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 2018

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

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

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

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

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

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Directors

Executive Directors

Felipe TAN *(Chairman)*
LAU Yun Fong Carman

Independent Non-Executive Directors

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

Compliance Officer

LAU Yun Fong Carman

Audit Committee

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

Nomination Committee

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

Remuneration Committee

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

Company Secretary

KO Yuen Kwan

Auditors

HLB Hodgson Impey Cheng Limited
Certified Public Accountants

Legal Adviser

Michael Li & Co.

Share Registrar

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

Bankers

Hang Seng Bank Limited
OCBC Wing Hang Bank Limited

Registered Office

Room 2208
118 Connaught Road West
Hong Kong

Listing

GEM of The Stock Exchange of Hong Kong Limited

Stock Code

8028

Authorised Representatives to the Stock Exchange

LAU Yun Fong Carman
KO Yuen Kwan

Website

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Email

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Chairman's Statement

On behalf of the board of directors of the Company, I am pleased to present the audited consolidated annual results for the year ended 31 March 2018 of the Group.

During the year ended 31 March 2018, the Company's gold mine was exhausted from production, and the Tuchushan Iron Mine was shut down due to its location within Xinjiang Lop Nur Wild Camel National Grade Natural Reserve. The Group has also ceased from further exploration in the area.

During the year, Russia has again poured high-grade nickel ores into the China market, which has direct hit on our sales of high-grade nickel ores. We have, therefore, rented a processing plant and milled lower-grade ores to enhance our sales capacity.

Apart from mining in Xinjiang, the Company invested in 8.86% equity interests in a tin processing company in Hong Kong. The processing operation has great potential to increase its profit in the coming years.

The operating performance of the Software Business of the Company improved substantially in 2017 after we integrated the business resources and reorganized operation segments. In September 2017, the Company disposed of its equity interest in an associate which was engaged in software development and information technology services in the PRC. With the proceeds generated from such disposal, the Company further expanded its business model through formation of an angel investment company focusing on the IT industry and investment in an e-sports company, exerting a new growth driving force for the Software Business. By leveraging our experience on information technology and our confidence in the Hong Kong IT ecosystem and the new-emerging e-sports industry, we believe such investment will further strengthen the Company's core competitiveness and expand its business structure.

In the years ahead, we foresee the shortage in high-grade nickel content due to the increased demand of electric vehicle battery. Such shortage will gradually be reflected in the nickel market prices. However, the impact of Russian high-grade ores will become a new norm. It is expected that we shall be able to continue to sell high-grade nickel ores in 2018 but the Company will focus on the production of concentrates to avoid direct competition with Russian supply. Despite such change, the Company will still be benefited from the rising market demand for the electric vehicle battery.

I would like to take this opportunity to thank our staff for their diligent work and contributions. Our sincere gratitude also goes to all of our shareholders, investors and business partners of the Group for their continued and strong support to the Group. I deeply thank for their recognition of our strategies towards future development.

On behalf of the Board
Felipe Tan
Chairman

Hong Kong, 20 June 2018

Management Discussion and Analysis

About the Group

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

Segmental Information

The Company acts as an investment holding company. The Company and its subsidiaries (the "Group") are principally engaged in (i) the exploration and exploitation of mines ("Mining Business"); and (ii) the provision of consultancy and software maintenance services, software development, sales of computer hardware and software and e-Commerce services ("Software Business").

During the year under review, revenue was generated from the Group's two operating segments, among which, the Mining Business accounted for 99.8% (2017: 99%) while the Software Business accounted for 0.2% (2017: 1%).

Business Review and Outlook

Mining Business

Overview

The Mining Business mainly comprises of a gold mine and a nickel-copper mine. For the year ended 31 March 2018, products sold under the Mining Business are gold dores, high-grade nickel ores, nickel concentrates and copper concentrates.

For the year ended 31 March 2018, the Group had turnover from sales of gold dores of approximately HK$34.8 million (2017: HK$32.7 million) and nickel-copper products of approximately HK$139.1 million (2017: HK$31.4 million).

As the gold mines of the Group have come to exhaustion, the mine has stopped production in October 2017. Sales of processed gold dores were approximately 108 kg for the year ended 31 March 2018 (2017: 107 kg), representing an increase of 1%.

The production costs were adversely affected by the environmental protection regulations implemented during the year. The imports of Russian nickel ores to the China market also have impact on the sales of our nickel products.

During the year ended 31 March 2018, the extraction of nickel-copper ores and sales of nickel-copper products both increased as compared to last year. Turnover from nickel-copper products comprised of sales of 24,520 tonnes of nickel-copper ores of approximately HK$53.3 million (2017: 15,178 tonnes of HK$31.4 million), 17,782 tonnes of nickel concentrate of approximately HK$61.1 million (2017: nil) and 2,087 tonnes of copper concentrate of approximately HK$24.7 million (2017: nil).

Business Review and Outlook (Continued)

Mining Business (Continued)

Resource estimates update

The details of the resource estimates as at 31 March 2018 are set out below:

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

Nickel-copper Mine	Resource category	Tonnage (tonnes*1,000)	Average grade (Ni %)	(Cu %)
Baishiquan	Measured	1,075	1.83	0.86
	Indicated	3,447	0.58	0.35
	Inferred	813	0.61	0.36

Notes:

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

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

Exploration, Development and Mining Production Activities

	Activity		
Mine	Exploration	Development	Mining
Hongshannan Gold Mine	No material exploration	Completed drift construction of approximately 1,477 meters	Ores extracted: 24,798 tonnes
Tuchushan Iron Mine	No activity during the year		
Baishiquan Nickel-copper Mine	No material exploration	Completed drift construction of approximately 1,539 meters	Ores extracted: 142,312 tonnes
South Hami Gold Project	No activity during the year		

Business Review and Outlook (Continued)

Mining Business (Continued)

Exploration, Development and Mining Production Activities (Continued)

Hongshannan Gold Mine

For the year ended 31 March 2018, the gold ores extracted from the mines decreased to approximately 24,798 tonnes by approximately 28% from 34,327 tonnes in last year. The decrease in gold ores extracted was mainly attributable to the exhaustion of the Hongshannan Gold Mine. As at 31 March 2018, there was no stock at the mine yard and the gold processing plant. Along with the stop production of the Hongshannan Gold Mine, the rehabilitation plan and the leasing out of gold processing plant is under consideration.

Tuchushan Iron Mine

In July 2017, Xinjiang Tianmu Mineral Resources Development Co. Ltd. ("Xinjiang Tianmu"), a PRC subsidiary of the Company, received a notice from the regulatory authority, according to which Xinjiang Tianmu was ordered to terminate its mining, exploration and development activities of the Tuchushan Iron Mine which is located in Xinjiang Lop Nur Wild Camel National Grade Natural Reserve. As Tuchushan Iron Mine has no operating activities for years, the shut-down has no material financial impact on the Group. The deposit paid secured at specific bank as requested by Ministry of Land and Resources is approximately HK$1.6 million.

Baishiquan Nickel-copper Mine

For the year ended 31 March 2018, both the extraction of nickel-copper ores and sales of nickel-copper products increased. The Group resumed extraction and processing of nickel-copper ores in April 2017 with 142,312 tonnes of nickel-copper ores being extracted during the year (2017: 3,010 tonnes). Turnover from the sales of nickel-copper products amounted to approximately HK$139.1 million (2017: HK$31.4 million) representing the sales of 24,520 tonnes of nickel-copper ores (2017: 15,178 tonnes), 17,782 tonnes of nickel concentrate (2017: nil) and 2,087 tonnes of copper concentrate (2017: nil).

South Hami Gold Project

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

Business Review and Outlook (Continued)

Mining Business (Continued)

Expenditure Incurred

During the year ended 31 March 2018, the Group had incurred expenditure of approximately HK$96.9 million on exploration, development, mining and processing activities, details of which are set out below:

	Hongshannan Gold Mine HK$'000	Baishiquan Nickel-copper Mine HK$'000	South Hami Gold Project HK$'000	Total HK$'000
1. Capital Expenditure				
1.1 Exploration activities				
Drilling and analysis	–	–	–	–
Subtotal	–	–	–	–
1.2 Development activities (including mine construction)				
Addition of property, plant and equipment	–	144	–	144
Construction of tunnels and sub-contracting charges	–	6,308	–	6,308
Subtotal	–	6,452	–	6,452
Total Capital Expenditure	–	6,452	–	6,452
2. Operating Expenditure for Mining activities				
Staff cost	516	2,406	–	2,922
Consumables	107	195	–	302
Fuel, electricity, water and other services	736	1,751	–	2,487
Non-income taxes, royalties and other government charges	353	820	–	1,173
Sub-contracting charges	11,142	10,894	–	22,036
Transportation	1,765	6,335	–	8,100
Depreciation and amortisation	1,611	28,209	–	29,820
Others	278	372	–	650
Total Operating Expenditure	16,508	50,982	–	67,490
Total Capital and Operating Expenditure	16,508	57,434	–	73,942
3. Processing Expenditure				
Staff cost				8,185
Consumables				7,051
Fuel, electricity, water and other services				5,110
Depreciation and amortisation				744
Transportation				1
Others				1,916
Total Processing Expenditure				23,007
Total Expenditure				96,949

Business Review and Outlook (Continued)

Mining Business (Continued)

Processing Activities

For the year ended 31 March 2018, the total quantity of gold ores extracted from the mines was approximately 24,798 tonnes (2017: 40,299 tonnes) and processed by the processing plant was 38,649 tonnes (2017: 37,391 tonnes). The gold ores extracted decreased by 38% while gold processing quantity increased by 3% as compared with last financial year. The decrease in gold ores extracted was mainly due to the exhaustion of the Hongshannan Gold Mine. The gold processing quantity was increased as the processing plant was running at high capacity during the year under review.

For the year ended 31 March 2018, the nickel-copper ores extracted from the mines was approximately 142,312 tonnes (2017: 3,010 tonnes) and processed by the processing plant was 139,038 tonnes (2017: nil). Due to the increase in nickel and copper price and the growing demand from nickel and copper products, the Group resumed the extraction and started processing of nickel-copper ores in April 2017 and nickel-copper ores and nickel and copper concentrate become the main products of the Mining Business.

Infrastructure projects and subcontracting arrangements

During the year ended 31 March 2018, there is no new contract and commitment undertaken by the Group in relation to infrastructure project and subcontracting arrangement of the exploration and development of mine.

Impairment on mining rights

For the year ended 31 March 2018, there is no impairment on the mining rights of the Group.

Outlook

Although the Group has successfully entered into sales contracts with the buyers, sales of nickel-copper ores are expected to decrease in 2018 due to the import of large volume of high-grade nickel ores from Russia to the PRC market. In order to bridge up the decrease in the sales, the Company has entered into a tenancy agreement of the processing plant to resume production of nickel-copper concentrates in April 2018, which falls into different category of application and is not impacted by the imports of Russian nickel ores.

