0.1 million). The improvement in the operating result of Other Business was mainly contributed by the service fee income from sales of nanofibers related products and trading gain on sale of water soluble products together with the government rebate of research and development expenses.

Profit attributable to owners of the Company was approximately HK$8.0 million, as compared to approximately loss of HK$61.7 million for the last financial year.

The adjusted EBITDA of the Group, a non-HKFRSs financial measure, in the current year increased by HK$78.8 million to HK$97.9 million as compared to HK$19.1 million last year, details of which is provided on page 41 of this annual report.

Liquidity and Financial Resources

As at 31 March 2021, the Group had bank balances and cash of approximately HK$116.1 million (2020: HK$47.9 million) and net current assets of HK$117.4 million (2020: HK$33.4 million). Out of the Group’s bank balances and cash, about 2% was denominated in Hong Kong dollars (2020: 20%) and 98% was denominated in Renminbi (2020: 79%). The cash denominated in United States dollars is less than 1% (2020: 1%).

As at 31 March 2021, the current ratio was 3.33 (2020: 2.18).

The Group generally financed its operations and investing activities with internally generated cash.

As at 31 March 2021, the Group had outstanding borrowings of approximately HK$15.0 million (2020: HK$15.2 million), which mainly represented amount due to related companies while lease liabilities were also included last year.

Capital Commitments

The Group has no capital commitment as at 31 March 2021.

Gearing Ratio

As at 31 March 2021, the Group's gearing ratio was approximately 28.42% (2020: 35.48%), based on total borrowings of approximately HK$15.0 million (2020: HK$15.2 million) and equity attributable to owners of the Company of approximately HK$52.8 million (2020: HK$42.7 million). The decrease in the ratio was mainly due to profit recognised in the current year which caused the increase 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 2021.

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 and the exchange rate of Renminbi to Hong Kong dollars has been relatively stable throughout the year under review, the exposure to foreign exchange rate fluctuations is not significant.

Contingent Liabilities

As at 31 March 2021, there was no material contingent liabilities incurred by the Group.

Biographical Details of Directors and Senior Management

Directors

Executive Directors

Mr. Felipe TAN, aged 66, has been re-appointed as an executive Director and Chairman of the Company since 17 March 2021. Mr. Tan was appointed as an executive Director of the Company on 30 September 2012 and Chairman of the Company on 29 July 2016 and resigned on 12 September 2019. He is also directors of certain subsidiaries of the Company. He has over 40 years of experience in metals trading including over 22 years of management experience in mining industry in the PRC. He is also the chairman of the board, president and chief executive officer of GobiMin Inc. ("GobiMin"), the shares of which are listed on the TSX Venture Exchange in Canada (symbol: GMN). GobiMin and its subsidiaries are principally engaged in the investment in equity, debt or other securities as well as direct ownership stakes in projects, including the development of mineral properties, mainly in Xinjiang, PRC. He had been an executive director of Loco Hong Kong Holdings Limited, the shares of which are listed on GEM of The Stock Exchange of Hong Kong Limited (stock code: 8162), from February 2014 to July 2019 and had been a director of Jiangmen Proudly Water-soluble Plastic Co., Ltd., the shares of which were traded on the NEEQ (NEEQ:833367) in the PRC, from September 2015 to December 2019. He is the father of Mr. Ronald Tan, an executive Director of the Company.

Mr. LAM Kai Ling Vincent, aged 38, 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 had been a non-executive Director of the Company from 27 May 2015 to 29 July 2016. He is also directors of a subsidiary and certain associates of the Company.

Ms. LAU Yun Fong Carman, aged 55, 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 13 years in companies listed on the Main Board and 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 29, 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. He is directors of certain subsidiaries and associates of the Company. He is also responsible for strategic planning and international expansion of such associates. Mr. Ronald Tan graduated from the University of Hong Kong with a Master degree of Arts. He is the son of Mr. Felipe Tan, an executive Director and Chairman of the Company.

Directors (Continued)

Independent Non-executive Directors

Ms. CHAN Choi Ling, aged 46, has been appointed as an independent non-executive director ("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 is a consultant in two law firms in Hong Kong.

Mr. LAM Kwai Yan, aged 61, 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 66, 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 56, 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 companies listed on the Main Board and GEM of the Stock Exchange for more than 13 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 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 2021, 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 resignation of Mr. Chan Mei Ying Spencer as an executive Director and the Chief Executive Officer of the Company on 1 February 2021 and the appointment and resignation of Mr. Chu Pui Lam as acting Chief Executive Officer on 1 February 2021 and 17 March 2021, Mr. Felipe Tan was re-appointed as an executive Director and the Chairman of the Company on 17 March 2021.

Throughout the year ended 31 March 2021, the roles of the Chairman and the Chief Executive Officer, during their vacant, have been performed by the executive Directors collectively. The board of directors of the Company will use its best endeavor in finding a suitable candidate to assume duties as Chief Executive Officer of the Company as soon as possible.

Board of Directors

Composition and Responsibilities

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

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

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

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

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

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

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 or the Chairman.

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. Felipe TAN *(Chairman)*
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 7 meetings during the year ended 31 March 2021.

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 2021:

	Board Meeting	Audit Committee Meeting	Remuneration Committee Meeting	Nomination Committee Meeting	2020 Annual General Meeting
	Number of Meetings Attended/Held				
Executive Directors:					
Felipe TAN *(Chairman)* (note 1)	–	–	–	–	–
CHAN Mei Ying Spencer (note 2)	5/7	–	–	–	1/1
LAM Kai Ling Vincent	7/7	–	–	–	1/1
LAU Yun Fong Carman	7/7	–	–	–	1/1
Ronald TAN	7/7	–	–	–	1/1
Independent Non-executive Directors:					
CHAN Choi Ling	7/7	4/4	3/3	2/2	1/1
LAM Kwai Yan	7/7	4/4	3/3	2/2	1/1
TSANG Wai Chun Marianna	7/7	4/4	3/3	2/2	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 was re-appointed as the Chairman and executive Director of the Company with effect from 17 March 2021.

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. On 1 February 2021, he resigned as an executive Director and the Chief Executive Officer of the Company.

Appointment, Re-election and Removal

The Company's Articles of Association 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 2021.

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 (appointed on 17 March 2021), Mr. Chan Mei Ying Spencer (resigned on 1 February 2021), 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 they have participated in continuous professional development to develop and refresh their knowledge and skills during the year under review and where applicable, up to the date of cessation as director.

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 2021, the Audit Committee held 4 meetings. Details of the attendance of the members of the Audit Committee in the said meetings are set out under the sub-heading "Directors' Attendance at Board/Board Committee/General Meetings" above.

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

– To make recommendation to the Board on re-appointment of the external auditor;

– To monitor the external auditor's independence and objectivity and the effectiveness of the audit process in accordance with applicable standards, and to discuss with the external auditor the nature and scope of the audit and reporting obligations before the audit commences; 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 2021 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 2021, 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 2021, the Nomination Committee held 2 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)

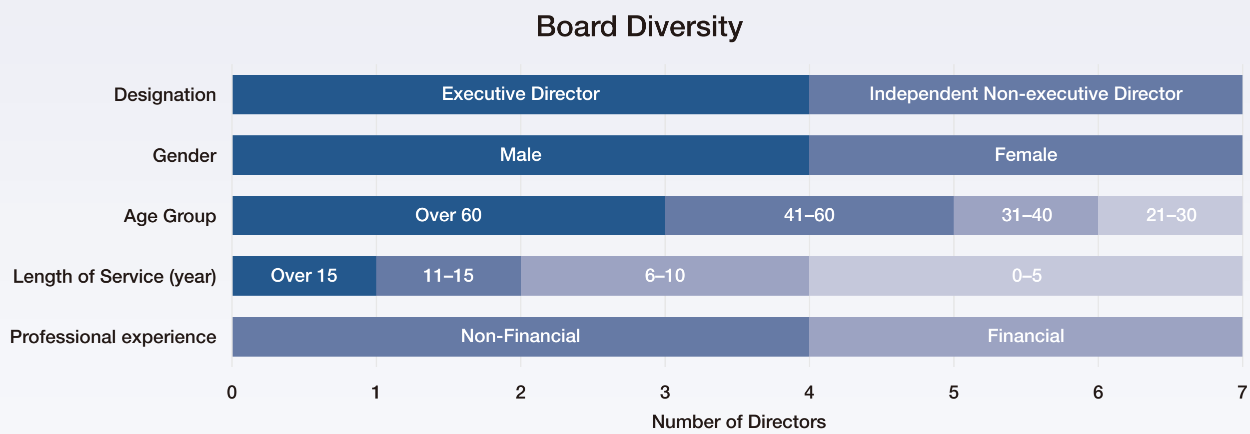
Nomination Committee (Continued)

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 2021, the Remuneration Committee held 3 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 2021, 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	650,000

Accountability and Audit

Directors' Responsibility for the Consolidated Financial Statements

The following statements, which set out the responsibilities of the Directors in relation to the consolidated financial statements, should be read in conjunction with, but distinguished from, the Independent Auditors' Report on pages 52 to 55 of this annual report which acknowledges the reporting responsibilities of the Group's auditors.

The Directors acknowledge that they are responsible for the preparation of consolidated financial statements which give a true and fair view. In preparing the consolidated financial statements which give a true and fair view, the Directors consider that the Group uses appropriate accounting policies that are consistently applied, makes judgments and estimates that are reasonable and prudent, and that all applicable accounting standards are followed. The Directors are responsible for ensuring that the Group keeps accounting records which disclose the financial position of the Group and enable the preparation of consolidated financial statements in accordance with Companies Ordinance (Chapter 622 of the laws of Hong Kong) ("Hong Kong Companies Ordinance") and the applicable Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants. The Directors are responsible for taking all reasonable and necessary steps to safeguard the assets of the Group and to prevent and detect fraud and other irregularities. Having made appropriate enquiries, the Directors consider that the Group has adequate resources to continue in operational existence for the foreseeable future and that, for this reason, it is appropriate to adopt the going concern basis in preparing the consolidated financial statements. The Directors in particular consider the adequacy of resources, qualifications and experience of staff to the Group's accounting and financial reporting function, and their training programmes and budget.

Review of Risk Management and Internal Control

The Audit Committee has designated staff with relevant experience and knowledge to oversee the internal control and internal audit function. The designated staff regularly (i) evaluate with our senior management on the risk assessment and risk mitigation measures; (ii) assess the effectiveness of the internal control and risk management systems and ensure they are properly followed; and (iii) submit periodical reports to the audit committee for review and approval. The Audit Committee also assists the Board in meeting its responsibilities for maintaining the effective systems of risk management and internal control. It reviews the process by which the Group evaluates its control environment and risk assessment process, and the way in which business and control risks are managed.

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

The Board has conducted annually the review of the effectiveness of the risk management and internal control systems and considered that the systems facilitate the effectiveness and efficiency of operations, safeguard assets against unauthorised use and disposition, ensure the maintenance of proper accounting records and the truth and fairness of the consolidated financial statements, and ensure compliance with relevant legislation and regulations. It aims to achieve reasonable assurance against material misstatement or loss in the management of the Group's business activities.

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 or the Chairman on corporate governance matters and is accountable to the Board for matters relating to the Director's duties.

For the year ended 31 March 2021, 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 2021, 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 2021.

The Company is a company registered 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") and research, development and sale agency of bio and nano materials products as well as investments in startup fund, software maintenance and development services ("Other Business"). The Mining Business includes exploration and exploitation of mines and processing and sale of the outputs from the mines in Xinjiang, the People's Republic of China ("PRC"). Nickel-copper products are the main products sold under the Mining Business.

During the year from 1 April 2020 to 31 March 2021 (the "Reporting Period"), the Mining Business accounted for 99.5% of the Group's turnover, and the remaining turnover was recorded from the Other Business. This ESG Report covers the information and activities of our Mining Business for the year ended 31 March 2021.

The ESG Report shall highlight 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 measures.

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 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 employee recruitment is carried out under equal opportunities.

5. 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. During the COVID-19 pandemic period, enterprises' contributions to endowment insurance, unemployment insurance, and work-related injury insurance were exempted from February 2020 to December 2020, while the contributions payable by enterprises to medical insurance were reduced by half from February 2020 to June 2020.

Quality of Working Environment (Continued)

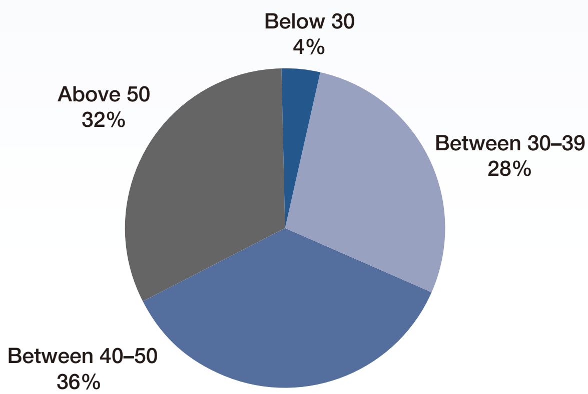
Employment (B1) (Continued)

6. The Group concerns our employees and emphasises 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 enable employees to fully obtain activities and social opportunities during their spare time. In addition, every year the Group organises, for our employees, travel trip to other provinces and cultural performances banquet. However, due to the impact of COVID-19 pandemic, the Group cancelled its travel and banquet activities for employees this year, Instead, the Group distributed 4 tons of watermelon and 1.32 tons of red dates to its employees.

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

Following the completion of mining and processing activities during the year, the Group dismissed a total of 84 employees 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》). Due to the nature of our business, approximately 89% and 11% of our employees is male and female, respectively. Employee age group distribution is summarised below:

DISTRIBUTION OF EMPLOYEE AGE GROUP



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 2021, there was no violation of relevant codes, rules and regulations.

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 2021, there was no violation of relevant codes, rules and regulations.

For the year ended 31 March 2021, measures adopted on occupational health and safety and relevant implementation and supervisory methods were as follows:

1. In accordance with the protective articles distribution standards and the relevant provisions of the "Selection Rules of Articles for Labour Protection Use" (《勞動防護用品選用規則》), we distributed articles for labour protective use to employees. Employees' daily operation complied with rules and regulation on safety production and the rules of use of articles for labour protection use in wearing and utilising the articles for labour protective use properly.

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

3. The establishment of production facilities meets hygiene standards. Measures including timely distribution of protective articles complying with national standard, strict implementation and strengthening of ventilation and dustproof management system are in place 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, policies 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.

Quality of Working Environment (Continued)

Health and Safety (B2) (Continued)

6. Designating safety supervisors to conduct safety inspection for the mine and the selected plants at least once on a monthly basis from time to time, and organised monthly assessments for production units. The results of the assessments are linked to the monthly performance-based wages.