Facing such dismal situation and stringent environmental protection regulations, the Group has formulated strict cost control strategy to reduce expenditures in transportation, administration and other aspects. While underpinning the existing sales channels, we also set specific targets to achieve a more complete sales channel coverage, which is pivotal to growing our metal product sales business in a fast-changing and dynamic market place. With an aim to promote sustainable development, the Group will enhance technical transform to adjust product categories in line with the market requirements. By virtue of our experience in investment in a tin processing company in Hong Kong, the Group will continuously seek other potential opportunities to broaden our income stream.

Business Review and Outlook (Continued)

Software Business

Overview

Software Business included the development of software products, consultancy services and computer related hardware trading. During the year under review, the Group had further streamlined such business segment and explored new development opportunities with the use of the proceeds generated from disposal of an associate in the PRC.

In November 2017, the Group entered into an agreement regarding formation of a new investment company. The new company is engaged in investment in potential startups in Hong Kong IT ecosystem to capitalise the coming IT trend and the future potential of startup economy by their individual strengths, so as to maximise the return on capital.

For the year ended 31 March 2018, the Software Business recorded revenue of approximately HK$0.3 million, representing a decrease of 63% against HK$0.8 million for the year ended 31 March 2017. The segment result was improved that the operating losses was reduced to approximately HK$0.8 million, representing a decrease of 91% as compared with last year (2017: HK$8.9 million).

Outlook

In respect of the proceeds from realising our previous investment in the software business, we have accumulated a reasonable resources for long-term projects. In order to rationally allocate and effectively use the funds, we will scientifically divide our fiscal expenditures structure.

In May 2018, the Group entered into a subscription agreement in respect of investment in 28.57% equity interest of an e-sport company, which is principally engaged in provision of advertising and promotion service of e-sports activities and organisation of regular e-sports tournament. The investee operates an e-sports gaming platform which provides systematic gaming and social services to e-sports enthusiasts and has held over 100 sizable online and offline e-sports competitions and activities since 2013. With fast revenue growth, the investee was ranked the 7th place of the Deloitte Technology Fast 20 Hong Kong Program and also ranked the 36th place of the Deloitte Technology Fast 50 China Program in 2017. It is important to note that e-sport has been introduced as a demonstration sport at 2018 Asian Games and will become a medal event at 2022 Asian Games. Due to the high economic potential of the e-sport industry as an emerging new sector, the Company believes that investment in a promising company would bring positive returns to the Company.

Apart from the existing projects, the Group will continue to explore potential projects for expanding its Software Business horizon with the purpose of capturing new opportunities from the growth in the IT-related and other hi-tech industries. The Company will continue to follow the trend of market development, adjust its business direction in a timely manner. Through exploring creative marketing ideas to maintain a satisfactory annual performance of the Company, we committed to lay a concrete foundation for stable development.

Financial Performance Review

For the year ended 31 March 2018, the Group recorded a total turnover of approximately HK$174.2 million (2017: HK$64.9 million), representing an increase of 1.7 times as compared with the last financial year. Other income and gains of approximately HK$3.7 million for the year under review (2017: HK$2.4 million) mainly represented interest income and sales of by products from gold processing. Profit for the year was approximately HK$14.0 million (2017: loss of HK$17.8 million), representing an increase of 1.8 times as compared with the year ended 31 March 2017.

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

The Mining Business segment recorded revenue of approximately HK$173.9 million (2017: HK$64.1 million), and segmental profit for the year of HK$20.7 million (2017: segmental loss of HK$1.7 million), representing an increase of 1.7 times and 13.2 times respectively as compared with the prior financial year.

The Software Business recorded revenue of approximately HK$0.3 million (2017: HK$0.8 million) and segmental loss of HK$0.8 million (2017: HK$8.9 million), representing a decrease of 63% and 91% respectively as compared with last year.

Profit attributable to owners of the Company was approximately HK$2.0 million, as compared to approximately loss of HK$16.6 million for the prior financial year.

Liquidity and Financial Resources

As at 31 March 2018, the Group had bank balances and cash of approximately HK$133.6 million (2017: HK$102.1 million) and net current assets amounted to HK$96.0 million (2017: HK$110.2 million). Out of the Group's bank balances and cash, about 22% was denominated in Hong Kong dollars (2017: 62%), 77% was denominated in Chinese Renminbi (2017: 38%) and 1% was denominated in United State dollars (2017: less than 1%). As at 31 March 2018, the current ratio was 2.70 (2017: 4.75).

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

As at 31 March 2018, the Group had outstanding borrowings of approximately HK$11.7 million (2017: HK$20.5 million), which mainly represented the Hong Kong dollar denominated promissory note accounted for at amortised cost using the effective interest method, obligations under a finance lease and amount due to a non-controlling interest.

Liquidity and Financial Resources (Continued)

Promissory Note

On 11 May 2012, the Group issued a promissory note to Starmax Holdings Limited ("Starmax") as part of the purchase consideration of a 51% equity interest of Goffers Management Limited ("Goffers"), a non-wholly owned subsidiary of the Company, in the principal amount of HK$63 million. As at 31 March 2018, HK$53 million was repaid and the remaining HK$10 million is repayable on 11 May 2018. The promissory note bears interest at 3% per annum payable on each anniversary of the date of issue and is secured by a charge over a 51% of the issued share capital of Goffers. Overdue instalments bear interests at 7% per annum according to the terms of the promissory note until the overdue instalments are fully paid by the Group.

On 11 May 2018, the Group repaid the last instalment of HK$10 million with accrued interest of approximately HK$0.3 million according to the terms of the promissory note and the related charge was released.

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

Capital Commitments

The Group has no significant capital commitments as at 31 March 2018.

Gearing Ratio

As at 31 March 2018, the Group's gearing ratio was approximately 8% (2017: 16%), based on total borrowings of approximately HK$11.7 million (2017: HK$20.5 million) and equity attributable to owners of the Company of approximately HK$138.7 million (2017: HK$132.1 million). The decrease in the ratio was mainly due to the repayment of HK$10 million promissory note during the year ended 31 March 2018.

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

As at 31 March 2018, 102 shares of Goffers (representing 51% of the issued share capital) was pledged to the noteholder in order to secure the payment obligations of the Group under the promissory note. Subsequent to the financial year end on 11 May 2018, the Group repaid the last instalment of HK$10 million to the noteholder and the related pledge was released. In addition, one motor vehicle of the Group was pledged as security for a finance lease as at the date of the report.

Order Book and Prospects for New Business

There was no order book on hand as at 31 March 2018.

Material Acquisitions and Disposals of Subsidiaries and Affiliated Companies

On 29 September 2017, the Group completed the disposal of 25.04% of the issued share capital in Ningxia Educational Information & Technology Co., Ltd. ("Ningxia") at a total consideration of RMB5,752,500 (equivalent to approximately HK$6,717,000) and gain on disposal of an associate of approximately HK$3,057,000 was recognised during the year. After the disposal, Ningxia ceased to be an associate of the Company.

Save as disclosed above, there was no material disposal or acquisition of subsidiaries and affiliated companies for the year.

Future Plans for Material Investments

Subscription of 28.57% equity interest in Cyber Games Arena Limited

On 16 May 2018, Time Rich HK Limited ("Subscriber"), a wholly-owned subsidiary of the Company, entered into a subscription agreement with an independent third party, Cyber Games Arena Limited ("Target Company"), and the major shareholders of Target Company ("Guarantors"), pursuant to which the Subscriber agreed to subscribe for 4,000 ordinary shares of Summit Soar Limited ("Summit Soar") at HK$50,000,000, which is the holding company of the Target Company, representing approximately 28.57% equity interest in Summit Soar after restructuring. The Target Company is principally engaged in provision of advertising and promotion service of e-sport activities and organisation of regular e-sport tournament.

Exposure to Exchange Risks

Since the Group's borrowings and its source of income are primarily denominated in the respective group companies functional currency which are mainly in Hong Kong dollars or Renminbi, the exposure to foreign exchange rate fluctuations is not significant.

Contingent Liabilities

As at 31 March 2018, there was no material contingent liabilities incurred by the Group.

Biographical Details of Directors and Senior Management

Directors

Executive Directors

Mr. Felipe TAN, aged 63, has been appointed as the Chairman of the Company since 29 July 2016 and served as an executive Director of the Company since 30 September 2012. Mr. Tan is also a director of various subsidiaries of the Group. Mr. Tan has over 40 years of experience in metal trading including over 18 years of management experience in mining industry in the PRC. He is the executive director of Loco Hong Kong Holdings Limited ("LocoHK"), the shares of which are listed on GEM (stock code: 8162). Mr. Tan is also the chairman of the board, president and chief executive officer of GobiMin Inc. ("GobiMin"), the shares of which are listed on the TSX Venture Exchange in Canada (symbol: GMN). The subsidiaries of GobiMin are principally engaged in the investment in equity, debt or other securities as well as direct ownership stakes in projects, including the development of mineral properties, mainly in Xinjiang, PRC. In addition, Mr. Tan has been the director of Jiangmen Proudly Water-soluble Plastic Co., Ltd. (NEEQ: 833367), the shares of which are traded on the National Equities Exchange and Quotations in the PRC, since 10 September 2015.

Ms. LAU Yun Fong Carman, aged 52, has been appointed as an executive Director of the Company since 17 November 2014. Ms. Lau joined the Group in 2013 and is the financial controller of the Group. She is an associate member of the Hong Kong Institute of Certified Public Accountants and has over 15 years of extensive experience in auditing and corporate finance management. Ms. Lau was the financial controller of LocoHK from 2014 to 2016 and had worked in an international accounting firm and then served for 10 years in a company listed on the Main Board of the Stock Exchange. Ms. Lau graduated from the University of Hong Kong with a Bachelor's degree of Social Sciences.

Independent Non-executive Directors

Ms. CHAN Choi Ling, aged 43, has been appointed as an independent non-executive Director since 30 September 2012. Ms. Chan is a qualified solicitor in Hong Kong. She obtained her Bachelor of Laws degree from the City University of Hong Kong. Ms. Chan has over 10 years' experience in civil litigation. Ms. Chan currently practises as a solicitor in a law firm in Hong Kong.

Mr. CHAN Mei Ying Spencer, aged 61, has been appointed as an independent non-executive Director since 25 October 2005. He is an entrepreneur in various industries and a regional business/project consultant. Mr. Chan has all-round experience in corporate finance, business development, sales and marketing. Mr. Chan has a Computer Science degree from the University of Melbourne, Australia, followed by a Master's Degree in Business Administration from the Chinese University of Hong Kong. He also has attended an executive management program at INSEAD, Fontainbleau, France.

Mr. LAM Kwai Yan, aged 58, has been appointed as an independent non-executive Director since 23 December 2008. Mr. Lam has a degree in Business Studies from the University of Southern Queensland, Australia. He is a member of the Hong Kong Institute of Certified Public Accountants, a fellow member of the CPA Australia and Institute of Singapore Chartered Accountants. Mr. Lam has worked for various large corporations, and has vast experiences with SME's, including auditing and consulting on re-organisation and restructuring businesses that have cross-border operations in China. His work also included advising and consulting for listed public companies.

Directors (Continued)

Independent Non-executive Directors (Continued)

Ms. TSANG Wai Chun Marianna, aged 63, has been appointed as an independent non-executive Director since 16 October 2003. She is the Managing Director of TWC Management Limited. She is a member of the Institute of Chartered Secretaries and Administrators, the Hong Kong Institute of Company Secretaries, the Taxation Institute of Hong Kong, the 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 UK. She obtained a postgraduate certificate in Professional Accounting. Ms. Tsang was appointed as a member of the Board of Review (Inland Revenue Ordinance) from 2010 to 2015. She has over 30 years of company secretarial, corporate affairs, and related legal working experience in major commercial corporations and in professional firms. Ms. Tsang has served as an independent non-executive director of LocoHK since 22 July 2014.

Compliance Officer

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

Company Secretary

Ms. KO Yuen Kwan, aged 53, has comprehensive experience in finance, accounting and compliance matters of listed companies in Hong Kong and Canada. Ms. Ko joined the Group in November 2014. She is currently the Chief Financial Officer, Vice President Corporate Affairs & Secretary and director of GobiMin. Ms. Ko was the company secretary of LocoHK from 2014 to 2016 and another company listed on the Main Board of the Stock Exchange for more than 10 years, responsible for the company secretarial, legal and compliance matters. Ms. Ko holds a Master's degree in Professional Accounting from the Hong Kong Polytechnic University and is a member of the HKICPA and the CPA Australia and a fellow of the Hong Kong Institute of Chartered Secretaries.

Corporate Governance Report

Corporate Governance Practices

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

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

The Company has adopted the code provisions ("Code Provisions") set out in the Corporate Governance Code (the "Code") as set out in Appendix 15 to the GEM Listing Rules. The Company had complied with all Code Provisions as set out in the Code, throughout the year ended 31 March 2018, except for Code Provision A.2.1.

Code Provision A.2.1 provides that the roles of the chairman and chief executive officer should be separate and should not be performed by the same individual. After the retirement of Dr. Cheng Kin Kwan as chairman and chief executive officer of the Company on 29 July 2016, the post of Chief Executive Officer of the Company is vacant and the role of the Chief Executive Officer has been performed by the executive Directors collectively. The board of Directors (the "Board") will continue to use its best endeavour in finding a suitable candidate to assume duties as Chief Executive Officer of the Company as soon as possible.

Board of Directors

Composition and Responsibilities

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

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

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

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

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

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

Board of Directors (Continued)

Composition and Responsibilities (Continued)

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

The Board currently comprises six Directors, including two Executive Directors (including Chairman of the Board) and four independent non-executive Directors.

The composition of the Board is currently as follows:

Executive Directors:

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

Independent Non-executive Directors:

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

Biographical details of the Directors are set out in the "Biographical Details of Directors and Senior Management" section on pages 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 6 meetings during the year ended 31 March 2018.

Board of Directors (Continued)

Composition and Responsibilities (Continued)

Directors' Attendance at Board/Board Committee/General Meetings

Here below are details of all Directors' attendance at the board meetings, board committee meetings and general meetings held during the year ended 31 March 2018:

	Board Meeting	Audit Committee Meeting	Remuneration Committee Meeting	Nomination Committee Meeting	2017 Annual General Meeting
	Number of Meetings Attended/Held				
Executive Directors:					
LAU Yun Fong Carman	6/6	–	–	–	1/1
Felipe TAN	6/6	–	–	–	1/1
Independent Non-executive Directors:					
CHAN Choi Ling	6/6	5/5	2/2	2/2	1/1
CHAN Mei Ying Spencer	5/6	5/5	2/2	2/2	1/1
LAM Kwai Yan	6/6	5/5	2/2	2/2	1/1
TSANG Wai Chun Marianna	6/6	5/5	2/2	2/2	1/1

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

Appointment, Re-election and Removal

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

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

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

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

Board of Directors (Continued)

Confirmation of Independence

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

Directors' Securities Transactions

The Company has adopted a code of conduct regarding the securities transactions by Directors on terms no less exacting than the required standard of dealings set out in rules 5.48 to 5.67 of the GEM Listing Rules. Having made specific enquiry of all Directors, all Directors confirmed that they had complied with the required standard of dealings and the code of conduct regarding securities transactions by Directors adopted by the Company throughout the year ended 31 March 2018.

Directors' Participation in Continuous Professional Trainings

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

The Directors, namely Mr. Felipe Tan, Ms. Lau Yun Fong Carman, Ms. Chan Choi Ling, Mr. Chan Mei Ying Spencer, Mr. Lam Kwai Yan and Ms. Tsang Wai Chun Marianna, confirmed that, during the year under review, they have participated in continuous professional development to develop and refresh their knowledge and skills.

Directors' and Officers' Liabilities Insurance and Indemnity

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

Board Committees

Audit Committee

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

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

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

Board Committees (Continued)

Audit Committee (Continued)

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

For the year ended 31 March 2018, the Audit Committee held 5 meetings. Details of the attendance of the members of the Audit Committee in the said meetings are set out under the sub-heading "Directors' Attendance at Board/Board Committee/General Meetings" above.

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

- To make recommendation to the Board on re-appointment of the external auditor;
- To monitor the external auditor's independence and objectivity and the effectiveness of the audit process in accordance with applicable standards, and to discuss with the external auditor the nature and scope of the audit and reporting obligations before the audit commences; and
- To monitor integrity of the Company's consolidated financial statements and annual report and accounts, half-year report and quarterly reports, and to review significant financial reporting judgments contained in them.

The Audit Committee has reviewed the accounts for the year ended 31 March 2018 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 2018, the Board did not take different view from the Audit Committee on the appointment of external auditor.

Nomination Committee

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

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

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

For the year ended 31 March 2018, 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.

Board Committees (Continued)

Nomination Committee (Continued)

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

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

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

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

Remuneration Committee

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

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

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

For the year ended 31 March 2018, the Remuneration Committee held 2 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 2018, the fees paid/payable to the auditors in respect of the audit and non-audit services were as follows:

Types of services	Amount (HK$)
Annual audit services	750,000

Accountability and Audit

Directors' Responsibility for the Consolidated Financial Statements

The following statements, which set out the responsibilities of the Directors in relation to the consolidated financial statements, should be read in conjunction with, but distinguished from, the Independent Auditors' Report on pages 50 to 53 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.

Accountability and Audit (Continued)

Review of Risk Management and Internal Control (Continued)

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 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 2018, 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 2018, there was no change in its constitutional documents.

Shareholders' Rights

According to the Company's Articles of Association and as provided by the Hong Kong Companies Ordinance, shareholders of the Company holding at the date of deposit of the requisition not less than 5% of the total voting rights of all the members of the Company carrying the right of voting at general meetings of the Company shall at all times have the right, by written requisition to the Board, to require an extraordinary general meeting to be called by the Board for the transaction of any business specified in such requisition. Such meeting shall be held within three (3) months after the deposit of such requisition. If within twenty-one (21) days of such deposit the Board fails to proceed to convene such meeting, the requisitionist(s) himself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to the requisitionist(s) by the Company.

If a shareholder wishes to propose a person other than a Director retiring for election as a Director at the coming AGM, the shareholder should deposit a written notice of nomination and also a notice signed by the person to be proposed of his willingness to be elected at the registered office of the Company within 7-day period commencing from the day after the dispatch of the AGM notice (or such other period as may be determined and announced by the Directors from time to time).

Communication with Shareholders

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

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

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

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 2018.

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

The Group is principally engaged in two business segments, namely (i) the exploration and exploitation of mines ("Mining Business"); and (ii) the provision of consultancy and software maintenance services, software development, sales of computer hardware and software and e-Commerce services ("Software 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"). Gold dores and nickel-copper products are the main products sold under the Mining Business.

During the year from 1 April 2017 to 31 March 2018 (the "Reporting Period"), the Mining Business accounted for 99.8% of the Group's total turnover. The remaining turnover is recorded from the Software Business. This ESG Report only covers the information and activities of our Mining Business for the year ended 31 March 2018.

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

Quality of Working Environment

Employment (B1)

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

1. Remuneration of employees is determined in accordance with the staff salaries management policy.

2. Employees are recruited, promoted and dismissed pursuant to the "Labour Law of the PRC" (《中華人民共和國勞動法》) and the "Employment Contract Law of the PRC" (《中華人民共和國勞動合同法》).

Quality of Working Environment (Continued)

Employment (B1) (Continued)

3. In order to better realise the potential of employees and strictly comply with the working hours and holidays required by the local laws, mining workers enjoy an eight-day paid rest days each month. Due to the special location nature of the mine, the employee leave policy is flexible. Employees can enjoy their rest days on a monthly basis or accumulate their rest days and take all the rest days in the middle of the year or at the end of the year.

4. We have defined employee recruitment control procedure so as employee recruitment is carried out under equal opportunities.

5. Regarding the diversity of employees and other benefits and welfares, various welfares and benefits are provided to all the employees pursuant to the requirements as stipulated by local governments where our enterprises are located, including endowment insurance, medical insurance, unemployment insurance, work-related injury insurance, maternity insurance and housing provident funds which are equivalent to 18%–20%, 6%, 0.5%, 1.6%, 0.5% and 5% of the total monthly basic salary respectively.

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

For the year ended 31 March 2018, there was no violation of relevant codes, rules and regulations.

Health and Safety (B2)

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

For the year ended 31 March 2018, there was no violation of relevant codes, rules and regulations.

Quality of Working Environment (Continued)

Health and Safety (B2) (Continued)

For the year ended 31 March 2018, measures adopted on occupational health and safety and relevant implementation and supervisory methods were as follows:

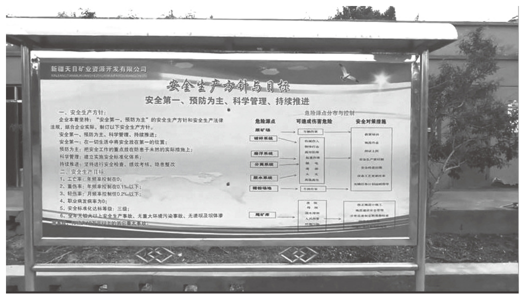
1. In accordance with the protective articles distribution standards and the relevant provisions of the "Selection Rules of Articles for Labour Protection Use" (《勞動防護用品選用規則》), we distributed articles for labour protective use to employees. Employees' daily operation complied with rules and regulation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

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

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

4. The establishment of the management system and other production-related systems, such as safety production management approach, job responsibility system, methods for rewards and punishment of safety production.

5. Designating specialised safety management personnel at all levels to perform safety management and inspection for the production environment, production equipment and facilities.



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

For the year ended 31 March 2018, no working days was lost due to work injury.

Quality of Working Environment (Continued)

Development and Training (B3)

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

For the year ended 31 March 2018, staff training mainly included:

Staff	Tuition fee/head (RMB)	Hours/head	Number of participants
Person in charge	1,150	48	11
Safety officer	580	48	12
Welder	660	48	8
Welder (Re-examination)	230	24	1
Electrician	660	48	2
Tailings worker	560	48	6
Professional person/manager in charge of hygiene	650	32	2

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

Labour Standards (B4)

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

The Group has fulfilled all its obligations to its employees and there was no labour disputes nor litigation during the year ended 31 March 2018.