7. During the COVID-19 pandemic period, in order to restrain the epidemic from spreading and provide a safe and hygienic working environment, the Group distributed anti-epidemic items to employees every month, including masks, disinfection products, protective clothing, gloves, medical safety goggle, etc.

For the year ended 31 March 2021, no working day was lost due to work injury of the Group's staff.

Development and Training (B3)

To further enhance the employee's quality, meet the development needs and fully utilise the strengths of talents, talent cultivation and acquisition were treated as the only way to a strong enterprise, which help create a favorable atmosphere of respecting knowledge and talent. We have established rules on the employee re-education and training and offer training sponsorship for self-study and obtaining recognised academic diplomas. We also reimburse tuition and examination fees relating to work-related training programme and acquisition of professional qualifications.

For the year ended 31 March 2021, staff training mainly included:

Staff	Average training time (hours)	Number of participants
Person in charge	48	8
Safety & security	43	12
Special worker	24	6

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

Labour Standards (B4)

As for the prevention of child labour or forced labour, we have established recruitment control procedures 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 litigations during the year ended 31 March 2021.

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》).

The compliance with the aforementioned national laws, regulations and policies enabled us to improve the recycling and utilisation of the wastes and strive to reduce wastes disposal.

For the year ended 31 March 2021, there was no violation of relevant codes, rules and regulations.

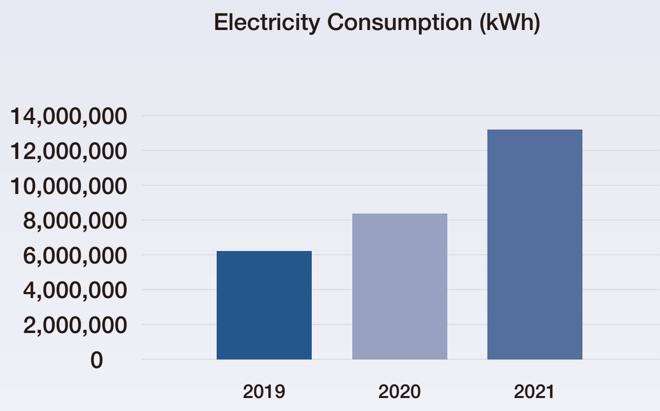
For the year ended 31 March 2021, the Group generated barren rocks of approximately 19,694 tonnes (2020: 26,494 tonnes), representing a decrease of 6,800 tonnes as compared to the prior year. Out of the barren rocks generated, about 14,300 tonnes were used to fill the wells of the mine instead of pulling to the surface. The decrease in the barren rocks was mainly due to the completion of the excavation in the first half of the year. The Group disposed of dust of approximately 155,630 kg (2020: 132,499 kg), representing an increase of 23,131 kg as compared to the prior year. The reason is that the quantity of ores extracted increased this year. Also, the increase in quantity of ores transported from the mine to the copper-nickel processing plant also lead to increase in dust emission. The exhaust gas was approximately 294.91 million m^3 (2020: 246.5 million m^3), representing an increase of 48.41 million m^3 in as compared to the prior year. The increase in exhaust gas emission was mainly due to the increase in extraction activities in the mine in the first half of the year.

The measures for reducing wastes disposal was to transform the process used in the processing plants. In particular, we have transformed the process to change the tailings disposal from wet mode to dry mode. Through the use of dust reduction equipment, we have reduced the emission of dust which meet the national requirements. Moreover, in handling hazardous and non-hazardous wastes, after crushing and dry emission, the wastes are used for underground filling of mines, paving roads or being 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 2021, we consumed electricity of approximately 13,298,060 kWh (2020: 8,443,200 kWh), representing an increase of 4,854,860 kWh as compared to the prior year. The increase in consumed electricity was mainly due to the increase in activities of nickel-copper processing plant. Based on the production requirements of the mine and processing plants, we will suspend the idle transformers so as to reduce electricity consumption.

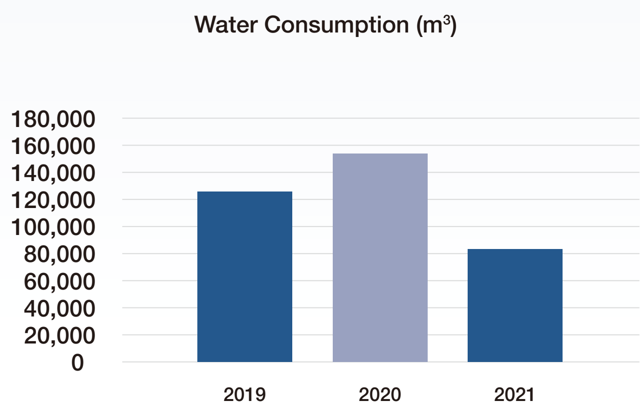


For the year ended 31 March 2021, the water consumption was approximately 82,893 m^3 (2020: 154,597 m^3), representing a decrease of 71,704 m^3 as compared to the prior year. The decreased water consumption was mainly due to the increased recycling of water used in production. We did not have problems in seeking appropriate water resources. The existing supply of water resources could satisfy our needs in terms of volume, quality and facilities of water supply.

As production activities of the mine and copper-nickel processing plant of the Group have been completed, the Group has not set efficiency targets for use of electricity and water.

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 natural resources, we have compiled with 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 2021, 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.

3. The major environmental impacts of mine production are the accumulation of mining barren rocks, the covering or damage of land, 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. The wastes are processed or disposed, as appropriate, on a regular basis.

Climate Change (A4)

The Group's Mining Business is located in the Xinjiang region. Under normal circumstances, Xinjiang has relatively large temperature variation and low rainfall during the year. However, it ever happened that torrential rain triggering floods in the extreme climate. Floods may cause damage to machines, inventories or production materials, resulting in interruption of production activities and additional maintenance expenses. Since the Group has completed production and related mining activities, the expected impact of climate change on the Group is limited.

Operating Practices

Anti-corruption (B7)

In order to comply with the relevant national laws, regulations and requirements, we established corresponding management systems after considering facts and circumstances affecting the Group's operations. These systems are formulated to prevent 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 the bulk material procurement, construction projects execution and major investment projects. The bidding group also 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. After investigation and verification, the case will be dealt with in accordance with established policies. For serious cases involving huge sum, we will refer the case to the judicial authorities.

Operating Practices (Continued)

Anti-corruption (B7) (Continued)

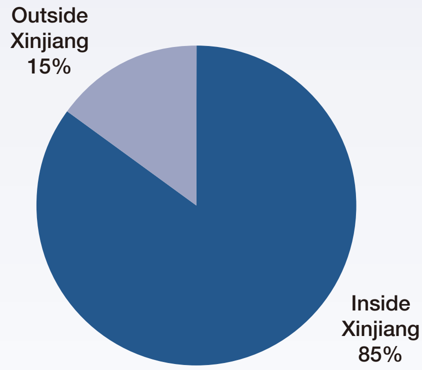
We have established a whistleblowing system which is open to all employees for supervision and whistle-blowing on illegal and criminal activities such as bribery, extortion, fraud and money laundering. Employees may report to the Chairman of the Board of Directors and the Chairlady of the Audit Committee.

For the year ended 31 March 2021, we have not received any report on illegal and criminal activities.

For the year ended 31 March 2021, the Group did not have any illegal and criminal cases.

Supply Chain Management (B5)

SUPPLIER GEOGRAPHICAL DISTRIBUTION



Our suppliers provide various types of products, but with different quality. There are 80 suppliers, of which 68 located in Xinjiang and 12 located outside Xinjiang. We adopted both normal price enquiry and review approach and tender approach for all procurement. Strictly in compliance with the management system, for each type of materials, the operating department nominates two to three suppliers and forms a supplier selection team, which consists of the operating department, production department and finance department. Supply cooperation agreements are signed with the selected suppliers, which specifically stipulated the rights and obligations of both parties and the mutually benefited terms of cooperation. We regularly visit, communicate with and investigate suppliers to assess 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 materials from original equipment manufacturers 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 material procurement or construction projects involving large amounts.

Product Responsibilities (B6)

Mineral raw materials such as high-grade nickel-copper ores, nickel concentrate and copper concentrate are the main products we sold.

The sale of high-grade 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 factors including the quoted price by the Shanghai Metals Market and the applicable average prices of electrolytic nickel and electrolytic copper at the month which the transactions intended to be settled as well as the pricing terms agreed in the sales contract.

Operating Practices (Continued)

Product Responsibilities (B6) (Continued)

In accordance with the agreement/sales contract, both parties conduct inspection and analysis on the products with samples retained. In the event of any dispute, the samples may be sent to the recognised testing institutions for analysis and inspection. Settlement takes place according to the analysis results and transaction price.

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

For the year ended 31 March 2021, there was no complaints nor product recall due to quality or health issues.

Community Involvement

Community Investment (B8)

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

During the year, the Group conducted a thorough investigation to employees, with an aim to provide assistance to employees facing economical and living difficulties. Finally, six employees were selected who received financial assistance ranging from RMB3,000 to RMB10,000 respectively, with a total amount of RMB29,000 involved.

Directors' Report

The Directors present their annual report and the audited consolidated financial statements for the year ended 31 March 2021.

The principal activity of the Company is investment holding.

The principal activities of the Company's principal subsidiaries are set out in note 34 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, continued to cause uncertainty to the global economy. The decline in real GDP and consumer spending may have adverse impact on the industrial production and reduce metals demand which ultimately results in increased uncertainty in metal prices. Uncertain situation regarding tariff-related tension between the US and China creates instability in metal demand and prices. The volatility is further enhanced with the global political tension in recent years. 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 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. 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. Since the Group has ceased the mining extraction and processing activities in March 2021, these risks were kept at acceptable level.

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 mining 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 associated with 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 or retain title to its property and obtain some of the necessary licences. The changes of regulations may include, but not limited to, varying degrees of those with respect to stricter restrictions on production, price controls, export controls, income taxes, and expropriation of property, employment, land use, water use, environmental legislation and mine safety.

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 Natural 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 will 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

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)

Other Business (Continued)

Business Risks (Continued)

The Group's sales agency income derived from the sale and marketing of products from a business partner. Any shortage or delay in the supply of the products from them may adversely impact our business. In addition, the continuous supply of their products depends on our sales performance and the market. There is no assurance that we will achieve the sales target as the business partner's products is an emerging industry with high uncertainties and there is keen competition in the market. In the event that the Group fail to obtain the supply of the products, we cannot assure that we are able to find alternative business partner on comparable commercials terms within a short period of time and as such, our customers may choose to buy products from alternative sellers, causing a shortfall in our sales that could materially affect our business and financial results.

Compliance with the Relevant Laws and Regulations

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

Environmental Policies and Performance

The Group is committed to the long term sustainability of the environment and communities development 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 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 to 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 140. 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 consider it is appropriate to use the following KPIs to monitor progress in the delivery of the Group's strategic objectives, to assess actual performance and to provide aid for business management. The underlying data are sourced from internal information and information contained in the Group's consolidated financial statements. Some of the KPIs presented are not mandatorily required by the Hong Kong Financial Reporting Standards ("HKFRSs")*, 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 2021	2020
The Group			
1. Earnings/(loss) per share – basic and diluted	HK cents	**0.28**	(2.19)
2. Adjusted Earnings Before Interest, Taxes, Depreciation and Amortisation ("EBITDA")*	HK$'000	**97,852**	19,147
3. Operating cash flows per share*	HK cents	**3.03**	1.04
4. Current ratio*	times	**3.33**	2.18
5. Gearing ratio	%	**28.42**	35.48
Mining Business			
6. Nickel-copper ores extracted	tonnes	**158,456**	122,883
7. Cash mining cost per tonne of nickel-copper ores extracted	HK$	**214**	243
8. Cash processing cost per tonne of nickel-copper ores processed	HK$	**140**	141
Other Business			
9. Sales conversion rate	%	**58.33**	N/A

* These KPIs are not mandatorily required by HKFRSs that should be considered in addition to, instead of a substitute for, measures of the Group's financial performance prepared in accordance with HKFRSs. Definition of these non-HKFRSs financial measures may be different across different companies.

1. Earnings/(loss) per share – basic and diluted

The basic and diluted earnings per share amounted to HK 0.28 cents for the year ended 31 March 2021 (2020: loss per share of HK 2.19 cents). Earnings per share in the current year was driven by the increase in sales volume and average selling prices of nickel-copper products in the current year.

Relevance to Strategy: It is calculated by dividing the profit attributable to the owners of the Company of approximately HK$7,976,000 in 2021 (2020: loss attributable to owners of the Company of HK$61,734,000) by the weighted average of the number of ordinary shares in issue. It measures the Group's profit or loss per outstanding ordinary share. It is often used as an important indicator to determine the Company's share price and value.

2. Adjusted EBITDA

The adjusted EBITDA of the Group increased by HK$78.8 million from approximately HK$19.1 million for the year ended 31 March 2020 to approximately HK$97.9 million for the year ended 31 March 2021. The increase was mainly attributed to the increase in revenue from the sales of high-grade nickel-copper ores and nickel concentrate from HK$30.2 million to HK$80.7 million and from HK$63.4 million to HK$83.8 million, respectively, during the year.

Business Review (Continued)

Financial Key Performance Indicators (Continued)

2. Adjusted EBITDA (Continued)

Reconciliation of the Adjusted EBITDA from profit/(loss) for the year	For the year ended 31 March 2021 HK$'000	2020 HK$'000
Profit/(loss) for the year	**50,173**	(111,313)
Income tax expense/(credit)	**20,067**	(981)
Loss/(gain) on disposal/write-off of property, plant and equipment	**661**	(20)
Impairment loss on mining assets	**–**	80,346
Impairment loss on interests in associates	**–**	27,808
Loss/(gain) on fair value changes of an investment property	**2,240**	(550)
Gain on fair value changes of financial assets at fair value through profit or loss	**(1,126)**	(1,804)
Gain on disposal of intangibles assets	**–**	(1,716)
Gain on disposal of interests in an associate	**(407)**	–
Interest income	**(989)**	(608)
Government grants	**(944)**	–
Depreciation and amortisation	**27,498**	27,293
Finance costs	**679**	692
Adjusted EBITDA	**97,852**	19,147

Relevance to Strategy: Adjusted EBITDA is considered a non-HKFRSs financial measure. Adjusted EBITDA should be considered in additional to, rather than as a substitute for, profit for the year as a measure of the Group's performance. It stands for earnings before interest income and expense, income taxes, depreciation, amortisation, and other non-cash 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 Group's ability to generate operating cash flows 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 non-recurring items, such as fair value adjustments which should not be considered as normal operational costs.

3. Operating cash flows per share

The operating cash flows per share increased to HK3.03 cents per share for the year ended 31 March 2021 (2020: HK1.04 cents). The increase was mainly due to the increase in net cash from operating activities, resulting from the increase in turnover during the year.

Relevance to Strategy: Operating cash flows per share is considered a non-HKFRSs financial measure and should be considered in addition to, rather than as a substitute for, earnings/(loss) per share as a measure of the Group's performance. It is computed by dividing net cash from operating activities of approximately HK$85,267,000 (2020: HK$29,248,000) by the weighted average of the number of ordinary shares in issue. It helps measure the ability to generate cash from the Group's principal activities. Operating cash flows per share eliminated significant non-cash items such as depreciation and amortisation expenses, impairment loss and fair value changes of various financial and non-financial assets. Operating cash flows per share is useful in comparing our operating performance with other companies in similar industries although our measures of operating cash flows 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 2.18 as at 31 March 2020 to 3.33 as at 31 March 2021. The increase in current ratio was mainly due to the increase in the balance of bank balances and cash, which was driven by the net cash from operating activities of HK$85,267,000 during the year.

Relevance to Strategy: Current ratio is considered a non-HKFRSs financial measure which is calculated by dividing the current assets of approximately HK$167,752,000 (2020: HK$61,585,000) by the current liabilities of approximately HK$50,326,000 (2020: HK$28,206,000). It measures the short-term liquidity of the Group and provides insight of the availability of the Group's resources to meet its debts and obligations falling due within 12 months from the end of the reporting period.

5. Gearing ratio

The gearing ratio decreased from 35.48% as at 31 March 2020 to 28.42% as at 31 March 2021. The decrease was mainly due to the increase in equity attributable to owners of the Company following the improvement in profitability during the year.

Relevance to Strategy: It is calculated by dividing the total borrowings of the Group of approximately HK$15.0 million (2020: HK$15.2 million) by the equity attributable to owners of the Company of approximately HK$52.8 million (2020: HK$42.7 million). It measures the Group's financial leverage and assists in monitoring the capital structure of the Group.

6. Nickel-copper ores extracted

The nickel-copper ores extracted increased by 35,573 tonnes to 158,456 tonnes for the year ended 31 March 2021 (2020: 122,883 tonnes). The increase in nickel-copper ores extracted was mainly due to the earlier commencement of mining activities in March 2020 while mining activities in the prior year began in late April 2019.

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

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

The cash mining cost per tonne of nickel-copper ores extracted decreased 12% to HK$214 per tonne (2020: HK$243 per tonne). The increase in extraction volume reduced the fixed extraction cost allocated to each unit of ores extracted as well as achieving economies of scale and, therefore, the average cash mining cost per tonne of nickel-copper ores extracted decreased in the current year.

Relevance to Strategy: It is calculated by dividing the aggregate cash mining cost by the quantity of nickel-copper ores extracted of 158,456 tonnes (2020: 122,883 tonnes). Aggregate mining cash cost is computed by excluding depreciation and amortisation from the total extraction expenditure. It is used to monitor the cost efficiency of extraction activities 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 ores processed

The cash processing cost per tonne of nickel-copper ores processed remain stable at HK$140 per tonne (2020: HK$141 per tonne).

Relevance to Strategy: It is calculated by dividing the aggregate cash processing cost by the quantity of nickel-copper ores processed of 126,775 tonnes (2020: 125,785 tonnes). Aggregate cash processing cost is computed by excluding depreciation and amortisation from the total processing expenditure. It is used to monitor the cost efficiency of the processing activities.

9. Sales conversion rate

During the year, the Group commenced the business engaging in the provision of sales and marketing agency services for the sales of nanofibers related products and continuing development of bio and nano new materials. Customer conversion rate in relation to the Group's Other Business for the year ended 31 March 2021 is 58.33%.

Relevance to Strategy: It is calculated by dividing the number of sales orders or contracts eventually confirmed by the number of sales quotations delivered to potential customers. The Group uses this KPI to monitor the performance of sales team as well as assessing the effectiveness of marketing channel used by the Group.

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 2021.

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 98% (2020: 100%) of the Group's total sales while the sales attributable to the Group's largest customer was approximately 42% (2020: 49%) of the Group's total sales.

The aggregate purchases during the year attributable to the Group's five largest suppliers comprised approximately 40% (2020: 31%) of the Group's total purchases while the purchases attributable to the Group's largest supplier was approximately 18% (2020: 19%) 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 32 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 was appointed as an executive Director and the Chairman of the Company with effect from 17 March 2021.

(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 2021, the Group employed a total staff of 35 (2020:129). The decrease in staff number was due to the staff layoff in the mine site and the processing plant upon completed extraction of mineral resources in the current mining zone (phase one) and also expiration of the tenancy of its processing plant. 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 2021, there was no serious work safety issue on our Group's employees.

General Information

Results and Appropriations

The results of the Group for the year are set out in the consolidated statement of profit or loss and other comprehensive income on page 56.

The Directors do not recommend the payment of dividend nor transfer of any amount to reserves (2020: nil).

Share Capital

Details of the movement in share capital of the Company during the year are set out in note 30 to the consolidated financial statements.

Reserves

Details of the movements in reserves of the Group and the Company during the year are set out on page 58 and note 40 to the consolidated financial statements, respectively.

The Company had no reserves available for distribution to shareholders as at 31 March 2021 (2020: 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 13 to the consolidated financial statements.

Directors and Directors' Service Contracts

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

Executive Directors:

Felipe TAN *(Chairman)*
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 2021 or during the period beginning on 1 April 2020 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. TAN Qingfeng
7. 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 2021, the interests and short positions of the Directors and the chief executive of the Company and their associates in the shares, underlying shares or debentures of the Company and its associated corporations, as recorded in the register maintained by the Company pursuant to Section 352 of the Securities and Futures Ordinance ("SFO"), or otherwise notified to the Company and the Stock Exchange pursuant to Rule 5.46 of the GEM Listing Rules, were as follows:

Long positions

(a) Interests in the shares of the Company

Name of Directors	Number of ordinary shares held in the capacity of		Total number of shares	Percentage of shareholding
	Beneficial owner	Controlled corporation		
Executive Director				
Felipe TAN	159,128,000	678,074,400*	837,202,400	29.76%
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%

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

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

Long positions (Continued)

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

Name of Director	Name of associated corporation	Capacity	Number of shares/ registered capital	Percentage of interest in the registered capital of the associated corporation
Felipe TAN	Goffers Management Limited	Interest of controlled corporation	200	49%
	Goffers Resources Limited	Interest of controlled corporation	1,000	100%
	Kangshun HK Limited	Interest of controlled corporation	1,000	100%
	新疆天目礦業資源開發有限公司 Xinjiang Tianmu Mineral Resources Development Co. Ltd.	Interest of controlled corporation	RMB36,000,000	51%

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

Long positions (Continued)

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

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

				Number of share options and underlying shares				
					During the year			
Name of Directors	Date of grant	Vesting and exercisable period	Exercise price per share HK$	Outstanding at 1.4.2020	Cancelled	Lapsed	Reclassified	Outstanding at 31.3.2021
Executive Directors								
Felipe TAN	02.03.2017	02.03.2017 – 01.03.2027	0.1080	–	–	–	2,000,000	2,000,000
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	–	(1,000,000)	2,000,000	10,490,811

Notes:

1. A total of 2,000,000 options granted to Mr. Felipe Tan on 2 March 2017 was reclassified from "Employees" category to "Directors" category upon his appointment as executive Director of the Company on 17 March 2021.

2. Mr. Chan Mei Ying Spencer resigned as Executive Director and Chief Executive Officer with effect from 1 February 2021.

3. No share options have been granted under the share option schemes during the year ended 31 March 2021.

4. No share options granted under the share option schemes were exercised during the year ended 31 March 2021.

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

Long positions (Continued)

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

Save as disclosed above, as at 31 March 2021, 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 2021, 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.

		Number of shares or underlying shares held			Percentage of the issued share capital
Name of substantial shareholders	Nature of interests	Ordinary shares	Share options	Total	as at 31.3.2021
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 is beneficially owned by Mr. Felipe Tan.

** 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.

Saved as disclosed above, as at 31 March 2021, 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 32 to the consolidated financial statements. The total number of shares available for issue under the share option scheme adopted on 25 September 2013 is 100,574,203 shares, representing 3.6% 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 39 to the consolidated financial statements for the year ended 31 March 2021. 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
Felipe Tan
Chairman

Hong Kong, 18 June 2021

國衛會計師事務所有限公司
HODGSON IMPEY CHENG LIMITED

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

TO THE MEMBERS OF TIMELESS SOFTWARE LIMITED
(Incorporated in Hong Kong with limited liability)

Opinion

We have audited the consolidated financial statements of Timeless Software Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 56 to 138, which comprise the consolidated statement of financial position as at 31 March 2021, 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 2021, 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
Valuation of Level 3 financial instruments	
We identified the valuation of Level 3 financial instruments as a key audit matter due to the significance of the judgement and estimates made by management and the subjectivity in determination of Level 3 fair value given the lack of availability of market-based data. The total fair value of financial assets at fair value classified as Level 3, amounted to approximately HK$20,067,000 as at 31 March 2021 as disclosed in note 35 to the consolidated financial statements.	Our procedures in relation to the valuation of Level 3 financial instruments included: • Understanding the Group's valuation models for Level 3 financial instruments; • Discussing with management, together with our own valuation specialists, where necessary, on the valuation of the Level 3 financial instruments, and; (i) evaluating the appropriateness of the valuation methodologies and assumptions based on the industry knowledge; or (ii) evaluating the appropriateness of the key inputs by independently checking to the external data; or by evaluating the rationale of management's judgement on the key inputs; or by performing sensitivity analysis with reference to available market information to evaluate the reasonableness of the valuation, where appropriate. • Assessing the competence and independence of the third party specialists engaged by the Group and their experience in conducting similar valuation. • Assessing the reasonableness of the disclosures in the consolidated financial statements with reference to the requirements of the prevailing accounting standards.

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.

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

- 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.

- 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, actions taken to eliminate threats or safeguards applied.

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, 18 June 2021

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 March 2021

	Notes	2021 HK$'000	2020 HK$'000
Revenue	5	**189,935**	113,679
Other income and gains	6	**3,583**	1,770
Production costs		**(90,751)**	(88,165)
Staff costs		**(12,031)**	(10,670)
Depreciation and amortisation		**(1,870)**	(1,459)
(Loss)/gain on disposal/write-off of property, plant and equipment		**(661)**	20
Gain on disposal of intangible assets	17	**–**	1,716
Gain on disposal of interests in an associate	15	**407**	–
(Loss)/gain on fair value changes of an investment property		**(2,240)**	550
Gain on fair value changes of financial assets at fair value through profit or loss	18	**1,126**	1,804
Other operating expenses		**(16,478)**	(11,653)
Impairment loss on mining assets	16	**–**	(80,346)
Impairment loss on interests in associates	17	**–**	(27,808)
Impairment loss on an amount due from an associate		**–**	(12)
Share of loss of associates	17	**(101)**	(11,028)
Finance costs	7	**(679)**	(692)
Profit/(loss) before tax		**70,240**	(112,294)
Income tax (expense)/credit	8	**(20,067)**	981
Profit/(loss) for the year	9	**50,173**	(111,313)
Other comprehensive income/(expense)			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences arising on translation of foreign operations		**8,458**	(9,226)
Total comprehensive income/(expense) for the year		**58,631**	(120,539)
Profit/(loss) attributable to:			
Owners of the Company		**7,976**	(61,734)
Non-controlling interests		**42,197**	(49,579)
		50,173	(111,313)
Total comprehensive income/(expense) attributable to:			
Owners of the Company		**10,176**	(64,133)
Non-controlling interests		**48,455**	(56,406)
		58,631	(120,539)
		HK cents	HK cents
Earnings/(loss) per share	12		
– Basic and diluted		**0.28**	(2.19)

Consolidated Statement of Financial Position

At 31 March 2021

	Notes	2021 HK$'000	2020 HK$'000
Non-current assets			
Property, plant and equipment	13	**1,494**	4,411
Right-of-use assets	14	**6,263**	6,149
Investment property	15	**8,600**	10,840
Intangible assets	16	**–**	12,730
Interests in associates	17	**97**	197
Financial assets at fair value through profit or loss	18	**9,992**	19,173
Deposits	22	**–**	22,157
Land rehabilitation costs	19	**242**	279
		26,688	75,936
Current assets			
Inventories	20	**9,947**	8,649
Trade receivables	21	**3,621**	–
Prepayments, deposits and other receivables	22	**25,179**	2,398
Financial assets at fair value through profit or loss	18	**12,933**	2,626
Bank balances and cash	23	**116,072**	47,912
		167,752	61,585
Current liabilities			
Trade and other payables	24	**16,068**	10,782
Contract liabilities	25	**–**	72
Dividends payable to a non-controlling shareholder		**8,820**	–
Provision for land rehabilitation	26	**827**	2,193
Lease liabilities	27	**–**	159
Loans from related companies	28	**15,000**	15,000
Current tax liabilities		**9,611**	–
		50,326	28,206
Net current assets		**117,426**	33,379
Total assets less current liabilities		**144,114**	109,315
Non-current liabilities			
Provision for land rehabilitation	26	**6,965**	6,420
Lease liabilities	27	**–**	3
Deferred tax liabilities	29	**1,870**	4,387
		8,835	10,810
Net assets		**135,279**	98,505
Capital and reserves			
Share capital	30	**906,074**	906,074
Reserves	31	**(853,290)**	(863,337)
Equity attributable to owners of the Company		**52,784**	42,737
Non-controlling interests		**82,495**	55,768
Total equity		**135,279**	98,505

The consolidated financial statements were approved and authorised for issue by the board of directors on 18 June 2021 and are signed on its behalf by:

Felipe Tan
Director

Lau Yun Fong Carman
Director

Consolidated Statement of Changes in Equity

For the year ended 31 March 2021

	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
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)
At 31 March 2020	906,074	2,024	1,590	964	(6,082)	(861,833)	42,737	55,768	98,505
Profit for the year	–	–	–	–	–	7,976	7,976	42,197	50,173
Other comprehensive income for the year	–	–	–	–	2,200	–	2,200	6,258	8,458
Total comprehensive income for the year	–	–	–	–	2,200	7,976	10,176	48,455	58,631
Lapse of share options	–	(38)	–	–	–	38	–	–	–
Transfer to general reserve	–	–	615	–	–	(615)	–	–	–
Dividends distributed to non-controlling interests	–	–	–	–	–	–	–	(21,857)	(21,857)
Acquisition of non-controlling interests	–	–	–	–	–	(129)	(129)	129	–
At 31 March 2021	906,074	1,986	2,205	964	(3,882)	(854,563)	52,784	82,495	135,279