Environmental Protections

Emissions (A1)

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

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

For the year ended 31 March 2018, there was no violation of relevant codes, rules and regulations.

For the year ended 31 March 2018, the Group disposed of barren rocks (gold mine) of approximately 3,719.70 tonnes (2017: 42,000 tonnes), representing a decrease of 38,280.30 tonnes as compared to 2017, which was attributable to that the barren rocks generated from filling the wells in the old empty area of the Hongshannan Gold Mine from April to September 2017 were not pulled to the surface. The Group disposed of barren rocks (nickel-copper mine) of approximately 27,500.00 tonnes (2017: nil), representing an increase of 27,500.00 tonnes as compared to 2017, which was due to that no production work was conducted and no mining work was carried out in the Baishiquan Nickel-Copper Mine for the year ended 31 March 2017 resulting in no barren rocks was generated. The Group disposed of exhaust gas of approximately 176.9252 million m^3 (2017: 225.27 million m^3), representing a decrease of 48.3448 million m^3 as compared to 2017. The reason was that the emission volume of exhaust gas generated is calculated based on the volume of ores and the mine production time (downhole shotgun time). In 2017, the volume of ores was small, but the volume of excavation and the duration of excavation work were long, which gave rise to the increase in the volume of exhaust gas and gun smoke. Despite of the growth in the volume of ores in 2018, the volume of exhaust gas decreased as compared to the previous year due to the relative reduce in the volume of excavation and the duration of excavation work caused by the preparation made by some of the excavation work conducted in 2017 for ore production in 2018. The Group disposed of dust of approximately 83,275.86 kg (2017: 132,423.05 kg), representing a decrease of 49,147.19 kg as compared to 2017. The reason was that the emission volume of dust generated is calculated based on the volume of ores and the mine production time (downhole shotgun time). In 2017, the volume of ores was small, but the volume of excavation and the duration of excavation work were long, which gave rise to the increase in the volume of dust and gun smoke. Despite of the growth in the volume of ores in 2018, the volume of dust decreased as compared to the previous year due to the relative reduce in the volume of excavation and the duration of excavation work caused by the preparation made by some of the excavation work conducted in 2017 for ore production in 2018.

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

Environmental Protections (Continued)

Use of Resources (A2)

For the year ended 31 March 2018, we consumed electricity of approximately 11,258,098 kWh (2017: 2,600,208 kWh), representing an increase of 8,657,890 kWh as compared to 2017. The increase in consumed electricity was attributable to the new nickel-copper processing plant as well as the increase in productivity of the mine. Based on the production requirements of the mine and processing plants, we will suspend the idle transformers so as to reduce basic electricity cost and production cost.

For the year ended 31 March 2018, we consumed water of approximately 294,747 m^3 (2017: 74,850 m^3), representing an increase of 219,897 m^3 as compared to 2017. The large increase in consumed water was attributable to the large amount of water consumed by the new nickel-copper processing plant. We did not have problems in seeking appropriate water resources. The existing supply of water resources could satisfy our needs in respect of the guarantee of volume, quality and facilities of water supply.

The Environment and Natural Resources (A3)

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

For the year ended 31 March 2018, the following management actions have been taken:

1. Mines and processing plants carried out production in accordance with the requirement of the "Environmental Impact Assessment Report of Construction Project" (《建設項目環境影響評價報告書》) and has completed construction acceptance. The acceptance approval has been obtained from the state competent department.

2. The construction of the tailings pond of the processing plant has attained Level-3 Standard and has passed the acceptance inspection. Acceptance approval has been obtained from the state competent department.

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

Operating Practices

Anti-corruption (B7)

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

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

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

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

For the year ended 31 March 2018, we have not received any report on illegal and criminal activities such as bribery, extortion, fraud and money laundering in the Group.

For the year ended 31 March 2018, the Group did not have any illegal and criminal case of bribery, extortion, fraud and money laundering.

Supply Chain Management (B5)

Our suppliers provide various types of products, but with different production quality. There are 101 suppliers, of which 86 located in Xinjiang and 15 located outside Xinjiang, such as Shandong, Shanghai, Hebei, Jiangsu, Shenyang, Hunan and other places. To ensure the normal production, stability of the supplier team and the establishment of long-term mutually beneficial supply and demand relation, we have specifically developed a supplier management approach which applies to suppliers of raw and auxiliary materials, spare parts and components and service providers providing supporting services.

We strictly comply with the management system. For each type of materials, the Operating Department nominates two to three suppliers and forms a Supplier Selection Team, which consists of staff from the Operating Department, Production Department and Finance Department. Supply cooperation agreements are signed with the selected suppliers, which specifically stipulated the rights and obligations of both parties and the mutually benefited terms of cooperation. We regularly visit, communicate with and investigate suppliers to understand their types of materials and their credibility. We may appraise the supplier on a regular or irregular basis. The suitability, quality and price of the supplier's products will be evaluated. Supply cooperation agreements will be terminated if the suppliers fail to meet our requirements.

Operating Practices (Continued)

Product Responsibilities (B6)

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

The sale of gold dores is conducted through commissioned transactions, the price of which is determined with reference to the applicable spot prices in the Shanghai Gold Exchange and based on the time of the transaction.

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

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

For the year ended 31 March 2018, there was no complaint nor product recall due to quality or impact on health for our products.

Community Involvement

Community Investment (B8)

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

On 30 April 2017, Timeless Software Limited participated and sponsored the “Tree Planting Challenge 2017” organised by Friends of the Earth. Such activity aimed to promote the message of reservation of the nature and protection of trees. Through such activity, staff from Timeless Software Limited participated in environmental protection work of country parks and experienced tree planting. This event helped them acquire a better knowledge of nature conservation and instilled in them the spirit of making contributions to the society.

During such activity, staff from different departments signed up in an active manner and were divided into two teams in the participation. The hiking covered a distance of approximately 8–9 kilometers from the departure point of Hong Kong Tai Lam Country Park to Shek Lung Kung. The staff finished the task of hiking and planting 80 trees within four hours.

The Group attaches great importance to community charity activities and encourages our employees to join such activities in a proactive manner. The employees who participated such activity stated that as employees of the Company, they had the responsibility to pay attention to the global warming issue and they were so lucky to participate in this challenge to express their concern about and support for environmental protection through practical actions. Some employees also considered that tree-planting activities in this challenge would help increase the diversity of the trees in the country park and promote the message of “Save Trees, Conserve Nature”.

Directors' Report

The Directors present their annual report and the audited consolidated financial statements for the year ended 31 March 2018.

The principal activity of the Company is investment holding.

The principal activities of the Company's principal subsidiaries are set out in note 35 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 many factors that can affect the gold, copper and nickel prices and demand in the international markets, including fluctuations in the global political stability and social situation and international economic conditions. In addition, commodity prices are also likely to fall to a lower level. It is impossible to predict gold, copper and nickel price movements in the future. The profitability of the Group may be significantly affected by the changes in the market prices of metals. The Group aims to mitigate this risk by maintaining close relationship with customers and by timely adjusting production layout, improving the flexibility of the production system and strengthening the cost control. The Group closely monitors commodity prices and potential impacts on cash flow and project development. Capital expenditure plans are aligned to prevailing and anticipated market conditions.

(ii) *Currency Risks*

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

Business Review (Continued)

Principal Risks and Uncertainties (Continued)

Mining Business (Continued)

(ii) Currency Risks (Continued)

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

(iii) Exploration, Development and Operating Risks

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

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

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

Business Review (Continued)

Principal Risks and Uncertainties (Continued)

Mining Business (Continued)

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

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

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

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

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

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

(v) *Capital Requirements*

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

Business Review (Continued)

Principal Risks and Uncertainties (Continued)

Mining Business (Continued)

(vi) *Permits and Licences*

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

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

(vii) *Environmental Regulation*

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

(viii) *Competition*

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

Business Review (Continued)

Principal Risks and Uncertainties (Continued)

Software Business

(i) *Business Risks*

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

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

Compliance with the Relevant Laws and Regulations

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

Environmental Policies and Performance

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

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

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

For the year ended 31 March 2018, the Group endeavored to enhance safety and environmental protection by adhering to targets such as "zero work casualty, zero environmental incident", energy conservation and emission reduction, etc. It also made efforts to serve and help develop local communities. More details are set out in the "Environmental Protections" section of Environmental, Social and Governance Report on pages 28 and 29, which form part of this Directors' Report.

Business Review (Continued)

Relationship with Employees, Suppliers and Customers

The Group recognises the importance of maintaining a stable staff force for its continued success and provides remuneration packages at competitive levels to attract and retain the employees. The remuneration policy is annually reviewed by the management to ensure it is up to prevailing market standard. The Group also concerns on work safety to the employees. During the year ended 31 March 2018, there was no serious work safety issue. Certain employees have worked for the Group for over 10 years.

The Group values mutually benefited and 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. The Group will keep strengthening the partnership with customers and suppliers in order to realize a triple-win result.

For the Mining Business, the top three customers are large enterprises located in Xinjiang and Gansu. Long term trading relations have been established with them since 2011 and 2014. For the year ended 31 March 2018, all the trade receivables from them have been fully collected and no provision is necessary.

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

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

Business Review (Continued)

Financial Key Performance Indicators

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

		For the year ended 31 March	
KPIs		**2018**	2017
The Group			
1. EBITDA (LBITDA)	HK$'000	**52,629**	(6,307)
2. Operating cash flow per share	HK cents	**2.25**	(0.45)
3. Earnings/(loss) per share – basic and diluted	HK cents	**0.07**	(0.66)
4. Current ratio	times	**2.70**	4.75
5. Gearing ratio	%	**8.42**	15.54
Software Business			
6. Service revenue per staff	HK$'000	**86**	89
Mining Business			
7. Gold production	ounces	**3,307**	3,423
8. Cash cost per tonne of gold ores extracted	HK$	**514**	683
9. Cash production cost per ounce of gold dores sold	HK$	**9,181**	8,919
10. Nickel-copper ores extracted	tonnes	**142,312**	3,010
11. Cash cost per tonne of nickel-copper ores extracted	HK$	**204**	718
12. Cash production cost per tonne of nickel-copper ores processed	HK$	**114**	N/A

1. EBITDA (LBITDA)

The EBITDA (LBITDA) of the Group increased by HK$58.9 million from loss of approximately HK$6.3 million for the year ended 31 March 2017 to earnings of approximately HK$52.6 million for the year ended 31 March 2018. The increase was mainly attributed by the increase in sales of nickel-copper ores from 15,178 tonnes in last year to 24,520 tonnes in current year as well as the sales of nickel concentrate of 17,782 tonnes and 2,087 tonnes copper concentrate in current year.

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

Business Review (Continued)

Financial Key Performance Indicators (Continued)

2. Operating cash flow per share

The operating cash flow per share increased to cash inflow of HK cents 2.25 for the year ended 31 March 2018 (2017: cash outflow per share of HK cents 0.45). The increase was mainly due to increase in sales volume in current year.