Consolidated Statement of Cash Flows

For the year ended 31 March 2021

	Notes	2021 HK$'000	2020 HK$'000
OPERATING ACTIVITIES			
Profit/(loss) before tax		**70,240**	(112,294)
Adjustments for:			
Interest income	6	**(989)**	(608)
Finance costs	7	**679**	692
Dividend income	6	**(750)**	(750)
Share of loss of associates	17	**101**	11,028
Depreciation and amortisation		**27,498**	27,293
Impairment loss on mining assets	16	**–**	80,346
Impairment loss on interests in associates	17	**–**	27,808
Impairment loss on an amount due from an associate		**–**	12
Loss/(gain) on disposal/write-off of property, plant and equipment		**661**	(20)
Gain on disposal of interests in an associate	17	**(407)**	–
Loss/(gain) on fair value changes of an investment property	15	**2,240**	(550)
Gain on fair value changes of financial assets at fair value through profit or loss	18	**(1,126)**	(1,804)
Operating cash flows before movements in working capital		**98,147**	31,153
(Increase)/decrease in inventories		**(48)**	7,822
Increase in trade receivables		**(3,510)**	–
Decrease/(increase) in prepayments, deposits and other receivables		**1,357**	(320)
Increase/(decrease) in trade and other payables		**4,233**	(426)
Decrease in provision for land rehabilitation		**(1,504)**	–
Cash generated from operations		**98,675**	38,229
Income taxes paid		**(13,408)**	(8,981)
NET CASH FROM OPERATING ACTIVITIES		**85,267**	29,248
INVESTING ACTIVITIES			
Interest received		**989**	608
Dividends received		**750**	750
Purchases of property, plant and equipment		**–**	(1,585)
Purchases of intangible asset		**(11,662)**	–
Proceed on disposal of property, plant and equipment		**–**	20
Proceed on disposal of interests in an associate		**407**	–
NET CASH USED IN INVESTING ACTIVITIES		**(9,516)**	(207)
FINANCING ACTIVITIES			
Repayment of an amount due to a non-controlling shareholder		**–**	(828)
Acquisition of non-controlling interests		**–**	(47)
Interest paid		**(675)**	(676)
Lease payments			
– capital elements		**(170)**	(443)
– interest element		**(4)**	(16)
Dividends paid to non-controlling shareholders		**(13,037)**	(18,039)
NET CASH USED IN FINANCING ACTIVITIES		**(13,886)**	(20,049)
NET INCREASE IN CASH AND CASH EQUIVALENTS		**61,865**	8,992
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF YEAR		**47,912**	41,579
Effect of foreign exchange rate changes		**6,295**	(2,659)
CASH AND CASH EQUIVALENTS AT THE END OF YEAR, represented by bank balances and cash		**116,072**	47,912

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 to 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 34.

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 Amendments to Hong Kong Financial Reporting Standards ("HKFRSs")

Amendments to HKFRSs that are mandatorily effective for the current year

In the current year, the Company and its subsidiaries (collectively the "Group") have applied the *Amendments to References to the Conceptual Framework in HKFRS Standards* and the following amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") for the first time, which are mandatorily effective for the annual period beginning on or after 1 January 2020 for the preparation of the consolidated financial statements:

Amendments to HKAS 1 and HKAS 8	Definition of Material
Amendments to HKFRS 3	Definition of a Business
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform

Except as described below, the application of the *Amendments to References to the Conceptual Framework in HKFRS Standards* and the amendments to HKFRSs in the current year had no material impact on the Group's financial positions and performance for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

2.1 Impacts on application of Amendments to HKAS 1 and HKAS 8 Definition of Material

The Group has applied the Amendments to HKAS 1 and HKAS 8 for the first time in the current year. The amendments provide a new definition of material that states "information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity." The amendments also clarify that materiality depends on the nature or magnitude of information, either individually or in combination with other information, in the context of the financial statements taken as a whole.

The application of the amendments in the current year had no impact on the consolidated financial statements.

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

Amendments to HKFRSs that are mandatorily effective for the current year (Continued)

2.2 Impacts on application of Amendments to HKFRS 3 Definition of a Business

The Group has applied the amendments for the first time in the current year. The amendments clarify that while businesses usually have outputs, outputs are not required for an integrated set of activities and assets to qualify as a business. To be considered a business, an acquired set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs.

The amendments remove the assessment of whether market participants are capable of replacing any missing inputs or processes and continuing to produce outputs. The amendments also introduce additional guidance that helps to determine whether a substantive process has been acquired.

In addition, the amendments introduce an optional concentration test that permits a simplified assessment of whether an acquired set of activities and assets is not a business. Under the optional concentration test, the acquired set of activities and assets is not a business if substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or group of similar assets. The gross assets under assessment exclude cash and cash equivalents, deferred tax assets, and goodwill resulting from the effects of deferred tax liabilities. The election on whether to apply the optional concentration test is available on transaction-by-transaction basis.

The amendments had no impact on the consolidated financial statements of the Group but may impact future periods should the Group make any acquisition.

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 and the related Amendments*[5]
Amendments to HKFRS 3	*Reference to the Conceptual Framework*[4]
Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	*Interest Rate Benchmark Reform-Phase 2*[2]
Amendments to HKFRS 10 and HKAS 28	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[6]
Amendment to HKFRS 16	*COVID-19-Related Rent Concessions*[1]
Amendment to HKFRS 16	*COVID-19-Related Rent Concession beyond 30 June 2021*[3]
Amendments to HKAS 1	*Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020)*[5]
Amendments to HKAS 1 and HKFRS Practice Statement 2	*Disclosure of Accounting Policies*[5]
Amendments to HKAS 8	*Definition of Accounting Estimates*[5]
Amendments to HKAS 12	*Deferred Tax Related to Assets and Liabilities arising from a Single Transaction*[5]
Amendments to HKAS 16	*Property, Plant and Equipment – Proceeds before Intended Use*[4]
Amendments to HKAS 37	*Onerous Contracts – Cost of Fulfilling a Contract*[4]
Amendments to HKFRSs	*Annual Improvements to HKFRSs 2018–2020*[4]

1 Effective for annual periods beginning on or after 1 June 2020.
2 Effective for annual periods beginning on or after 1 January 2021.
3 Effective for annual periods beginning on or after 1 April 2021.
4 Effective for annual periods beginning on or after 1 January 2022.
5 Effective for annual periods beginning on or after 1 January 2023.
6 Effective for annual periods beginning on or after a date to be determined.

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

New and amendments to HKFRSs in issue but not yet effective (Continued)

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

Amendment to HKFRS 16 *COVID-19-Related Rent Concessions*

The amendment is effective for annual reporting periods beginning on or after 1 June 2020. The amendment introduces a new practical expedient for lessees to elect not to assess whether a COVID-19-related rent concession is a lease modification. The practical expedient only applies to rent concessions occurring as a direct consequence of the COVID-19 that meets all of the following conditions:

- the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;
- any reduction in lease payments affects only payments originally due on or before 30 June 2021; and
- there is no substantive change to other terms and conditions of the lease.

A lessee applying the practical expedient accounts for changes in lease payments resulting from rent concessions the same way it would account for the changes applying HKFRS 16 *Leases* if the changes are not a lease modification. Forgiveness or waiver of lease payments are accounted for as variable lease payments. The related lease liabilities are adjusted to reflect the amounts forgiven or waived with a corresponding adjustment recognised in the profit or loss in the period in which the event occurs.

The application is not expected to have impact on the Group's financial position and performance.

Amendment to HKFRS 3 *Reference to the Conceptual Framework*

The amendments:

- update a reference in HKFRS 3 *Business Combinations* so that it refers to the *Conceptual Framework for Financial Reporting 2018* issued in June 2018 (the "Conceptual Framework") instead of *Framework for the Preparation and Presentation of Financial Statements* (replaced by the *Conceptual Framework for Financial Reporting 2010* issued in October 2010);
- add a requirement that, for transactions and other events within the scope of HKAS 37 *Provisions, Contingent Liabilities and Contingent Assets* or HK(IFRIC)-Int 21 *Levies*, an acquirer applies HKAS 37 or HK(IFRIC)-Int 21 instead of the Conceptual Framework to identify the liabilities it has assumed in a business combination; and
- add an explicit statement that an acquirer does not recognise contingent assets acquired in a business combination.

The Group will apply the amendments prospectively to business combinations for which the date of acquisition is on or after the beginning of the first annual period beginning on or after 1 April 2022.

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

New and amendments to HKFRSs in issue but not yet effective (Continued)

Amendments to HKAS 1 *Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020)*

The amendments provide clarification and additional guidance on the assessment of right to defer settlement for at least twelve months from reporting date for classification of liabilities as current or non-current, which:

- specify that the classification of liabilities as current or non-current should be based on rights that are in existence at the end of the reporting period. Specifically, the amendments clarify that:

  (i) the classification should not be affected by management intentions or expectations to settle the liability within 12 months; and

  (ii) if the right is conditional on the compliance with covenants, the right exists if the conditions are met at the end of the reporting period, even if the lender does not test compliance until a later date; and

- clarify that if a liability has terms that could, at the option of the counterparty, result in its settlement by the transfer of the entity's own equity instruments, these terms do not affect its classification as current or non-current only if the entity recognises the option separately as an equity instrument applying HKAS 32 *Financial Instruments: Presentation*.

In addition, Hong Kong Interpretation 5 was revised as a consequence of the Amendments to HKAS 1 to align the corresponding wordings with no change in conclusion.

Based on the Group's outstanding liabilities as at 31 March 2021, the application of the amendments will not result in reclassification of the Group's liabilities.

3. Basis of Preparation of Consolidated Financial Statements and Significant Accounting Policies

3.1 Basis of preparation of consolidated financial statements

These consolidated financial statements have been prepared in accordance with HKFRSs issued by the HKICPA. 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") and by the Hong Kong Companies Ordinance.

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

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

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of HKFRS 2 *Share based payment*, leasing transactions that are accounted for in accordance with HKFRS 16 *Leases*, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in HKAS 2 *Inventories* or value in use in HKAS 36 *Impairment of Assets*.

3. Basis of Preparation of Consolidated Financial Statements and Significant Accounting Policies (Continued)

3.1 Basis of preparation of consolidated financial statements (Continued)

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.

For financial instruments and investment properties which are transacted at fair value and a valuation technique that unobservable inputs is to be used to measure fair value in subsequent periods, the valuation technique is calibrated so that at initial recognition the results of the valuation technique equals the transaction price.

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.

3.2 Changes in accounting estimates

Change of depreciation rate in the year

During the year, the Group re-assessed the estimated remaining useful lives for the property, plant and equipment assigned for its mining operation to reflect the management's estimate of the periods that the Group intends to derive future economic benefits from the use of these assets with effective from 1 April 2020. Details of changes are summarised in table below:

Category	Estimated useful lives before 1 April 2020	Estimated useful lives after 1 April 2020	Increase in depreciation during the year *HK$'000*
Building and property	20 years	3 to 12 years	690
Computer equipment	3 to 5 years	3 to 5 years	29
Furniture, fixtures and equipment	5 years	3 to 5 years	230
Motor vehicle	5 to 8 years	2 to 8 years	662
			1,611

3. Basis of Preparation of Consolidated Financial Statements and Significant Accounting Policies (Continued)

3.3 Significant accounting policies

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. Basis of Preparation of Consolidated Financial Statements and Significant Accounting Policies (Continued)

3.3 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 *Financial Instruments* ("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.

Except for certain recognition exemptions, the identifiable assets acquired and liabilities assumed must meet the definitions of an asset and a liability in the *Framework for the Preparation and Presentation of Financial Statements* (replaced by the *Conceptual Framework for Financial Reporting* issued in October 2010).

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);

3. Basis of Preparation of Consolidated Financial Statements and Significant Accounting Policies (Continued)

3.3 Significant accounting policies (Continued)

Basis of consolidation (Continued)

Business combinations (Continued)

- 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.

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 re-assessment, 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.

3. Basis of Preparation of Consolidated Financial Statements and Significant Accounting Policies (Continued)

3.3 Significant accounting policies (Continued)

Goodwill

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

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units (or group 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 group of cash-generating units) to which goodwill has been allocated is tested for impairment annually or more frequently when there is indication that the unit may be impaired. For goodwill arising on an acquisition in a reporting period, the cash-generating unit (or group of cash-generating units) to which goodwill has been allocated is tested for impairment before the end of that reporting period. If the recoverable amount is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill and then to the other assets on a pro-rata basis based on the carrying amount of each asset in the unit (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 unit (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. 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. Basis of Preparation of Consolidated Financial Statements and Significant Accounting Policies (Continued)

3.3 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 of 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 consolidated financial statements only to the extent of interests in the associate that are not related to the Group.

3. Basis of Preparation of Consolidated Financial Statements and Significant Accounting Policies (Continued)

3.3 Significant accounting policies (Continued)

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.

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 or 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 major sources:

Sales of goods

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.

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.

3. Basis of Preparation of Consolidated Financial Statements and Significant Accounting Policies (Continued)

3.3 Significant accounting policies (Continued)

Revenue from contracts with customers (Continued)

Provision of sales agency services

Revenue from provision of sales agency services is recognised at a point in time when the services are completed under the terms of the service agreement and has a present right to payment for the services performed.

Provision of management and marketing services

Revenue from provision of management and marketing services is recognised using output method when the relevant services are provided by the Group and the customers simultaneously receive and consume the benefits provided by the Group's performance.

Leases

Definition of a lease

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.

For contracts entered into or modified on or after the date of initial application or arising from business combinations, 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.

The Group as a lessee

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 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.

3. Basis of Preparation of Consolidated Financial Statements and Significant Accounting Policies (Continued)

3.3 Significant accounting policies (Continued)

Leases (Continued)

The Group as a lessee (Continued)

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.

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 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.

3. Basis of Preparation of Consolidated Financial Statements and Significant Accounting Policies (Continued)

3.3 Significant accounting policies (Continued)

Leases (Continued)

The Group as a lessee (Continued)

Lease liabilities (Continued)

- the lease payments change due to changes in market rental rates following a market rent review, in which cases the related lease liability is remeasured by discounting the revised lease payments using the initial discount rate.

The Group presents lease liabilities as a separate line item on the consolidated statement of financial position.

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.

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.

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.

Amounts due from lessees under finance leases are recognised as receivables at commencement date at amounts equal to net investments in the leases, measured using the interest rate implicit in the respective leases. Initial direct costs (other than those incurred by manufacturer or dealer lessors) are included in the initial measurement of the net investments in the leases. Interest income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Group's net investment outstanding in respect of the leases.

3. Basis of Preparation of Consolidated Financial Statements and Significant Accounting Policies (Continued)

3.3 Significant accounting policies (Continued)

Leases (Continued)

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.

Allocation of consideration to components of a contract

When a contract includes both leases and non-lease components, the Group applies HKFRS 15 *Revenue from Contracts with Customers* ("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

Changes in considerations of lease contracts that were not part of the original terms and conditions are accounted for as lease modifications, including lease incentives provided through forgiveness or reduction of rentals.

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 exchanges 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 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. Basis of Preparation of Consolidated Financial Statements and Significant Accounting Policies (Continued)

3.3 Significant accounting policies (Continued)

Foreign currencies (Continued)

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's 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 expenses 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 date 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 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 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.

Any specific borrowing that remains outstanding after the related asset is ready for its intended use or sale is included in the general borrowing pool for calculation of capitalisation rate on general borrowings. 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.

Government grants

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate.

3. Basis of Preparation of Consolidated Financial Statements and Significant Accounting Policies (Continued)

3.3 Significant accounting policies (Continued)

Government grants (Continued)

Government grants related to income that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable. Such grants are presented under "other income".

Employee benefits

Retirement benefit costs

Payments to defined contribution retirement benefit plans including the Mandatory Provident Fund scheme and the state-managed retirement benefit schemes in the PRC are recognised as an expense when employees have rendered service entitling them to the contributions.

Share-based payments

Equity-settled share-based payment transactions

Share options granted to employees

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 the 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.

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 profit/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.

3. Basis of Preparation of Consolidated Financial Statements and Significant Accounting Policies (Continued)

3.3 Significant accounting policies (Continued)

Taxation (Continued)

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.

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 is 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 taxable 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.

3. Basis of Preparation of Consolidated Financial Statements and Significant Accounting Policies (Continued)

3.3 Significant accounting policies (Continued)

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 or fair value 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.

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 is presented as "right-of-use assets" in the consolidated statement of financial position except for those that are classified and accounted for as investment properties under the fair value model. 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 calculated using the straight-line method to write off the cost of each asset less its residual value over its estimated useful life as follows:

Building and property	3 to 12 years
Plant and machinery	8 years
Computer equipment	3 to 5 years
Furniture, fixtures and equipment	3 to 5 years
Motor vehicle	2 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 classified as right-of-use assets) 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 property, the relevant property revaluation reserve will be transferred directly to accumulated deficits.

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.

3. Basis of Preparation of Consolidated Financial Statements and Significant Accounting Policies (Continued)

3.3 Significant accounting policies (Continued)

Investment properties

Investment properties are properties held to earn rentals and/or for capital appreciation.

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.

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 acquired in a business combination

Intangible assets acquired in a business combination are recognised separately from goodwill and 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.

3. Basis of Preparation of Consolidated Financial Statements and Significant Accounting Policies (Continued)

3.3 Significant accounting policies (Continued)

Intangible assets (Continued)

Derecognition of intangible assets

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

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

At the end of the reporting period, the Group reviews the carrying amounts of its property, plant and equipment, right-of-use assets and intangible assets with finite useful lives to determine whether there is any indication that these assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the relevant asset is estimated in order to determine the extent of the impairment loss (if any).

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 testing a cash-generating unit for impairment, corporate assets are allocated to the relevant cash-generating unit when a reasonable and consistent basis of allocation can be established, or otherwise they are allocated to the smallest group of cash generating units for which a reasonable and consistent allocation basis can be established. The recoverable amount is determined for the cash-generating unit or group of cash-generating units to which the corporate asset belongs, and is compared with the carrying amount of the relevant cash-generating unit or group of cash-generating units.

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 basis 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.

3. Basis of Preparation of Consolidated Financial Statements and Significant Accounting Policies (Continued)

3.3 Significant accounting policies (Continued)

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

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 a 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.

Inventories

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

Cash and cash equivalents

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.

3. Basis of Preparation of Consolidated Financial Statements and Significant Accounting Policies (Continued)

3.3 Significant accounting policies (Continued)

Provision for land rehabilitation

The Group is required to incur costs for restoration of the land after the underground sites have been mined. Provision for land rehabilitation is recognised when the Group has a present obligation as a result of past event, and it is probable that the Group will be required to settle that obligation. Estimates are regularly reviewed and adjusted as appropriate for new circumstances.

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

Financial instruments

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instrument. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the market place.

Financial assets and financial liabilities are initially measured at fair value except for trade receivables arising from contracts with customers which are initially measured in accordance with HKFRS 15. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets or 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 FVTPL 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.

3. Basis of Preparation of Consolidated Financial Statements and Significant Accounting Policies (Continued)

3.3 Significant accounting policies (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Classification and subsequent measurement of financial assets (Continued)

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 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*.

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.

3. Basis of Preparation of Consolidated Financial Statements and Significant Accounting Policies (Continued)

3.3 Significant accounting policies (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Classification and subsequent measurement of financial assets (Continued)

(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. Assessments 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.

The Group always recognises lifetime ECL for trade receivables.

For all other instruments, the Group measures the loss allowance equal to 12m ECL, unless there has been a significant increase in credit risk since initial recognition, in which case 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.

3. Basis of Preparation of Consolidated Financial Statements and Significant Accounting Policies (Continued)

3.3 Significant accounting policies (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets (Continued)

(i) Significant increase in credit risk (Continued)

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 instrument's 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, the credit default swap prices for the debtor;

- 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.

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.

3. Basis of Preparation of Consolidated Financial Statements and Significant Accounting Policies (Continued)

3.3 Significant accounting policies (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets (Continued)

(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:

(a) significant financial difficulty of the issuer or the borrower;

(b) a breach of contract, such as a default or past due event;

(c) the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;

(d) it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or

(e) the disappearance of an active market for that financial asset because of financial difficulties.

(iv) Write-off policy

The Group writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, for example, when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings. 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. Basis of Preparation of Consolidated Financial Statements and Significant Accounting Policies (Continued)

3.3 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 and 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.

For collective assessment, the Group takes into consideration the following characteristics when formulating the grouping:

- 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 credit-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. Basis of Preparation of Consolidated Financial Statements and Significant Accounting Policies (Continued)

3.3 Significant accounting policies (Continued)

Financial instruments (Continued)

Financial liabilities and equity

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 Company are recognised at the proceeds received, net of direct issue costs.

Financial liabilities

All financial liabilities are subsequently measured at amortised cost using the effective interest method.

Financial liabilities at amortised cost

Financial liabilities including trade and other payables, dividend payable to a non-controlling shareholder, lease liabilities and loans from related companies 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.

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.

3. Basis of Preparation of Consolidated Financial Statements and Significant Accounting Policies (Continued)

3.3 Significant accounting policies (Continued)

Financial instruments (Continued)

Derivative financial instruments (Continued)

Embedded derivatives (Continued)

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.

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, the directors of the Company 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 on-going basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects 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.

Fair value measurement of financial instruments

As at 31 March 2021, certain of the Group's financial assets (including unlisted equity investments, investments in a convertible loan and a profit guarantee amounting to approximately HK$20,067,000 (2020: HK$19,173,000)) are measured at fair value with fair value being determined based on significant unobservable inputs using valuation techniques. Judgement and estimation are required in establishing the relevant valuation techniques and the relevant inputs thereof and changes in assumptions relating to these factors could result in material adjustments to the fair value of these instruments.

5. Revenue and Segment Information

Information reported to the board of directors, being the chief operating decision maker ("CODM"), for the purposes of resource allocation and assessment of segment performance focuses on types of goods or services delivered or provided.

During the year, the Group commenced the business engaging in the provision of sales and marketing agency services for the sales of nanofibers related products and continuing development of bio and nano new materials. However, this operation is still in the early stage and not yet met the quantitative thresholds for the reportable segment. Software business, after reengineering, are in the process of exploring new development opportunities and this segment was unable to meet the quantitative thresholds for the reportable segments in both current and prior year. Accordingly, these businesses were grouped in "Other Business" segment.

Specifically, the Group's reportable segments under HKFRS 8 are (i) Mining Business; and (ii) Other Business.

Segment revenues and results

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

For the year ended 31 March 2021

	Mining Business HK$'000	Other Business HK$'000	Total HK$'000
Segment revenue			
External sales	189,018	917	189,935
Segment profit	76,015	1,169	77,184
Interest income			989
Unallocated other income and gains			1,510
Unallocated corporate expenses			(7,956)
Gain on disposal of interests in an associate			407
Loss on fair value changes of an investment property			(2,240)
Gain on fair value changes of financial assets at FVTPL			1,126
Share of loss of associates			(101)
Finance costs			(679)
Group's profit before tax			70,240

5. Revenue and Segment Information (Continued)

Segment revenues and results (Continued)

For the year ended 31 March 2020

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

There were no inter-segment sales in the current year (2020: nil).

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

	2021 HK$'000	2020 HK$'000
Segment assets		
Mining Business	46,106	55,277
Other Business	40	–
Total reportable segment assets	46,146	55,277
Interests in associates	97	197
Unallocated	148,197	82,047
Consolidated assets	194,440	137,521
Segment liabilities		
Mining Business	34,534	22,972
Other Business	5	4
Total reportable segment liabilities	34,539	22,976
Unallocated	24,622	16,040
Consolidated liabilities	59,161	39,016

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

- all assets are allocated to reportable segments other than certain of the Group's property, plant and equipment, an investment property, financial assets at FVTPL, interests in and amounts due from associates, certain of the Group's prepayments, deposits and other receivables and bank balances and cash; and
- all liabilities are allocated to reportable segments other than loans from related companies, certain of the Group's other payables and dividend payable to a non-controlling shareholder.

5. Revenue and Segment Information (Continued)

Other segment information

	2021 HK$'000	2020 HK$'000
Additions to non-current assets*		
Mining Business	11,662	1,400
Unallocated	–	185
	11,662	1,585
Impairment on mining assets		
Mining Business	–	80,346
(Loss)/gain on disposal/write-off of property, plant and equipment		
Mining Business	(661)	20
Depreciation and amortisation		
Mining Business	1,681	1,290
Unallocated	189	169
	1,870	1,459
Depreciation and amortisation included in production costs		
Mining Business	25,628	25,834
Total depreciation and amortisation recognised in profit and loss	27,498	27,293

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

5. Revenue and Segment Information (Continued)

Geographical Information

The Group's operations are mainly located in Hong Kong and the People's Republic of China (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.

	2021 HK$'000	2020 HK$'000
Revenue from external customers		
Hong Kong	917	–
PRC	189,018	113,679
	189,935	113,679
Non-current assets		
Hong Kong	8,921	11,350
PRC	7,678	23,059
	16,599	34,409

Note: Non-current assets excluded 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:

	2021 HK$'000	2020 HK$'000
Customer A[1]	67,145	56,128
Customer B[1]	N/A[2]	20,111
Customer C[1]	80,710	30,189

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 of revenue from contracts with customers

	2021 HK$'000	2020 HK$'000
Types of goods or services		
Sales of high-grade nickel-copper ores	**80,710**	30,189
Sales of nickel concentrates	**83,783**	63,379
Sales of copper concentrates	**24,525**	20,111
Services fee income	**901**	–
Sales of water soluble bags	**16**	–
	189,935	113,679
Timing of revenue recognition		
At a point in time	**189,135**	113,679
Over time	**800**	–
	189,935	113,679

The Group has contracts with customers for the sale of high-grade nickel-copper ores, nickel and copper concentrates and water soluble bags. The Group has concluded that revenue from sale of goods are recognised at the point of time when a customer obtained control of goods.

The revenue from the provision of sales agency services is recognised at a point in time when services are performed.

The revenue from the provision of management services and marketing services are recognised over time when services are rendered.

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. Other Income and Gains

	2021 HK$'000	2020 HK$'000
Dividend income from a financial asset at FVTPL	**750**	750
Interest income		
– bank deposits	**801**	448
– financial assets at FVTPL	**188**	160
Government grants	**944**	–
Others	**900**	412
	3,583	1,770

During the current year, the Group recognised government grants of HK$944,000, of which HK$506,000 relates to Employment Support Scheme provided by the Hong Kong government. There is no unfulfilled condition in respect of the grants.

7. Finance Costs

	2021 HK$'000	2020 HK$'000
Interest on loans from related companies	**675**	676
Interest on lease liabilities	**4**	16
Total borrowing costs	**679**	692

8. Income Tax Expense/(Credit)

	2021 HK$'000	2020 HK$'000
Current tax		
– PRC Enterprise Income Tax	**22,262**	9,086
– Under/(over) provision in prior years	**7**	(105)
– PRC withholding tax	**750**	569
Deferred tax (note 29)	**(2,952)**	(10,531)
	20,067	(981)

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 profits 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%. 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 the prior year. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the jurisdictions in which the Group operates.

Under the Law of the PRC on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% for both years.

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

	2021 HK$'000	2020 HK$'000
Profit/(loss) before tax	**70,240**	(112,294)
Tax at the Hong Kong Profits Tax rate of 16.5%	**11,590**	(18,529)
Tax effect of share of loss of associates	**17**	1,822
Tax effect of expenses not deductible for tax purposes	**873**	10,920
Tax effect of income not taxable for tax purposes	**(847)**	(681)
Tax effect of tax losses not recognised	**1,062**	1,334
Utilisation of deductible temporary differences previously not recognised	**(993)**	–
Under/(over) provision in respect of prior years	**7**	(105)
Effect of different tax rates for subsidiaries operating in other jurisdictions	**6,517**	3,596
PRC withholding tax	**1,841**	662
Income tax expense/(credit) for the year	**20,067**	(981)

9. Profit/(loss) for the Year

	2021 HK$'000	2020 HK$'000
Profit/(loss) for the year has been arrived at after charging/(crediting):		
Directors' and chief executive's emoluments (note 10)	**2,830**	2,819
Other staff's retirement benefits scheme contributions	**619**	1,316
Other staff costs*	**8,582**	6,535
Employee benefits expenses	**12,031**	10,670
Depreciation of property, plant and equipment	**1,286**	1,883
Amortisation of intangible assets	**24,342**	23,951
Depreciation and amortisation (including in the production costs line item)	**25,628**	25,834
Depreciation of property, plant and equipment	**1,415**	560
Depreciation of right-of-use assets	**396**	538
Amortisation of land rehabilitation costs	**59**	361
Depreciation and amortisation (included in the depreciation and amortisation line item)	**1,870**	1,459
Gross rental income arising from an investment property	**(206)**	(108)
Less: direct operating expenses incurred for an investment property that generate rental income during the year	**76**	92
	(130)	(16)
Auditor's remuneration	**650**	750
Cost of inventories recognised as an expense	**76,415**	80,011
Expense relating to short-term leases not included in the measurement of lease liabilities	**3,500**	3,030
Net foreign exchange (gain)/loss	**(38)**	100

* The costs exclude production staff costs of approximately HK$8,301,000 (2020: HK$8,928,000) which were included in the production costs line item.

10. Directors' and Chief Executive's Emoluments

Directors' and chief executive's remuneration for the year, disclosed pursuant to the applicable GEM Listing Rules and the Hong Kong Companies Ordinance, was as follows:

For the year ended 31 March 2021

	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 i)	–	65	–	–	65
Chan Mei Ying Spencer (note ii)	–	630	15	84	729
Lau Yun Fong Carman	–	692	18	55	765
Lam Kai Ling Vincent (note iv)	–	441	18	47	506
Ronald Tan (note v)	–	250	14	27	291
Acting chief executive officer					
Chu Pui Lam (note iii)	–	93	3	–	96
Independent non-executive directors					
Tsang Wai Chun Marianna	126	–	–	–	126
Lam Kwai Yan	126	–	–	–	126
Chan Choi Ling	126	–	–	–	126
	378	2,171	68	213	2,830

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

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

Notes:

i. Mr. Felipe Tan resigned on 12 September 2019 and was re-appointed on 17 March 2021.

ii. Mr. Chan Mei Ying Spencer was re-designated as an executive director from the position of an independent non-executive director on 2 October 2019 and resigned on 1 February 2021.

iii. Mr. Chu Pui Lam was appointed as acting chief executive officer on 1 February 2021 and resigned on 17 March 2021.