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

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

The basic and diluted earnings per share increased to HK cents 0.07 for the year ended 31 March 2018 (2017: loss of HK cents 0.66). The increase was mainly due to the increase in profit for the year ended 31 March 2018.

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

4. Current ratio

The current ratio decreased from 4.75 as at 31 March 2017 to 2.70 as at 31 March 2018. The decrease in current ratio was mainly due to the dividend declared from a PRC subsidiary and payable to the non-controlling interest for the year ended 31 March 2018.

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

5. Gearing ratio

The gearing ratio was improved from 16% as at 31 March 2017 to 8% as at 31 March 2018. The decrease in gearing ratio was mainly due to the partially repayment of the promissory note.

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

Business Review (Continued)

Financial Key Performance Indicators (Continued)

6. Service revenue per staff

The service revenue per staff for the Software Business was stable at approximately HK$0.1 million for the year ended 31 March 2018 (2017: HK$0.1 million). No significant change in the service revenue per staff.

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

7. Gold production

The gold production decreased by 3% to 3,307 ounces for the year ended 31 March 2018 (2017: 3,423 ounces). The gold ore extract remains stable compare with prior year. The decrease was mainly due to the exhaustion of Hongshannan Gold Mine and the decrease in average grading of the gold ores.

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

8. Cash cost per tonne of gold ores extracted

The cash cost per tonne of gold ores extracted decreased by 25% to HK$514 per tonne for the year ended 31 March 2018 (2017: HK$683). The gold ores extracted during the year were solely from the Hongshannan Gold Mine which has a lower cash cost per tonne extracted.

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

9. Cash production cost per ounce of gold dores sold

The cash production cost per ounce of gold dores sold increased to HK$9,181 for the year ended 31 March 2018 (2017: HK$8,919) due to the decrease in average grading of the gold ores.

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

10. Nickel-copper ores extracted

The nickel-copper ores extraction increased by 46 times to 142,312 tonnes for the year ended 31 March 2018 (2017: 3,010 tonnes). The significant increase in the ore extracted was mainly due to the increase in nickel and copper price and growing demand from nickel and copper products, the Group resumed the extraction and started processing of nickel-copper ores in April 2017 and nickel-copper ores and nickel and copper concentrate become the main products of the Mining Business.

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

Business Review (Continued)

Financial Key Performance Indicators (Continued)

11. Cash cost per tonne of nickel-copper ores extracted

The cash cost per tonne of nickel-copper ores extracted decreased 72% to HK$204 per tonne (2017: HK$718 per tonne). The decrease was due to minimal quantity being extracted with certain fixed costs incurred in last year while the Group benefit from economies of scale in current year.

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

12. Cash production cost per tonne of nickel-copper ores processed

The cash production cost per tonne of nickel-copper ores processed amount to HK$114 for the year ended 31 March 2018 (2017: No production).

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

Key relationships with employees, customers and suppliers and others

(i) Major Customers and Suppliers

During the year, approximately 99% (2017: 99%) and approximately 64% (2017: 50%) of the Group's total sales were attributable to the Group's five largest customers and largest customer respectively.

During the year, approximately 38% (2017: 56%) and approximately 12% (2017: 17%) of the Group's total purchases were attributable to the Group's five largest suppliers and largest supplier respectively.

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

(ii) Emolument Policy

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

The emoluments of the Directors of the Company are decided by the Remuneration Committee, having regard to the Company's operating results, individual performance and comparable market statistics.

The Company has adopted share option schemes as an incentive to Directors and eligible employees, details of the share option schemes are set out in note 31 to the consolidated financial statements.

Business Review (Continued)

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

(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 them are in exploration or prospecting stage and are not yet in production, whereas the Mining Business of the Group are in production stage. In this regard, Mr. Felipe Tan is considered to have interests in businesses which might compete, either directly or indirectly with the businesses of the Group.

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

(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 2018, the Group employed a total staff of 57. Staff remuneration is reviewed by the Group from time to time and increases are granted normally annually or by special adjustment depending on length of service and performance when warranted. In addition to salaries, the Group provides staff benefits including medical insurance and provident fund. Share options and bonuses are also available to employees of the Group at the discretion of the Directors and depending upon the financial performance of the Group.

General Information

Results and Appropriations

The results of the Group for the year are set out in the consolidated statement of profit or loss and other comprehensive income on page 54.

The Directors do not recommend the payment of dividend nor transfer of any amount to reserves (2017: nil).

Share Capital

Details of the movement in share capital of the Company during the year are set out in note 29 to the consolidated financial statements.

General Information (Continued)

Reserves

Details of the movements in reserves of the Group and the Company during the year are set out on page 56 and note 40 to the consolidated financial statements, respectively.

The Company had no reserves available for distribution to shareholders as at 31 March 2018 (2017: 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 11 to the consolidated financial statements.

Directors and Directors' Service Contracts

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

Executive Directors:

Felipe TAN *(Chairman)*
LAU Yun Fong Carman

Independent Non-executive Directors:

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

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

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

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

Other than the existing Directors named above, the following persons were the directors of the subsidiaries undertakings during the financial year ended 31 March 2018 or during the period beginning on 1 April 2017 and ending on the date of this report:

1. HAN Zhaoju
2. HU Caixia
3. KO Yuen Kwan
4. LAM Kai Ling Vincent
5. LI Jianping
6. LIN Ka Man (appointed on 11 December 2017)
7. TAN Qingfeng
8. Ronald TAN (appointed on 29 November 2017)
9. YANG Jingui (ceased on 11 December 2017)
10. 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(1)(a) of the Hong Kong Companies Ordinance.

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

At 31 March 2018, the interests and short positions of the Directors and the chief executive of the Company and their associates in the shares, underlying shares or debentures of the Company and its associated corporations, as recorded in the register maintained by the Company pursuant to Section 352 of the Securities and Futures Ordinance ("SFO"), or otherwise notified to the Company and the Stock Exchange pursuant to Rule 5.46 of the GEM Listing Rules, were as follows:

Long positions

(a) Interests in the shares of the Company

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

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

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

Long positions (Continued)

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

Name of Director	Name of associated corporation	Capacity	Number of shares/registered capital	Percentage of interest in the registered capital of the associated corporation
Felipe TAN	Goffers Management Limited	Interest of controlled corporation	200*	100%
	Goffers Resources Limited	Interest of controlled corporation	1,000	100%
	Kangshun HK Limited	Interest of controlled corporation	1,000	100%
	Kangshun Investments Limited	Interest of controlled corporation	1,000	100%
	Xinjiang Tianmu Mineral Resources Development Co. Ltd	Interest of controlled corporation	RMB36,000,000	51%

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

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

Name of director	Name of associated corporation	Capacity	Amount of debentures
Felipe TAN	Time Kingdom Limited	Interest of controlled corporation	HK$10,000,000*

* The outstanding balance of the Promissory Note issued to Starmax which is beneficially owned by Mr. Felipe Tan. On 11 May 2018, the last instalment of the promissory note of HK$10,000,000 has been repaid.

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

Long positions (Continued)

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

Particulars of the Directors' interests in share options to subscribe for shares in the Company pursuant to the Company's 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 1.4.2017	Granted	Exercised	Cancelled	Lapsed	Outstanding at 31.3.2018
Executive Directors									
Felipe TAN	02.03.2017	02.03.2017 – 01.03.2027	0.1080	2,000,000	–	–	–	–	2,000,000
LAU Yun Fong Carman	03.10.2013	03.10.2013 – 02.10.2023	0.1435	2,075,676	–	–	–	–	2,075,676
	17.02.2014	17.02.2014 – 16.02.2024	0.1329	415,135	–	–	–	–	415,135
	02.03.2017	02.03.2017 – 01.03.2027	0.1080	1,000,000	–	–	–	–	1,000,000
Independent Non-Executive Directors									
CHAN Choi Ling	02.03.2017	02.03.2017 – 01.03.2027	0.1080	1,000,000	–	–	–	–	1,000,000
CHAN Mei Ying Spencer	02.03.2017	02.03.2017 – 01.03.2027	0.1080	1,000,000	–	–	–	–	1,000,000
LAM Kwai Yan	02.03.2017	02.03.2017 – 01.03.2027	0.1080	1,000,000	–	–	–	–	1,000,000
TSANG Wai Chun Marianna	02.03.2017	02.03.2017 – 01.03.2027	0.1080	1,000,000	–	–	–	–	1,000,000
				9,490,811	–	–	–	–	9,490,811

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

Save as disclosed above, at 31 March 2018, 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 2018, the register maintained by the Company pursuant to Section 336 of the SFO shows that other than the interests disclosed above in respect of certain Directors and the chief executive, the following shareholders had notified the Company of relevant interest in the issued share capital of the Company.

Name of substantial shareholder	Number of ordinary shares held	Number of share options and underlying shares held	Aggregate long position	Percentage of the issued share capital as at 31 March 2018
Starmax Holdings Limited*	678,074,400	–	678,074,400	24.11%

* Starmax is beneficially owned by Mr. Felipe Tan.

Save as disclosed in the section "Directors' and chief executive's interests and short positions in shares and underlying shares of the Company", the Company has not been notified of any other interests or short positions in the issued share capital as at 31 March 2018.

Charitable Donations

During the year, the Group made charitable donations totalling approximately HK$148,000 (2017: nil).

Share Options

Details of the Company's share option schemes adopted on 28 April 2003 and 25 September 2013 are set out in note 31 to the consolidated financial statements. The total number of shares available for issue under the share option scheme adopted on 25 September 2013 is 98,574,203 shares, representing 3.5% of the issued share capital of the Company as at the date of this annual report.

Directors' Interests in Contracts

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

Independence of Independent Non-Executive Directors

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

Connected Transaction

On 29 December 2017, Dragon Ocean Holdings Limited (the "Subscriber"), a wholly-owned subsidiary of the Company, entered into a subscription agreement (the "Subscription Agreement") with Dragon Silver Holdings Limited, as the issuer (the "Target Company") and Mr. Wu Donghai, as the guarantor (the "Guarantor") to subscribe for 600,000 shares (the "Subscription Shares") at the consideration of HK$7,800,000 (the "Transaction"), representing 8.86% equity interests in the Target Company. The Target Company is principally engaged in trading, production, processing and investment in precious metals and non-ferrous metals and related products.

Pursuant to the Subscription Agreement, the Guarantor has irrevocably warranted and guaranteed to the Subscriber that:

(i) the audited net profit after tax of the Target Company (excluding items which are one-off, non-operating in nature and not incur in the ordinary and usual courses of business) for each of the relevant years, shall not be less than HK$15,000,000; and

(ii) the amount of dividends declared and paid by the Target Company during each of the relevant years shall not be less than HK$1.25 per share of the Target Company, where the guaranteed dividend for the relevant year shall be declared and paid within three months after the end of the relevant year.

The Guarantor and the Subscriber have entered into the Put Option Deed at completion, pursuant to which the Guarantor has granted to the Subscriber the Put Option to sell all but not part of the Subscription Shares to the Guarantor at the consideration of HK$7,800,000 within the period commencing from the fourth anniversary of the date of the Put Option Deed to the date falling five years from the date of the Put Option Deed (or such other period as agreed by the Subscriber and the Guarantor).

Pursuant to the Subscription Agreement, upon completion of the subscription, the Subscriber, the Guarantor, Grand Max Enterprises Limited and GobiMin Investments Limited, the other investors of the Target Company, and the Target Company entered into the shareholders' agreement in respect of the ownership, management and operations the Target Company upon completion of the Transaction.

Mr. Felipe Tan, the Chairman and an executive Director of the Company, is also a director and a controlling shareholder of GobiMin, which in turn owns the entire equity interests in GobiMin Investments Limited. The Target Company is therefore deemed by the Stock Exchange as a connected person of the Company in respect of the Transaction pursuant to Rule 20.18(1) of the GEM Listing Rules and the Transaction shall constitute a connected transaction of the Company under Chapter 20 of the GEM Listing Rules.

Further details of the Transaction are disclosed in the announcement of the Company dated 29 December 2017.

Saved as disclosed above, none of the "Related party transactions" as disclosed in the note 39 to the consolidated financial statements for the year ended 31 March 2018 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 23.

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, 20 June 2018

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

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

TO THE 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 54 to 126, which comprise the consolidated statement of financial position as at 31 March 2018, 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 2018, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the Hong Kong Companies Ordinance.

Basis for Opinion

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

Key Audit Matters

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

Key audit matters	**How our audit addressed the key audit matters**
Impairment assessment of mining right on nickel-copper mining	
Refer to key sources of estimation uncertainty in note 4 and the disclosures of mining right on nickel-copper mining in note 13 to the consolidated financial statements. As at 31 March 2018, the Group has mining right on nickel-copper mining of approximately HK$186,208,000. For the purpose of assessing impairment, mining right on nickel-copper mining was allocated to cash-generating unit ("CGU"), and the recoverable amount of the CGU was determined by management based on value-in-use calculation using cash flow projection. In carrying out the impairment assessment, significant management judgement was used to appropriately identify of CGU and to determine the key assumptions, including production scale, mining costs, nickel-copper prices and discount rate, underlying the value-in-use calculation.	Our audit procedures included: – assessing management's identification of CGU based on the Group's accounting policies and understanding of the Group's business; – assessing value-in-use calculation methodology adopted by management; – assessing the reasonableness of key assumptions (including production scale, mining costs, nickel-copper prices and discount rate) based on our knowledge of the business and industry and using valuation expert; and – checking the mathematical accuracy of the value-in-use calculation in the management's impairment assessment.

Other Information

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

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

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

Responsibilities of Directors for the Consolidated Financial Statements

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

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

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

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

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

- 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, related safeguards.

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

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

HLB Hodgson Impey Cheng Limited
Certified Public Accountants

Kwok Kin Leung
Practising Certificate Number: P05769

Hong Kong, 20 June 2018

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 March 2018

	Notes	2018 HK$'000	2017 HK$'000
Revenue	5	**174,172**	64,910
Other income and gains		**3,740**	2,370
Purchase and production costs		**(123,827)**	(52,571)
Staff costs		**(13,778)**	(18,364)
Depreciation and amortisation		**(4,225)**	(2,981)
Other expenses		**(19,713)**	(11,026)
Loss on disposal/written off of property, plant and equipment		**(2,732)**	(823)
(Loss)/gain arising on change in fair value of held-for-trading investments		**(53)**	504
Fair value gain on investment properties		**1,208**	–
Fair value changes on financial assets designated as at fair value through profit or loss		**2,825**	–
Gain on disposals of subsidiaries	34	**–**	1
Gain on disposal of an associate	14	**3,057**	–
Finance costs	6	**(368)**	(744)
Share of (loss)/gain of associates	14	**(2,177)**	2,775
Profit/(loss) before tax		**18,129**	(15,949)
Income tax expense	8	**(4,111)**	(1,882)
Profit/(loss) for the year	9	**14,018**	(17,831)
Other comprehensive income/(expense), net of income tax			
Items that may not be reclassified subsequently to profit or loss:			
Gain on revaluation of properties		**–**	964
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translating foreign operations		**28,779**	(17,818)
Reclassification adjustment on reserves released upon disposal of an associate		**(1,534)**	–
Share of exchange differences of associates	14	**270**	(292)
Share of other comprehensive expense of associates	14	**(1,581)**	(162)
		25,934	(18,272)
Other comprehensive income/(expense) for the year, net of income tax		**25,934**	(17,308)
Total comprehensive income/(expense) for the year		**39,952**	(35,139)
Profit/(loss) attributable to:			
Owners of the Company		**2,002**	(16,574)
Non-controlling interests		**12,016**	(1,257)
		14,018	(17,831)
Total comprehensive income/(expense) attributable to:			
Owners of the Company		**6,597**	(20,678)
Non-controlling interests		**33,355**	(14,461)
		39,952	(35,139)
		HK cents	HK cents
Earnings/(loss) per share			
– Basic and diluted	10	**0.07**	(0.66)

Consolidated Statement of Financial Position

At 31 March 2018

	Notes	2018 HK$'000	2017 HK$'000
Non-current assets			
Property, plant and equipment	11	**34,552**	38,235
Investment properties	12	**10,200**	8,992
Other intangible assets	13	**186,208**	195,364
Interests in associates	14	**292**	8,974
Prepaid lease payments	15	**6,925**	6,606
Deposits	16, 19	**29,234**	25,327
Other financial assets	21	**10,625**	–
Land rehabilitation costs	17	**2,813**	4,118
		280,849	287,616
Current assets			
Inventories	18	**6,459**	22,414
Prepaid lease payments	15	**245**	223
Trade and other receivables	19	**9,299**	14,820
Held-for-trading investments	20	**3,044**	–
Bank balances and cash	22	**133,585**	102,086
		152,632	139,543
Current liabilities			
Trade and other payables	23	**13,365**	13,272
Dividends payable to non-controlling interests		**29,619**	5,532
Promissory note	24	**10,266**	10,565
Obligations under a finance lease	25	**256**	–
Provision for land rehabilitation	26	**2,490**	–
Current tax liabilities		**622**	–
		56,618	29,369
Net current assets		**96,014**	110,174
Total assets less current liabilities		**376,863**	397,790
Non-current liabilities			
Amount due to a non-controlling interest	27	**891**	–
Promissory note	24	**–**	9,967
Obligations under a finance lease	25	**271**	–
Provision for land rehabilitation	26	**7,291**	8,917
Deferred tax liabilities	28	**28,828**	29,521
		37,281	48,405
Net assets		**339,582**	349,385
Capital and reserves			
Share capital	29	**906,074**	906,074
Reserves	30	**(767,342)**	(773,939)
Equity attributable to owners of the Company		**138,732**	132,135
Non-controlling interests		**200,850**	217,250
Total equity		**339,582**	349,385

The consolidated financial statements were approved and authorised for issue by the Board of Directors on 20 June 2018 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 2018

	Share capital HK$'000	Share options reserve HK$'000	General reserve HK$'000	Investment revaluation reserve HK$'000	Property revaluation reserve HK$'000	Translation reserve HK$'000	Accumulated deficit HK$'000	Attributable to owners of the Company HK$'000	Non-controlling interests HK$'000	Total HK$'000
Balance at 1 April 2016	866,564	1,809	–	1,793	–	(1,213)	(757,400)	111,553	250,441	361,994
Loss for the year	–	–	–	–	–	–	(16,574)	(16,574)	(1,257)	(17,831)
Other comprehensive income/ (expense) for the year	–	–	–	(162)	964	(4,906)	–	(4,104)	(13,204)	(17,308)
Total comprehensive income/ (expense) for the year	–	–	–	(162)	964	(4,906)	(16,574)	(20,678)	(14,461)	(35,139)
Recognition of equity-settled share-based payments	–	1,750	–	–	–	–	–	1,750	–	1,750
Issue of ordinary shares by way of placing	40,375	–	–	–	–	–	–	40,375	–	40,375
Transaction costs attributable to issue of new ordinary shares	(865)	–	–	–	–	–	–	(865)	–	(865)
Transfer to general reserve	–	–	647	–	–	–	(647)	–	–	–
Release of reserve upon share options lapsed	–	(781)	–	–	–	–	781	–	–	–
Dividends distributed to non-controlling interests	–	–	–	–	–	–	–	–	(18,730)	(18,730)
Balance at 31 March 2017	906,074	2,778	647	1,631	964	(6,119)	(773,840)	132,135	217,250	349,385
Profit for the year	–	–	–	–	–	–	2,002	2,002	12,016	14,018
Other comprehensive income/ (expense) for the year	–	–	–	(1,631)	–	6,226	–	4,595	21,339	25,934
Total comprehensive income/ (expense) for the year	–	–	–	(1,631)	–	6,226	2,002	6,597	33,355	39,952
Release of reserve upon share options cancelled	–	(710)	–	–	–	–	710	–	–	–
Capital injection from a non-controlling interest	–	–	–	–	–	–	–	–	109	109
Dividends distributed to non-controlling interests	–	–	–	–	–	–	–	–	(49,864)	(49,864)
Balance at 31 March 2018	906,074	2,068	647	–	964	107	(771,128)	138,732	200,850	339,582

Consolidated Statement of Cash Flows

For the year ended 31 March 2018

	Notes	2018 HK$'000	2017 HK$'000
Cash flows from operating activities			
Profit/(loss) before tax		18,129	(15,949)
Adjustments for:			
Interest income		(2,145)	(956)
Interest expense		368	744
Share of (gain)/loss of associates		2,177	(2,775)
Gain on disposal an associate		(3,057)	–
Depreciation and amortisation		35,051	9,066
Loss on disposal/written off of property, plant and equipment		2,732	823
Gain on disposals of subsidiaries	34	–	(1)
Gain on change in fair value of held-for-trading investments		–	(504)
Expense recognised in respect of equity-settled share-based payments		–	1,750
Fair value changes on financial assets designated as at fair value through profit or loss		(2,825)	–
Fair value gain on investment properties		(1,208)	–
		49,222	(7,802)
Movements in working capital:			
Decrease in inventories		18,516	4,996
Decrease/(increase) in trade and other receivables		6,616	(9,070)
(Increase)/decrease in held-for-trading investments		(3,044)	1,660
Decrease in trade and other payables		(1,029)	(1,287)
Cash generated from/(used in) operations		70,281	(11,503)
Income taxes paid		(7,074)	(1,115)
Net cash generated by/(used in) operating activities		63,207	(12,618)
Cash flows from investing activities			
Interest received		2,139	655
Addition to interest in an associate		–	(1,200)
Dividends received		–	16
Payments for property, plant and equipment		(863)	(561)
Proceed for disposal an associate		6,717	–
Purchase for other financial assets		(7,800)	–
Net cash outflows arising from disposal of subsidiaries	34	–	(294)
Proceed from disposal of property, plant and equipment		–	10,765
Net cash generated by investing activities		193	9,381
Cash flows from financing activities			
Proceeds from issue of equity shares		–	40,375
Payment for transaction costs attributable to issue of new ordinary shares		–	(865)
Repayments of bank borrowing		–	(8,585)
Repayment of promissory note		(10,000)	(10,000)
Increase in amount due to a non-controlling interest		891	–
Interest paid		(634)	(1,013)
Repayment for finance lease liability		(240)	–
Dividends paid to non-controlling interests		(27,403)	(13,198)
Net cash (used in)/generated by financing activities		(37,386)	6,714
Net increase in cash and cash equivalents		26,014	3,477
Cash and cash equivalents at the beginning of year		102,086	101,802
Effect of foreign exchange rate changes		5,485	(3,193)
Cash and cash equivalents at the end of year		133,585	102,086
Analysis of the balances of cash and cash equivalents			
Bank balances and cash		133,585	102,086

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 is Room 2208, 118 Connaught Road West, Hong Kong.