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

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

There was no arrangement under which a director or the chief executive waived or agreed to waive any remuneration during the year.

Certain executive directors of the Company are entitled to bonus payments which are determined based on the performance of the directors and the results of the Group.

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 (2020: nil). None of the directors or the chief executive has waived any emoluments during the year (2020: nil).

11. Five Highest Paid Employees

The five highest paid employees of the Group during the year included three directors and one chief executive (2020: three directors) of which Mr. Felipe Tan resigned as a director but remained as employee of the Group during the year ended 31 March 2020 and were re-appointed as director of the Company on 17 March 2021 and Mr. Chu Pui Lam was appointed as acting chief executive officer on 1 February 2021 and resigned on 17 March 2021. Remuneration paid to them when they are a director and chief executive of the Company are set out in note 10 above. Details of their remuneration, including remuneration paid to them when they are director or chief executive of the Company, and the remaining one (2020: two) highest paid employees who are neither director nor chief executive of the Company are as follows:

	2021 **HK$'000**	2020 HK$'000
Salaries and allowances	**2,019**	2,423
Retirement benefits scheme contribution	**36**	54
Performance and discretionary bonus	**301**	141
	2,356	2,618

11. Five Highest Paid Employees (Continued)

The highest paid employees, whose remuneration are stated above, fell within the following bands:

	2021	2020
Nil to HK$1,000,000	3	1
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 employees as an inducement to join or upon joining the Group or as compensation for loss of office (2020: nil).

12. Earnings/(Loss) Per Share

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

Earnings/(loss) for the purpose of basic and diluted earnings/(loss) per share:

	2021 HK$'000	2020 HK$'000
Earnings/(loss) for the year attributable to owners of the Company for the purpose of basic and diluted earnings/(loss) per share	7,976	(61,734)

Number of ordinary shares:

	2021 '000	2020 '000
Weighted average number of ordinary shares for the purpose of basic and diluted earnings/(loss) per share	2,812,882	2,812,882

The computation of the diluted earnings/(loss) per share does not assume the exercise of the Company's outstanding share options since the exercise prices of those options were higher than the average market price for shares for both 2021 and 2020.

13. Property, Plant and Equipment

	Building and property HK$'000	Plant and machinery HK$'000	Computer equipment HK$'000	Furniture, fixtures and equipment HK$'000	Motor vehicle HK$'000	Total HK$'000
Cost						
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
Disposals	–	–	–	–	(130)	(130)
Balance at 31 March 2020	**31,353**	**4,613**	**1,655**	**664**	**3,955**	**42,240**
Exchange adjustments	**2,612**	**392**	**134**	**54**	**307**	**3,499**
Write-off	**(1,183)**	**–**	**(235)**	**(29)**	**–**	**(1,447)**
Balance at 31 March 2021	**32,782**	**5,005**	**1,554**	**689**	**4,262**	**44,292**
Accumulated depreciation and impairment						
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 disposals	–	–	–	–	(130)	(130)
Impairment loss recognised in profit or loss	7,982	1,019	–	–	–	9,001
Balance at 31 March 2020	**29,372**	**4,613**	**1,505**	**245**	**2,094**	**37,829**
Exchange adjustments	**2,504**	**392**	**125**	**28**	**213**	**3,262**
Provided for the year	**926**	**–**	**65**	**286**	**1,216**	**2,493**
Eliminated on write-off	**(576)**	**–**	**(183)**	**(27)**	**–**	**(786)**
Balance at 31 March 2021	**32,226**	**5,005**	**1,512**	**532**	**3,523**	**42,798**
Carrying amounts						
Balance at 31 March 2021	**556**	**–**	**42**	**157**	**739**	**1,494**
Balance at 31 March 2020	1,981	–	150	419	1,861	4,411

An impairment loss of HK$9,001,000 was recognised for the year ended 31 March 2020 for items of property, plant and equipment. Details are set out in note 16 to the consolidated financial statements.

14. Right-of-Use Assets

	Leasehold land HK$'000	Leased properties HK$'000	Motor vehicle HK$'000	Total HK$'000
As at 31 March 2021				
Carrying amount	**6,162**	**101**	**–**	**6,263**
As at 31 March 2020				
Carrying amount	5,897	252	–	6,149
For the year ended 31 March 2021				
Exchange adjustments	**494**	**16**	**–**	**510**
Depreciation charge	**(229)**	**(167)**	**–**	**(396)**
	265	**(151)**	**–**	**114**
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)

	2021 HK$'000	2020 HK$'000
Depreciation of right-of-use assets	**396**	538
Interest expense on lease liabilities	**4**	16
Expense relating to short-term leases	**3,500**	3,030
Total cash outflow for leases	**1,807**	3,489

For both years, the Group leases various land, offices, factory, machineries and vehicles for its operations. Lease contracts are entered into for fixed term of 1 year to 41 years and 9 months (2020: 1 year to 41 years and 9 months). Lease terms are negotiated on an individual basis and contain different terms and conditions. In determining the lease term and assessing the length of the non-cancellable period, the Group applies the definition of a contract and determines the period for which the contract is enforceable.

The Group regularly entered into short-term leases for office premises. As at 31 March 2021 and 2020, the portfolio of short-term leases is similar to the portfolio of short-term leases to which the short-term lease expense disclosed above.

The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor.

Details of the lease maturity analysis of lease liabilities are set out in notes 27 and 35.

15. Investment Property

The Group leases out a commercial property under operating leases with rentals payable monthly. The leases typically run for an initial period of 1 to 2 years (2020: 1 to 2 years). Majority of the lease contracts contain lease payment that are fixed over the lease term.

The Group is not exposed to foreign currency risk as a result of the lease arrangements, as all leases are denominated in the respective functional currencies of group entities. The lease contracts do not contain residual value guarantee and lessee's option to purchase the property at the end of lease term.

	2021 HK$'000	2020 HK$'000
Fair Value		
At 1 April 2020/2019	**10,840**	10,290
Net (decrease)/increase in fair value recognised in profit or loss	**(2,240)**	550
At 31 March	**8,600**	10,840

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 2021 and 31 March 2020 has been arrived at by the management using direct comparison method on an open market basis with reference to the value of adjacent properties.

In estimating the fair value of the properties, the highest and best use of the properties is their current use.

Details of the Group's investment properties and information about the fair value hierarchy as at the end of the reporting period are as follows:

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 are measured at their fair value of approximately HK$8,600,000 (2020: HK$10,840,000), which represented a commercial building located in Hong Kong and was classified as Level 3 fair value hierarchy.

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 (per square meter). A significant increase/(decrease) in the market unit price 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. Intangible Assets

	Mining rights HK$'000
Cost	
At 1 April 2019	356,288
Exchange adjustments	(23,470)
At 31 March 2020	**332,818**
Exchange adjustments	**28,663**
Addition for the year	**11,662**
At 31 March 2021	**373,143**
Accumulated amortisation and impairment	
At 1 April 2019	246,748
Exchange adjustments	(18,538)
Charge for the year	22,065
Impairment loss recognised in the year	69,813
At 31 March 2020	**320,088**
Exchange adjustments	**28,007**
Charge for the year	**25,048**
At 31 March 2021	**373,143**
Carrying values	
At 31 March 2021	**–**
At 31 March 2020	12,730

The effective amortisation rate of mining rights for the year approximates to 8% (2020: 6%).

Impairment assessment of mining assets

In the prior year, the management of the Group concluded that there was indication for impairment and conducted impairment assessment on certain property, plant and equipment, intangible assets with finite useful life and land rehabilitation costs. The Group estimates the recoverable amount of the cash-generating unit ("CGU") of mining business segment to which the asset belongs when it is not possible to estimate the recoverable amount individually, including allocation of corporate assets when reasonable and consistent basis can be established.

16. Intangible Assets (Continued)

Impairment assessment of mining assets (Continued)

The recoverable amount of CGU has been determined based on a value in use calculation. That calculation uses cash flow projections based on financial budget approved by the management of the Group covering the following 2 years with a pre-tax discount rate is 17% as at 31 March 2020. Other key assumptions for the value in use calculated included metal price projection, estimation of mineral reserves and resources and budgeted production costs which is determined based on the CGU's past performance and management expectations for the market development.

Based on the value in use calculation, an impairment of HK$9,001,000, HK$69,813,000 and HK$1,532,000, respectively, has been recognised against the carrying amount of property, plant and equipment, intangible assets with finite useful lives and land rehabilitation costs and had been recognised in the consolidated statement of profit or loss and other comprehensive income within the "impairment loss on mining assets" line item for the year ended 31 March 2020.

17. Interests in Associates

	2021 **HK$'000**	2020 HK$'000
Balance at the beginning of year	**128**	38,964
Addition	**17**	–
Disposal	**–**	–
Share of loss	**(101)**	(11,028)
Impairment loss	**–**	(27,808)
Balance at the end of year	**44**	128
Amounts due from associates	**53**	69
	97	197

17. Interests in Associates (Continued)

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

Name of entity	Country of incorporation/ registration	Principal place of business	Proportion of ownership interest and voting rights held by the Group 2021	2020	Principal activity
CGA Holdings Limited ("CGA" Holdings")	British Virgin Islands	Hong Kong	29.97%	30.82%	Investment holdings
CGA Entertainment Limited *	Hong Kong	Hong Kong	29.97%	30.82%	Promoting e-sports activities and organising e-sports tournament
CGA e-Commerce Limited *	Hong Kong	Hong Kong	29.97%	30.82%	E-commerce
CGA Stadium Limited *	Hong Kong	Hong Kong	–	30.82%	Operating an e-sports stadium and stores
Cyber Games Arena Limited *	Hong Kong	Hong Kong	–	30.82%	Promoting e-sports activities and organising e-sports tournament
CGA Legend Limited *	Hong Kong	Hong Kong	29.97%	30.82%	Promoting e-sports activities and organising e-sports tournament
Versus Arena Limited *	Hong Kong	Hong Kong	29.97%	30.82%	E-sports business
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

* Wholly-owned subsidiaries of CGA Holdings.

On 14 May 2020, the Group disposed of 0.85% equity interest in CGA Holdings to Bloom Explorer Limited, one of the existing shareholders of CGA Holdings, at a cash consideration of HK$407,000, resulting in a gain on disposal of an associate of HK$407,000 (2020: nil). Since then, the Group's equity interests in CGA Holdings decreased from 30.82% to 29.97%.

On 30 November 2020, CGA Holdings disposed of two subsidiaries, CGA Stadium Limited and Cyber Games Arena Limited, to a company owned by one of its founders and recognised a gain on disposal of HK$70,989,000. Since the disposal, CGA Holdings ceased operating e-Stadium and store.

17. Interests in Associates (Continued)

Pursuant to the subscription agreement dated 16 May 2018, the major shareholders of Cyber Games Arena Limited (the "Guarantors") undertake the profit guarantee compensation and jointly and severally guaranteed to the Group that the net profit after tax of CGA Holdings and its subsidiaries (the "CGA Group") as shown in the audited consolidated financial statements of the CGA Group 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. During the year, the Group recognised a gain on fair value change of approximately HK$1,896,000 (2020: HK$864,000) on the CGA Profit Guarantee (note 18(d)).

The Group has invested in the equity interests in Nano Bubble and Nano Energy. The Group also made a proportional shareholders loan to Nano Bubble and Nano Energy. Nano Bubble is principally engaged in the development of domestic pesticide removal, surface cleaning and sanitisation products with the application of Nano technology and the principal activities are Nano Energy are development of different power generation mechanism. During the year, the proportional shareholders loan made to Nano Energy was capitalised as equity interests.

The amounts due from associates are unsecured, interest-free and have no fixed term of repayment.

In the prior year, the business of CGA Group was severely impacted by the Hong Kong social events as well as the outbreak of the COVID-19. Accordingly, the Group concluded that there was indication for impairment and conducted an impairment assessment on its interests in associates. The recoverable amount of the interests in associates was determined based on a value-in-use calculation. That calculation used cash flow projections based on financial budget approved by the management of CGA Group covering the following 5 years with a pre-tax discount rate of 19% as at 31 March 2020. The cash flows beyond the five-year period were extrapolated using 2.5% growth rate. The growth rate was based on the industry growth forecasts and did not exceed the long-term average growth rate for the relevant industry. Other key assumptions for the value in use calculated were the budgeted revenue, budgeted gross margin and budgeted operating expenses, which were determined based on CGA Group's past performance and management expectations for the market development.

Based on the result of the assessment, management of the Group determined that the recoverable amount of the interest in associates was lower than the carrying amount and the interests in CGA Group was fully written off in the prior year.

17. Interests in Associates (Continued)

Summarised financial information of material associates

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

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

CGA Group

	2021 HK$'000	2020 HK$'000
Current assets	**3,488**	14,869
Non-current assets	**1,627**	–
Current liabilities	**(6,166)**	(23,399)
Non-current liabilities	**(974)**	(25,816)
Net liabilities	**(2,025)**	(34,346)

	2021 HK$'000	2020 HK$'000
Revenue	**12,726**	53,456
Profit/(loss) and total comprehensive income/(expense) for the year	**32,321**	(70,053)

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

	2021 HK$'000	2020 HK$'000
Net liabilities of CGA Group	**(2,025)**	(34,346)
Proportion of the Group's ownership interest in CGA Group	**29.97%**	30.82%
The Group's share of net liabilities of CGA Group	**(607)**	(10,585)
Cumulative unrecognised share of loss of CGA Group	**607**	10,585
Carrying amount of the Group's interest in CGA Group	**–**	–

	2021 HK$'000	2020 HK$'000
The unrecognised share of loss of associates for the year	**–**	(10,585)

17. Interests in Associates (Continued)

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

	2021 HK$'000	2020 HK$'000
Share of associates' loss and total comprehensive expense for the year	**(101)**	(41)
Aggregate carrying amount of the Group's interests in the associates	**97**	197

18. Financial Assets at Fair Value through Profit or Loss

	2021 HK$'000	2020 HK$'000
Financial assets measured at FVTPL:		
Listed debt securities (note a)	**2,858**	2,626
Unlisted equity investments (note b)	**9,992**	11,295
Convertible loan (note c)	**933**	632
CGA Profit Guarantee (note d)	**9,142**	7,246
	22,925	21,799
Analysed for reporting purposes:		
Current assets	**12,933**	2,626
Non-current assets	**9,992**	19,173
	22,925	21,799

Notes:

a. Listed debt securities carried fixed interest rates of 4.6% to 7.5% and maturity dates in September 2022 and June 2023 respectively. The fair values of these investments are determined with reference to quoted market prices.

For the year ended 31 March 2021, the Group recorded a gain on fair value changes of HK$232,000 (2020: loss of HK$331,000) in the consolidated statement of profit or loss and other comprehensive income.

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

Notes: (Continued)

b. Unlisted equity investments composed of 8.86% equity interest of Dragon Silver Holdings Limited ("Dragon Silver"), a profit guarantee, a dividend guarantee and a put option as described below. 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 shortfall of the actual profits attributable to the Group (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). 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 three additional financial years for the financial years ending 30 June 2023, 2024 and 2025.

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 shortfall of the dividend (i.e. the Guaranteed Dividends less actual dividend paid) multiplied by the number of shares subscribed by the Group (i.e. 600,000 shares).

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 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.

For the year ended 30 June 2020, Dragon Silver had not declared and paid any dividend to the Group (2020: dividend income of HK$750,000). In October 2020, the Guarantor paid to the Group the dividend compensation amount of HK$750,000 pursuant to the term of the subscription agreement. As the actual profits of Dragon Silver for the year ended 30 June 2019 was less than the Guaranteed Profits, the Guarantor had paid to the Group HK$766,000 as compensation pursuant to the terms of the subscription agreement during the year.

For the year ended 31 March 2021, the Group recorded a loss on fair value changes of approximately HK$1,303,000 (2020: gain of approximately HK$1,365,000) in the consolidated statement of profit or loss and other comprehensive income.

c. Convertible loan in the principal sum of US$100,000 (equivalent to approximately HK$770,000) 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.

For the year ended 31 March 2021, the Group recorded a gain on fair value changes of approximately HK$301,000 (2020: loss of approximately HK$94,000) in the consolidated statement of profit or loss and other comprehensive income.

d. For the year ended 31 March 2021, the Group recorded a gain on fair value changes of approximately HK$1,896,000 (2020: HK$864,000) in the consolidated statement of profit or loss and other comprehensive income.

Further details of the CGA Profit Guarantee were set out in note 17 to the consolidated financial statements.

19. Land Rehabilitation Costs

	2021 HK$'000	2020 HK$'000
Balance at the beginning of year	279	2,275
Exchange adjustments	22	(103)
Amortisation charge for the year	(59)	(361)
Impairment loss recognised	–	(1,532)
Balance at the end of year	242	279

The land rehabilitation costs relate to the restoration costs for the occupation of lands at mining sites. The amortisation period ranges from approximately 1 year to 6 years.

An impairment loss of HK$1,532,000 is recognised for the land rehabilitation costs in the prior year. Details are set out in note 16 to the consolidated financial statements.

20. Inventories

	2021 HK$'000	2020 HK$'000
Raw materials	2,709	4,333
Finished goods	7,238	4,316
	9,947	8,649

21. Trade receivables

	2021 HK$'000	2020 HK$'000
Trade receivables from contracts with customers	3,621	–

The following is an aged analysis of trade receivables presented based on the invoice dates:

	2021 HK$'000	2020 HK$'000
0 to 30 days	3,621	–

As at 31 March 2021, none of trade receivables balance are past due (2020: nil).

The Group does not hold any collateral over its trade receivables.

22. Prepayments, deposits and other receivables

	2021 HK$'000	2020 HK$'000
Prepayments	**197**	738
Deposits	**24,870**	22,777
Other receivables	**112**	1,040
	25,179	24,555
Less: deposits classified as non-current assets	**–**	(22,157)
	25,179	2,398

The Group's deposits amounting to approximately HK$24,041,000 (2020: HK$22,157,000) represent the land restoration and environmental recoverability guarantee deposits for the Group's mines.

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 1.9% (2020: 0.3% and 2.0%) per annum.

At 31 March 2021, the Group had bank balances and cash of approximately HK$97,644,000 (2020: HK$37,957,000) 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

	2021 HK$'000	2020 HK$'000
Trade payables	**2,970**	2,580
Other payables	**13,098**	8,202
	16,068	10,782

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

	2021 HK$'000	2020 HK$'000
0 to 30 days	**305**	183
31 to 60 days	**–**	–
61 to 90 days	**2,552**	1,377
More than 90 days	**113**	1,020
	2,970	2,580

Included in other payables are mainly deposits received of approximately HK$1,039,000 (2020: HK$1,080,000), and accrued salary and other benefits of approximately HK$5,095,000 (2020: HK$3,959,000).

25. Contract Liabilities

Contract liabilities represent receipts in advance from customers for unsatisfied performance obligations and are recognised as revenue when the Group performs its obligations under the contracts.

26. Provision for Land Rehabilitation

	2021 HK$'000	2020 HK$'000
Balance at beginning of year	8,613	9,220
Exchange adjustments	683	(607)
Utilisation of provision	(1,504)	–
Balance at end of year	7,792	8,613
Less: provision for land rehabilitation classified as non-current liabilities	(6,965)	(6,420)
Provision for land rehabilitation classified as current liabilities	827	2,193

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

	2021 HK$'000	2020 HK$'000
Lease liabilities payable	–	162
Less: Amount due for settlement with 12 months shown under current liabilities	–	(159)
Amount due for settlement with after 12 months shown under non-current liabilities	–	3

The weighted average incremental borrowing rates applied to lease liabilities was 4.75%.

28. Loans from Related Companies

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

29. 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
At 1 April 2019	567	15,363	15,930
Exchange adjustments	–	(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)
At 31 March 2020	**660**	**3,727**	**4,387**
Exchange adjustments	**119**	**316**	**435**
Charge/(credit) to profit or loss			
Origination and reversal of temporary differences	**1,841**	**(4,043)**	**(2,202)**
Reversal upon payment	**(750)**	**–**	**(750)**
At 31 March 2021	**1,870**	**–**	**1,870**

Under the Enterprise Income Tax Law of PRC, withholding tax is imposed on dividends declared in respect of profits earned by PRC subsidiaries from 1 January 2008 onwards. Deferred taxation has been provided in full in the consolidated financial statements in respect of temporary differences attributable to the profits earned by certain PRC subsidiaries.

At the end of the reporting period, the Group has unused tax losses of approximately HK$320,172,000 (2020: HK$312,000,000) available for offsetting against future profits. No deferred tax asset has been recognised in respect of these unused tax losses due to the unpredictability of future profit streams. These unused tax losses of the Group may be carried forward indefinitely.

At the end of the reporting period, the Group has deductible temporary differences of HK$17,813,000 (2020: HK$20,195,000). No deferred tax asset has been recognised in relation to such deductible temporary difference as it is not probable that taxable profit will be available against which the deductible temporary differences can be utilised.

30. Share Capital

	Number of shares		Share capital	
	2021	**2020**	**2021**	2020
			HK$'000	HK$'000
Issued and fully paid				
At 1 April 2019, 31 March 2020 and 31 March 2021	**2,812,881,803**	2,812,881,803	**906,074**	906,074

31. 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.

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.

32. Share Options

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

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

The maximum number of shares which may be issued upon the exercise of all outstanding options granted and yet to be exercised under the 2003 Share Option Scheme and other share option schemes of the Company shall not, in aggregate, exceed 30% of the shares of the Company in issue from time to time.

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

32. 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 a 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.

32. 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 2021 was about 2.5 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 2021, the total number of shares available for issue under the 2013 Share Option Scheme is 100,574,203 (2020: 99,574,203) shares, representing 3.6% (2020: 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.

32. Share Options (Continued)

Details of the movements in the number of share options 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 1.4.2019	Cancelled during the year	Lapsed during the year	Outstanding at 31.3.2020	**Cancelled during the year**	**Lapsed during the year**	**Outstanding at 31.3.2021**
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**

32. Share Options (Continued)

Type of Particulars	Date of grant	Vesting and Exercisable period	Exercise price per share HK$	Outstanding at 1.4.2019	Cancelled during the year	Lapsed during the year	Outstanding at 31.3.2020	Cancelled during the year	Lapsed during the year	Reclassified	Outstanding at 31.3.2021
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	–	(1,000,000)	2,000,000	8,000,000
				9,490,811	–	–	9,490,811	–	(1,000,000)	2,000,000	10,490,811
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	11,000,000	–	–	11,000,000	–	–	(2,000,000)	9,000,000
				15,255,136	–	–	15,255,136	–	–	(2,000,000)	13,255,136
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				37,745,947	–	–	37,745,947	–	(1,000,000)	–	36,745,947
Weighted average exercise price				HK$0.1141	N/A	N/A	HK$0.1141	N/A	N/A	N/A	HK$0.1141

Notes:

1. A total of 2,000,000 options granted to Mr. Felipe Tan on 2 March 2017 was reclassified from "Employees" category to "Directors" category upon his appointment as executive Director of the Company on 17 March 2021.
2. No share options have been granted under the share option schemes during the year ended 31 March 2021 (2020: nil).
3. No share options granted under the share option schemes were exercised during the year ended 31 March 2021 (2020: nil).

33. 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 Group contributes monthly the lower of HK$1,500 or 5% of the relevant monthly payroll costs to the MPF Scheme, which contribution is matched by employees.

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 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 2021, 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$687,000 (2020: HK$1,372,000).

34. Particulars of Principal Subsidiaries of the Company

General information of principal subsidiaries

Details of the principal subsidiaries directly or indirectly held by the Company at the end of the reporting period are set out below:

Name of subsidiary	Place of incorporation/ registration/ operations	Issued ordinary/ registered capital	Percentage of equity interests attributable to the Company		Principal activities
			Directly	Indirectly	
Goffers Management Limited	British Virgin Islands	US$200	–	51%	Investment holding
Nano Tech Limited	Hong Kong	HK$100,000	–	90.1%	Investment holding
SRJJ Limited	Hong Kong	HK$10,000	–	100%	Research, development and sales of bio and nano materials products
Time Rich HK Limited	Hong Kong	HK$100	–	100%	Investment holding, provision of business and agency services
Timeless T12M Capital Limited	Hong Kong	HK$1,000,000	–	100%	Technology and business investment activities
新疆天目礦業資源開發有限公司 Xinjiang Tianmu Mineral Resources Development Co. Ltd. ("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

34. 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 of the Company, principally affected the results or assets of the Group. To give details of other subsidiaries would, in the opinion of the directors of the Company, 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 the 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		Profit/(loss) allocated to non-controlling interests		Accumulated non-controlling interests	
		2021	2020	**2021**	2020	**2021**	2020
				HK$'000	HK$'000	**HK$'000**	HK$'000
Xinjiang Tianmu	PRC	**74%**	74%	**43,239**	(48,998)	**82,631**	52,383
Individually immaterial subsidiaries with non-controlling interests						**(136)**	3,385
						82,495	55,768

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.

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

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

Xinjiang Tianmu

	2021 HK$'000	2020 HK$'000
Current assets	136,072	47,893
Non-current assets	7,678	45,217
Current liabilities	(25,699)	(12,162)
Non-current liabilities	(6,965)	(10,150)
Net assets	111,086	70,798
Equity attributable to owners of the Company	28,893	18,415
Non-controlling interests	82,193	52,383
Total equity	111,086	70,798
Revenue	189,018	113,679
Other income and gains	1,417	574
Gain on disposal of intangible assets	–	1,716
Expenses	(131,996)	(182,191)
Profit/(loss) for the year	58,439	(66,222)
Profit/(loss) attributable to owners of the Company	15,200	(17,224)
Profit/(loss) attributable to the non-controlling interests	43,239	(48,998)
Profit/(loss) for the year	58,439	(66,222)
Other comprehensive income/(expense) attributable to owners of the Company	2,200	(2,399)
Other comprehensive income/(expense) attributable to non-controlling interests	6,258	(6,827)
Other comprehensive income/(expense) for the year	8,458	(9,226)
Total comprehensive income/(expense) attributable to owners of the Company	17,400	(19,623)
Total comprehensive income/(expense) attributable to non-controlling interests	49,497	(55,825)
Total comprehensive income/(expense) for the year	66,897	(75,448)
Dividends paid to non-controlling interests	13,037	13,629
Net cash from operating activities	91,391	37,578
Net cash used in investing activities	(10,969)	(1,066)
Net cash used in financing activities	(26,784)	(19,170)
Effect of foreign exchange rate changes	6,173	(2,479)
Net increase in cash and cash equivalents	59,811	14,863

35. Financial Instruments

(a) Categories of financial instruments

	2021 HK$'000	2020 HK$'000
Financial assets		
Financial assets at FVTPL	22,925	21,799
Financial assets at amortised cost	144,728	71,798
Financial liabilities		
Amortised cost	39,888	25,944

(b) Financial risk management objectives and policies

The Group's major financial instruments include financial assets at FVTPL, trade receivables, deposits and other receivables, amounts due from associates, bank balances and cash, trade and other payables, dividend payable to a non-controlling shareholder, lease liabilities and loans from related companies. Details of the financial instruments are disclosed in respective notes. The risks associated with these financial instruments include market risk (currency risk, interest rate risk and other price risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management of the Group manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

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 performance 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 does not have material 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.

35. 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 significant monetary assets that are denominated in currencies other than the functional currencies of the relevant group entities are as follows:

	2021 HK$'000	2020 HK$'000
Monetary assets		
United States Dollars ("US$")	123	486
RMB	15,659	125

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$, the directors of the Company consider that the Group's exposure to foreign currency exchange in respect of US$ is insignificant.

Sensitivity analysis

The following table details the Group's sensitivity to a 5% (2020: 5%) increase and decrease in HK$ against RMB. 5% (2020: 5%) is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. 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% (2020: 5%) change in foreign currency rates. A positive number below indicates a 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 profit or loss.

	2021 HK$'000	2020 HK$'000
RMB	783	6

Interest rate risk management

The Group is exposed to fair value interest rate risk in relation to its fixed rate borrowings. The Group is also exposed to cash flow interest rate risk in relation to their variable-rate bank balances. The management considers that the exposure to interest rate risk on bank balances 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.

35. 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 investments in equity and debt securities measured at FVTPL. The management manages this exposure by maintaining a portfolio of investments with different risk. The management keeps monitor the price risk and will consider hedging the risk exposure should the need arise.

Sensitivity analysis

The sensitivity analyses 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 profit before tax for the year would increase/decrease by approximately HK$286,000 (2020: loss before tax decrease/increase by approximately HK$263,000) as a result of the changes in fair value of investments at FVTPL.

Credit risk and impairment assessment

Credit risk refers to the risk that the Group's counterparties default on their contractual obligations resulting in financial losses to the Group. The Group does not hold any collateral or other credit enhancements to cover its credit risks associated with its financial assets.