The Company is an investment holding company. The principal activities of the Company's principal subsidiaries are (i) the exploration and exploitation of mines ("Mining Business"); and (ii) the provision of consultancy and software maintenance services, software development, sales of computer hardware and software and e-Commerce services ("Software Business").

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

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

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

Amendments to HKAS 7	*Disclosure Initiative*
Amendments to HKAS 12	*Recognition of Deferred Tax Assets for Unrealised Losses*
Amendments to HKFRS 12	*As part of the Annual Improvements to HKFRSs 2014–2016 Cycle*

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

Amendments to HKAS 7 *Disclosure Initiative*

The Group has applied these amendments for the first time in the current year. The amendments require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both cash and non-cash changes. In addition, the amendments also require disclosures on changes in financial assets if cash flows from those financial assets were, or future cash flows will be, included in cash flows from financing activities.

Specifically, the amendments require the following to be disclosed: (i) changes from financing cash flows; (ii) changes arising from obtaining or losing control of subsidiaries or other businesses; (iii) the effect of changes in foreign exchange rates; (iv) changes in fair values; and (v) other changes.

A reconciliation between the opening and closing balances of these items is provided in note 38. Consistent with the transition provisions of the amendments, the Group has not disclosed comparative information for the prior year. Apart from the additional disclosure in note 38, the application of these amendments has had no impact on the Group's consolidated financial statements.

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

New and revised HKFRSs in issue but not yet effective

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

HKFRS 9	*Financial Instruments*[1]
HKFRS 15	*Revenue from Contracts with Customers*[1]
HKFRS 16	*Leases*[2]
HKFRS 17	*Insurance Contracts*[4]
HK(IFRIC) – Int 22	*Foreign Currency Transactions and Advance Consideration*[1]
HK(IFRIC) – Int 23	*Uncertainty over Income Tax Treatments*[2]
Amendments to HKFRS 2	*Classification and Measurement of Share-based Payment Transactions*[1]
Amendments to HKFRS 4	*Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts*[1]
Amendments to HKFRS 9	*Prepayment Features with Negative Compensations*[2]
Amendments to HKFRS 10 and HKAS 28	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[3]
Amendments to HKFRS 15	*Clarification to HKFRS 15 Revenue from Contracts with Customers*[1]
Amendments to HKAS 19	*Plan Amendment, Curtailment or Settlement*[2]
Amendments to HKAS 28	*Long-term Interests in Associates and Joint Ventures*[2]
Amendments to HKAS 28	*As part of the Annual Improvements to HKFRSs 2014–2016 Cycle*[1]
Amendments to HKAS 40	*Transfers of Investment Property*[1]
Amendments to HKFRSs	*Annual Improvements to HKFRS Standards 2015–2017 Cycle*[2]

1 Effective for annual periods beginning on or after 1 January 2018.
2 Effective for annual periods beginning on or after 1 January 2019.
3 Effective for annual periods beginning on or after a date to be determined.
4 Effective for annual periods beginning on or after 1 January 2021.

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

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

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

HKFRS 9 *Financial Instruments*

HKFRS 9 introduces new requirements for the classification and measurement of financial assets, financial liabilities, general hedge accounting and impairment requirements for financial assets.

Key requirements of HKFRS 9 are described below:

- all recognised financial assets that are within the scope of HKFRS 9 are required to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms that give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are measured at fair value through other comprehensive income ("FVTOCI"). All other financial assets are measured at their fair value at the end of subsequent accounting periods. In addition, under HKFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.

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

- for non-substantial modifications of financial liabilities that do not result in derecognition, the carrying amount of the relevant financial liabilities will be calculated at the present value of the modified contractual cash flows and discounted at the financial liabilities' original effective interest rate. Transaction costs or fees incurred are adjusted to the carrying amount of the modified financial liabilities and are amortised over the remaining term. Any adjustment to the carrying amount of the financial liability is recognised in profit or loss at the date of modification.

- in relation to the impairment of financial assets, HKFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under HKAS 39. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.

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

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

HKFRS 9 *Financial Instruments* (Continued)

Based on the Group's financial instruments and risk management policies as at 31 March 2018, the directors of the Company do not expect that the adoption of HKFRS 9 will have a significant impact on the classification and measurement of its financial assets. HKFRS 9 only affects the accounting for financial liabilities that are designated as at fair value through profit or loss ("FVTPL"). The Group did not have any financial liabilities designated as at FVTPL as at 31 March 2018. The new impairment model requires the recognition of impairment provisions based on expected credit losses rather than only incurred credit losses as is the case under HKAS 39, the directors of the Company anticipate that the application of the expected credit loss model of HKFRS 9 may result in early provision of credit losses which are not yet incurred in relation to the Group's financial assets measured at amortised cost.

HKFRS 15 *Revenue from Contracts with Customers*

HKFRS 15 establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. HKFRS 15 will supersede the current revenue recognition guidance including HKAS 18 *Revenue*, HKAS 11 *Construction Contracts* and the related interpretations when it becomes effective.

The core principle of HKFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the standard introduces a 5-step approach to revenue recognition:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

Under HKFRS 15, an entity 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. Far more prescriptive guidance has been added in HKFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by HKFRS 15.

In 2016, the HKICPA issued Clarifications to HKFRS 15 in relation to the identification of performance obligations, principal versus agent considerations, as well as licensing application guidance.

The directors of the Company anticipate that the application of HKFRS 15 in the future may result in more disclosures, however, the directors of the Company do not anticipate that the application of HKFRS 15 will have a material impact on the timing and amounts of revenue recognised in the respective reporting periods.

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

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

HKFRS 16 *Leases*

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

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

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

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

In contrast to lessee accounting, HKFRS 16 substantially carries forward the lessor accounting requirements in HKAS 17, and continues to require a lessor to classify a lease either as an operating lease or a finance lease.

Furthermore, extensive disclosures are required by HKFRS 16.

As at 31 March 2018, the Group has operating lease commitments of approximately HK$176,000 as disclosed in note 32. Upon application of HKFRS 16, the Group will recognise a right-of-use asset and a corresponding liability in respect of all these leases unless they qualify for low value or short-term leases. In addition, the application of new requirements may result in changes in measurement, presentation and disclosure as indicated above.

3. Significant Accounting Policies

Statement of compliance

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

Basis of preparation

The consolidated financial statements have been prepared on the historical cost basis except for 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 within the scope of HKAS 17 *Lease*, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in HKAS 2 *Inventories* or value in use in HKAS 36 *Impairment of Assets*.

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

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

The principal accounting policies are set out below.

3. Significant Accounting Policies (Continued)

Basis of consolidation

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

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

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

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

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

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

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

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

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

3. Significant Accounting Policies (Continued)

Basis of consolidation (Continued)

Changes in the Group's ownership interests in existing subsidiaries

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

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

Business combinations

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

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

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

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

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

3. Significant Accounting Policies (Continued)

Business combinations (Continued)

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

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation 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 assets or liabilities resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and included as part of the consideration transferred in a business combination. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with the corresponding adjustments against goodwill. Measurement period adjustments are adjustments that arise from additional information obtained during the "measurement period" (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is remeasured 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. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to profit or loss where such treatment would be appropriate if that interest were disposed of.

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

3. Significant Accounting Policies (Continued)

Goodwill

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

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units (or groups of cash-generating units) that is expected to benefit from the synergies of the combination, which represent the lowest level at which the goodwill is monitored for internal management purposes and not larger than an operating segment.

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

On disposal of the relevant cash-generating unit, the attributable amount of goodwill is included in the determination of the profit or loss on disposal (or any of the cash-generating unit within the group of cash-generating unit in which the Group monitors goodwill).

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

Subsidiaries

Subsidiaries are entities over which the Group has the power to control the financial and operating policies so as to obtain benefits from their activities. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are excluded from consolidation from the date that control ceases.

Investments in subsidiaries presented in the statement of financial position included in note 40 are stated at cost less any impairment losses. The results of subsidiaries are accounted for by the Company on the basis of dividends received and receivable.

3. Significant Accounting Policies (Continued)

Investments in associates

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

The results and assets and liabilities of associates are incorporated in these consolidated financial statements using the equity method of accounting, except when the investment, or a portion thereof, is classified as held for sale, in which case it is or the portion so classified is accounted for in accordance with HKFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*. Any retained portion of an investment in an associate that has not been classified as held for sale shall be accounted for using the equity method. The financial statements of associates used for equity accounting purposes are prepared using uniform accounting policies as those of the Group for like transactions and events in similar circumstances. Under the equity method, an investment in an associate is initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associate. When the Group's share of losses of an associate exceeds the Group's interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate.

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

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

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 HKAS 39, the Group measures the retained interest at fair value at that date and the fair value is regarded as its fair value on initial recognition. The difference between the carrying amount of the associate and the fair value of any retained interest and any proceeds from disposing the relevant interest in the associate is included in the determination of the gain or loss on disposal of the associate. In addition, the Group accounts for all amounts previously recognised in other comprehensive income in relation to that associate on the same basis as would be required if that associate had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognised in other comprehensive income by that associate would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Group reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) upon disposal/partial disposal of the relevant associate.

3. Significant Accounting Policies (Continued)

Investments in associates (Continued)

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

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

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

Revenue recognition

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

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

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

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

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

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

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

3. Significant Accounting Policies (Continued)

Leasing

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

The Group as lessor

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

The Group as lessee

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

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

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

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

Leasehold land and building

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

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

3. Significant Accounting Policies (Continued)

Foreign currencies

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

Exchange differences on the settlement of monetary items, and on the retranslation of monetary items, are recognised in profit or loss in the period in which they arise except for exchange differences on exchange differences on monetary items receivable from or payable to a foreign operation for which settlement is neither planned nor likely to occur (therefore forming part of the net investment in the foreign operation), which are recognised initially in other comprehensive income and reclassified from equity to profit or loss on disposal or partial disposal of the Group's interests in associates.

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

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

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

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

3. Significant Accounting Policies (Continued)

Borrowing costs

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

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

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

Retirement benefit costs

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

Share-based payment arrangements

Equity-settled share-based payment transactions

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

The fair value determined at the grant date of the equity-settled share-based payments 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 options that are expected to ultimately vest. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to share options reserve. For share options that vest immediately at the date of grant, the fair value of the share options granted is expensed immediately to profit or loss.