The Group performed impairment assessment for financial assets under ECL model. Information about the Group's credit risk management, maximum credit risk exposures and the related impairment assessment, if applicable, are summarised as below:

Trade receivables arising from contracts with customers

The Group's concentration of credit risk by geographical locations is mainly in the PRC, which accounted for 100% of the total trade receivables as at 31 March 2021. The Group has concentration of credit risk as 99.9% of the total trade receivables was due from the Group's five largest customers within the mining business segment. In order to minimise the credit risk, the management of the Group has delegated a team responsible for determination of credit limits and credit approvals.

For trade receivables, the Group has applied the simplified approach in HKFRS 9 to measure the loss allowance at lifetime ECL. Debtors with significant outstanding balances with gross carrying amount of HK$3,621,000 (2020: nil) as at 31 March 2021 were assessed individually. The estimated loss rates are estimated based on historical observed default rates over the expected life of the debtors and are adjusted for forward-looking macroeconomic information that is available without undue cost or effort. As at 31 March 2021, no impairment allowance on trade receivables is provided based on individual assessment as the amounts involved are immaterial.

Bank balances and cash

The credit risk on liquid funds is limited because majority of the counterparties are banks with high credit ratings assigned by international credit-rating agencies and state-owned banks with good reputation. The Group assessed 12m ECL for bank balances by reference to information relating to the respective credit rating grades published by external credit rating agencies.

35. Financial Instruments (Continued)

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

Credit risk and impairment assessment (Continued)

Amounts due from associates

There has been significant increase in credit risk since initial recognition. The Group assessed the loss allowance for amounts due from associates on lifetime ECL basis. In determining the ECL, the Group has taken into account the historical default experience and forward-looking macroeconomic information as appropriate. For the year ended 31 March 2021, no impairment allowance (2020: HK$12,000) was made.

Deposits and other receivables

For deposits and other receivables, the management makes periodic individual assessment on the recoverability of deposits and other receivables based on historical settlement records, past experience, and also quantitative and qualitative information that is reasonable and supportive forward-looking information. The management believes that there are no significant increase in credit risk of these amounts since initial recognition and the Group provided impairment based on 12m ECL. For the year ended 31 March 2021 and 2020, the Group assessed the ECL for deposits and other receivables are insignificant and thus no loss allowance is recognised.

The Group's internal credit risk grading assessment comprises the following categories:

Internal credit rating	Description	Trade receivables	Other financial assets/other items
Low risk	The counterparty has a low risk of default and does not have any past-due amounts	Lifetime ECL – not credit-impaired	12m ECL
Watch list	Debtor frequently repays after due dates but usually settle in full	Lifetime ECL – not credit-impaired	12m ECL
Doubtful	There have been significant increases in credit risk since initial recognition through information developed internally or external resources	Lifetime ECL – not credit-impaired	Lifetime ECL – not credit-impaired
Loss	There is evidence indicating the asset is credit-impaired	Lifetime ECL – credit-impaired	Lifetime ECL – credit-impaired
Write-off	There is evidence indicating that the debtor is in severe financial difficulty and the Group has no realistic prospect of recovery	Amount is written off	Amount is written off

35. Financial Instruments (Continued)

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

Credit risk and impairment assessment (Continued)

The tables below detail the credit risk exposures of the Group's financial assets, which are subject to ECL assessment:

	Notes	External credit rating	Internal credit rating	12m or lifetime ECL	Gross carrying amounts 2021 HK$'000	2020 HK$'000
Trade receivables	21	N/A	Low risk	Lifetime ECL	**3,621**	–
Bank balances and cash	23	A1 to Aa3	Low risk	12m ECL	**116,072**	47,912
Amounts due from associates	17	N/A	Doubtful	Lifetime ECL	**53**	821
Deposits and other receivables	22	N/A	Low risk	12m ECL	**24,982**	23,817
					144,728	72,550

The following tables show reconciliation of loss allowances that has been recognised for amounts due from associates.

	Lifetime ECL HK$'000
At 1 April 2019	740
Impairment losses recognised	12
At 31 March 2020	**752**
Eliminated on capitalisation	**(752)**
At 31 March 2021	**–**

35. 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. The maturity dates for non-derivative financial liabilities is prepared based on the agreed repayment dates.

The table includes both interest and principal cash flows.

	Weighted average effective interest rate	On demand or less than 1 year	Over 1 year	Total undiscounted cash flows	Carrying amounts at 31 March
	%	HK$'000	HK$'000	HK$'000	HK$'000
2021					
Trade and other payables	**N/A**	**16,068**	**–**	**16,068**	**16,068**
Dividends payable to a non-controlling shareholder	**N/A**	**8,820**	**–**	**8,820**	**8,820**
Loans from related companies	**4.5**	**15,000**	**–**	**15,000**	**15,000**
		39,888	**–**	**39,888**	**39,888**
2020					
Trade and other payables	N/A	10,782	–	10,782	10,782
Loans 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

35. Financial Instruments (Continued)

(c) Fair value measurements of financial instruments

Some of the Group's financial instruments are measured at fair value for financial reporting purposes.

In estimating the fair value, the Group uses market-observable data to the extent it is available. Where Level 1 inputs are not available, depending on the complexity of the valuation, the Group engages third party qualified valuers to perform the valuation. The directors of the Company work closely with the qualified external valuers to establish the appropriate valuation techniques and inputs to the model.

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 each reporting period. The following tables gives information about how the fair values of these financial assets are determined (in particular, the valuation technique(s) and inputs used).

Fair value hierarchy as at 31 March 2021

	Level 1 HK$'000	Level 2 HK$'000	Level 3 HK$'000	Total HK$'000
Financial assets at FVTPL				
Listed securities	2,858	–	–	2,858
Convertible loan	–	–	933	933
Unlisted equity investments	–	–	9,992	9,992
CGA Profit Guarantee	–	–	9,142	9,142
	2,858	–	20,067	22,925

Fair value hierarchy as at 31 March 2020

	Level 1 HK$'000	Level 2 HK$'000	Level 3 HK$'000	Total HK$'000
Financial assets at FVTPL				
Listed securities	2,626	–	–	2,626
Convertible loan	–	–	632	632
Unlisted equity investments	–	–	11,295	11,295
CGA Profit Guarantee	–	–	7,246	7,246
	2,626	–	19,173	21,799

35. 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)

Financial assets	Fair value as at 31 March 2021	Fair value as at 31 March 2020	Fair value hierarchy	Valuation techniques and key inputs	Significant unobservable inputs
Listed debt securities	HK$2,858,000	HK$2,626,000	Level 1	Quoted bid prices in an active market.	Not applicable
Convertible loan	HK$933,000	HK$632,000	Level 3	Goldman Sachs' Model – based on the credit adjusted discount rate and volatility of the price of the underlying asset	Volatility of 66% (2020: 50%) (note 1)
Unlisted equity investments	HK$9,992,000	HK$11,295,000	Level 3	Income approach – in this approach, the discounted cash flow method was used to capture the present value of the expected future economic benefits to be derived from the ownership of this investee, based on an appropriate discount rate	Discount rate of 16% (2020: 20%), taking into account weighted average cost of capital (WACC) determined using a Capital Asset Pricing Model (note 2)
					Volatility of 45% (2020: 38%) (note 3)
				Option pricing model – based on volatilities of market comparable companies and value of the unlisted equity investment	
CGA Profit Guarantee	HK$9,142,000	HK$7,246,000	Level 3	Probabilistic flow method in which the cash flows for each year represent the difference between the guaranteed profits and the projected net profits (2020: General accepted pricing model-based on discounted cash flow analysis with Monte Carlo Simulation to incorporate uncertainties of revenue growth)	Expected loss rate of 0.2% (2020: Discount rate of 17%) (note 4)

Note 1: An increase in the volatility used in isolation would result in an increase in the fair value measurement of the convertible loan, and vice versa. A 10% increase/decrease in volatility would not result in any significant potential financial impact.

Note 2: An increase in the discount rate used in isolation would result in a decrease in the fair value measurement of the unlisted equity investments, and vice versa. A 5% increase/decrease in the discount rate holding all other variables constant would decrease/increase the carrying amount of the unlisted equity investments by HK$128,000 and HK$127,000 respectively (2020: HK$505,000 and HK$1,426,000 respectively).

35. 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)

Note 3: An increase in the volatility used in isolation would result in an increase in the fair value measurement of the unlisted equity investments, and vice versa. A 10% increase/decrease in the volatility holding all other variables constant would not result in any significant potential impact (2020: HK$310,000 and HK$291,000 respectively).

Note 4: The management considers that the change in valuation technique is more representative of fair value in the current condition. An increase in expected loss rate used in isolation would result in a decrease in the fair value measurement of the CGA Profit Guarantee, and vice versa. No sensitivity analysis for the input is presented as a reasonably possible change in expected loss rate would not result in any significant potential financial impact.

An increase in discount rate used in isolation would result in a decrease in the fair value measurement of the CGA Profit Guarantee, and vice versa. A 5% decrease/increase in the discount rate holding all other variables constant would increase/decrease the carrying amount of the CGA Profit Guarantee by HK$492,000 and HK$443,000 as at 31 March 2020.

There were no transfers between Level 1, 2 and 3 during the year.

Reconciliation of level 3 fair value measurement

	2021 HK$'000	2020 HK$'000
At 1 April 2020/2019	**19,173**	17,804
Gain on fair value changes recognised in profit or loss	**894**	2,135
Settlement	**–**	(766)
At 31 March	**20,067**	19,173

The net gain on fair value change of level 3 financial assets recognised in profit or loss amounting to approximately HK$894,000 (2020: HK$2,135,000) within the line item "gain on 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 2021.

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

The directors consider the carrying amounts of financial assets and financial liabilities recognised in the consolidated financial statements approximate to their fair values.

36. Capital Risk 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 loans from related companies, lease liabilities and an amount due to a non-controlling shareholder) and equity attributable to owners of the Company (comprising issued share capital and reserves).

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

Gearing ratio

The directors of the Company review the capital structure regularly. As part of this review, the directors of the Company 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:

	2021 **HK$'000**	2020 HK$'000
Debts	**15,000**	15,162
Equity attributable to owners of the Company	**52,784**	42,737
Gearing ratio	**28.42%**	35.48%

37. 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, including both cash and non-cash changes. 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 as cash flows from financing activities.

	Loans from related companies HK$'000	Lease liabilities HK$'000	Amount due to a non-controlling shareholder HK$'000	Dividend payable to a non-controlling shareholder HK$'000	Total HK$'000
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**
Changes from financing cash flows	**(675)**	**(170)**	**–**	**(13,037)**	**(13,882)**
Dividend payable to non-controlling interests	**–**	**–**	**–**	**21,857**	**21,857**
Interest expenses	**675**	**4**	**–**	**–**	**679**
Exchange adjustments	**–**	**4**	**–**	**–**	**4**
At 31 March 2021	**15,000**	**–**	**–**	**8,820**	**23,820**

38. Operating Lease Arrangements

The Group as lessor

All of the properties held by the Group for rental purposes have committed lessees for the next 2 years.

Undiscounted lease payments receivable on leases are as follows:

	2021 HK$'000	2020 HK$'000
Within one year	**192**	163
In the second year	**72**	18
	264	181

39. Related Party Transactions

Other than as disclosed elsewhere in the consolidated financial statements, the Group had the following significant transactions with related parties:

	2021 HK$'000	2020 HK$'000
Rental and share of office expenses paid to related companies (Note i)	**785**	503
Purchase of goods from a related company (Note ii)	**14**	–
Loan interest paid to related companies (Note iii)	**675**	676
Management fee income from an associate (Note iv)	**300**	38
Recharge of consultancy fee to an associate (Note iv)	**20**	46

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, an executive director of the Company, at terms mutually agreed by both parties.

ii. Goods were purchased from a related company, in which Mr. Felipe Tan has equity interest, at terms mutually agreed by both parties.

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.

iv. 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.

Related party balances

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

Compensation of key management personnel

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

40. Statement of Financial Position of the Company

Statement of financial position of the Company

	2021 HK$'000	2020 HK$'000
Non-current assets		
Property, plant and equipment	239	404
Investment property	8,600	10,840
Investments in subsidiaries	4,844	4,844
	13,683	16,088
Current assets		
Other receivables	188	186
Amounts due from subsidiaries	24,041	27,956
Bank balances and cash	347	738
	24,576	28,880
Current liabilities		
Other payables	799	977
Amounts due to subsidiaries	1,270	1,579
	2,069	2,556
Net current assets	22,507	26,324
Net assets	36,190	42,412
Capital and reserves		
Share capital	906,074	906,074
Reserves	(869,884)	(863,662)
Total equity	36,190	42,412

The statement of financial position was approved and authorised for the issue by the Board of Directors on 18 June 2021 and are signed on its behalf by:

Felipe Tan	**Lau Yun Fong Carman**
Director	*Director*

40. Statement of Financial Position of the Company (Continued)

Movements in the Company's reserve

	Share options reserve HK$'000	Property revaluation reserve HK$'000	Accumulated deficit HK$'000	Total HK$'000
At 1 April 2019	2,024	964	(811,404)	(808,416)
Loss and total comprehensive expense for the year	–	–	(55,246)	(55,246)
At 31 March 2020	**2,024**	**964**	**(866,650)**	**(863,662)**
Loss and total comprehensive expense for the year	**–**	**–**	**(6,222)**	**(6,222)**
Lapse of share options	**(38)**	**–**	**38**	**–**
At 31 March 2021	**1,986**	**964**	**(872,834)**	**(869,884)**

Major Property Information

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

Location	Existing use	Tenure	Group's interest (%) 2021	2020
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				
	2017 HK$'000	2018 HK$'000	2019 HK$'000	2020 HK$'000	**2021** **HK$'000**
RESULTS					
Revenue	64,910	174,172	78,154	113,679	**189,935**
(Loss)/profit before tax	(15,949)	18,129	(70,419)	(112,294)	**70,240**
Income tax (expense)/credit	(1,882)	(4,111)	3,660	981	**(20,067)**
(Loss)/profit for the year	(17,831)	14,018	(66,759)	(111,313)	**50,173**
Attributable to:					
Owners of the Company	(16,574)	2,002	(27,785)	(61,734)	**7,976**
Non-controlling interests	(1,257)	12,016	(38,974)	(49,579)	**42,197**
	(17,831)	14,018	(66,759)	(111,313)	**50,173**

	2017 HK$'000	2018 HK$'000	2019 HK$'000	2020 HK$'000	**2021** **HK$'000**
ASSETS AND LIABILITIES					
Total assets	427,159	433,481	290,387	137,521	**194,440**
Total liabilities	(77,774)	(93,899)	(57,454)	(39,016)	**(59,161)**
	349,385	339,582	232,933	98,505	**135,279**
Attributable to:					
Owners of the Company	132,135	138,732	107,157	42,737	**52,784**
Non-controlling interests	217,250	200,850	125,776	55,768	**82,495**
	349,385	339,582	232,933	98,505	**135,279**