When share options are exercised, the amount previously recognised in share options reserve will be transferred to share capital. When share options are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognised in share options reserve will be transferred to accumulated deficit.

Equity-settled share-based payment transactions with parties other than employees are measured at the fair value of the goods or services received, except where that fair value cannot be estimated reliably, in which case they are measured at the fair value of the equity instruments granted, measured at the date the entity obtains the goods or the counterparty renders the service.

The fair value of the goods and services received are recognised as expenses (unless the goods and services qualify for recognition as assets).

3. Significant Accounting Policies (Continued)

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" as reported in the consolidated statement of profit or loss and other comprehensive income because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

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

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

For the purposes of measuring deferred 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.

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

3. Significant Accounting Policies (Continued)

Property, plant and equipment

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

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

Depreciation is recognised so as to write off the cost of assets less their residual values over their useful lives, using the straight-line method as follows:

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

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

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

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

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

3. Significant Accounting Policies (Continued)

Investment properties

Investment properties are properties held to earn rentals and/or for capital appreciation (including properties under construction for such purposes). Investment properties include land held for undetermined future use, which is regarded as held for capital appreciation purpose.

Investment properties measured using the fair value model

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

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

Intangible assets

Intangible assets acquired separately

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

Intangible assets acquired in a business combination

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

Subsequent to initial recognition, intangible assets acquired in a business combination with finite useful lives are reported at cost less accumulated amortisation and any accumulated impairment losses, on the same basis as intangible assets that are acquired separately. Alternatively, intangible assets acquired in a business combination with indefinite useful lives are carried at cost less any subsequent accumulated impairment losses.

3. Significant Accounting Policies (Continued)

Intangible assets (Continued)

Mining rights

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

Derecognition of intangible assets

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

Impairment of tangible and intangible assets other than goodwill

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

When it is not possible to estimate the recoverable amount of an asset individually, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

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

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

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

3. Significant Accounting Policies (Continued)

Inventories

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

Cash and cash equivalents

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

Provisions

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

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

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

Provision for land rehabilitation

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

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

3. Significant Accounting Policies (Continued)

Financial instruments

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

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Financial assets

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

Effective interest method

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

Income is recognised on an effective interest basis for debt instruments.

3. Significant Accounting Policies (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Financial assets at FVTPL

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

A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling it in the near term; or
- on initial recognition it is part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

A financial asset other than a financial asset held for trading (or contingent consideration that may be received by an acquirer as part of a business combination) may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial asset forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and HKAS 39 *Financial Instruments: Recognition and Measurement* permits the entire combined contract (asset or liability) to be designated as at FVTPL.

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

3. Significant Accounting Policies (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Loans and receivables

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

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

Impairment of financial assets

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

Objective evidence of impairment could include:

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

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

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

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

3. Significant Accounting Policies (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets (Continued)

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

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

Financial liabilities and equity instruments

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

Equity instruments

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

Financial liabilities

Financial liabilities (including trade and other payables, dividend payable to non-controlling interests, promissory note, obligations under a finance lease and amount due to a non-controlling interest) are subsequently measured at amortised cost using the effective interest method.

Effective interest method

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

Interest expense is recognised on an effective interest basis.

3. Significant Accounting Policies (Continued)

Financial instruments (Continued)

Derecognition

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

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

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

Related parties

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

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

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

(ii) has significant influence over the Group; or

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

or

3. Significant Accounting Policies (Continued)

Related parties (Continued)

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

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

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

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

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

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

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

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

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

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

4. Critical Accounting Judgements and Key Sources of Estimation Uncertainty

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

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

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

Key sources of estimation uncertainty

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

Impairment of mining rights

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

Mine reserves

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

5. Segment Information

The Group's operating segments are determined based on information reported to the chief operating decision maker (the "CODM"), being the board of directors, for the purpose of resources allocation and performance assessment. The CODM reviews the Group's internal reporting for the purposes of resource allocation and performance assessment based on two operating segments as (i) Mining Business; and (ii) Software Business.

Segment revenues and results

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

	2018 HK$'000	2017 HK$'000
Segment revenue		
Software Business	300	800
Mining Business	173,872	64,110
	174,172	64,910
Segment results		
Software Business	(783)	(8,887)
Mining Business	20,720	(1,705)
	19,937	(10,592)
Interest income	2,145	956
Other income and gains	1,595	1,414
Unallocated corporate expenses	(7,308)	(9,440)
(Loss)/gain arising on change in fair value of held-for-trading investments	(53)	504
Fair value changes on financial assets designated as at fair value through profit or loss	2,825	–
Fair value gain on investment properties	1,208	–
Loss on disposal/written off of property, plant and equipment	(2,732)	(823)
Gain on disposals of subsidiaries	–	1
Gain on disposal of an associate	3,057	–
Finance costs	(368)	(744)
Share of (loss)/gain of associates	(2,177)	2,775
Profit/(loss) before tax	18,129	(15,949)

Segment revenue reported above represents revenue generated from external customers. There were no inter-segment sales in the current year (2017: nil).

The accounting policies of the reportable segments are the same as the Group's accounting policies described in note 3. Segment results represent the profit/loss from each segment without allocation of interest income, other income and gains, unallocated corporate expenses, loss/gain arising on change in fair value of held-for-trading investments, fair value changes on financial assets designated as at fair value through profit or loss, fair value gain on investment properties, loss on disposal/written-off of property, plant and equipment, gain on disposals of subsidiaries, gain on disposal of an associate, finance costs and share of loss/gain of associates. This is the measure reported to the CODM for the purposes of resource allocation and performance assessment.

5. Segment Information (Continued)

Segment assets and liabilities

	2018 HK$'000	2017 HK$'000
Segment assets		
Software Business	–	–
Mining Business	274,862	306,892
Total segment assets	274,862	306,892
Unallocated	158,619	120,267
Consolidated assets	433,481	427,159
Segment liabilities		
Software Business	–	–
Mining Business	81,334	55,740
Total segment liabilities	81,334	55,740
Unallocated	12,565	22,034
Consolidated liabilities	93,899	77,774

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

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

5. Segment Information (Continued)

Other segment information

	2018 HK$'000	2017 HK$'000
Additions to non-current assets*		
Software Business	–	–
Mining Business	863	561
Unallocated	758	–
	1,621	561
Depreciation and amortisation		
Software Business	–	11
Mining Business	4,111	2,468
Unallocated	114	502
	4,225	2,981
Depreciation and amortisation included in purchase and production costs		
Mining Business	30,826	6,085
Total depreciation and amortisation recognised in profit or loss	35,051	9,066

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

Revenue from major products and services

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

	2018 HK$'000	2017 HK$'000
Consultancy, software development and maintenance services	300	800
Gold dores	34,786	32,745
Nickel-copper ores and concentrates	139,086	31,365
	174,172	64,910

5. Segment Information (Continued)

Geographical information

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

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

	2018 HK$'000	2017 HK$'000
Revenue from external customers		
Hong Kong	300	800
PRC	173,872	64,110
	174,172	64,910
Non-current assets		
Hong Kong	10,844	8,992
PRC	229,854	244,323
	240,698	253,315

Note: Non-current assets exclude financial instruments and interest 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:

	2018 HK$'000	2017 HK$'000
Customer A[1]	112,473	31,365
Customer B[1]	33,312	32,745
Customer C[1]	26,613	–

1 Revenue from Mining Business

6. Finance Costs

	2018 HK$'000	2017 HK$'000
Interest on bank borrowing	–	111
Effective interest on finance lease	35	–
Effective interest on promissory note	333	633
Total borrowing costs	368	744

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

Directors' and chief executive's emoluments

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

For the year ended 31 March 2018

	Fees HK$'000	Salaries, allowances and other benefits in kind HK$'000	Retirement benefits scheme contributions HK$'000	Performance and discretionary bonus HK$'000	Total emoluments HK$'000
Executive directors					
Felipe TAN	120	1,093	26	289	1,528
LAU Yun Fong Carman	120	608	18	107	853
Independent non-executive directors					
CHAN Choi Ling	126	–	–	–	126
CHAN Mei Ying Spencer	126	–	–	–	126
LAM Kwai Yan	126	–	–	–	126
TSANG Wai Chun Marianna	126	–	–	–	126
	744	1,701	44	396	2,885

For the year ended 31 March 2017

	Fees HK$'000	Salaries, allowances and other benefits in kind HK$'000	Retirement benefits scheme contributions HK$'000	Performance and discretionary bonus HK$'000	Share-based payments HK$'000	Total emoluments HK$'000
Executive directors						
Felipe TAN	120	711	26	82	76	1,015
LAU Yun Fong Carman	120	663	17	89	38	927
CHENG Kin Kwan (retired on 29 July 2016)	–	534	–	395	–	929
ZHANG Ming (resigned on 26 September 2016)	60	216	9	22	–	307
Non-executive director						
LAM Kai Ling Vincent (resigned on 29 July 2016)	30	–	–	–	–	30
Independent non-executive directors						
CHAN Choi Ling	126	–	–	–	38	164
CHAN Mei Ying Spencer	126	–	–	–	38	164
LAM Kwai Yan	126	–	–	–	38	164
TSANG Wai Chun Marianna	126	–	–	–	38	164
	834	2,124	52	588	266	3,864

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 (2017: nil). None of the directors or the chief executive has waived any emoluments during the year (2017: nil).

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

Employees' emoluments

The five individuals with the highest paid employees of the Group during the year included two directors (2017: three directors). For the year ended 31 March 2017, one of whom was resigned as director of the Company and remained as employee of the Group after his resignation. Remuneration paid to him as director during the year ended 31 March 2017 was HK$929,000, details of his remuneration are set out above. Details of the remuneration for the year of the remaining three (2017: three) highest paid employees who are neither a director nor chief executive of the Company are as follows:

	2018 HK$'000	2017 HK$'000
Salaries, allowances and other benefits in kind	2,464	2,565
Retirement benefits scheme contributions	36	11
Performance and discretionary bonus	280	3,981
	2,780	6,557

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

	Number of employees	
	2018	2017
Nil to HK$1,000,000	1	–
HK$1,000,001 to HK$1,500,000	2	–
HK$1,500,001 to HK$2,000,000	–	2
HK$3,000,001 to HK$3,500,000	–	1
	3	3

During the year, no emoluments were paid by the Group to any of the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office (2017: nil).

8. Income Tax Expense

	2018 HK$'000	2017 HK$'000
Current tax		
– PRC Enterprise Income Tax	**5,487**	–
– (Over)/under provision in prior year	**(67)**	163
– PRC withholding tax	**2,247**	782
Deferred tax (Note 28)	**(3,556)**	937
Total income tax recognised in profit or loss	**4,111**	1,882

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

The tax expense 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:

	2018 HK$'000	2017 HK$'000
Profit/(loss) before tax	**18,129**	(15,949)
Tax at the Hong Kong Profits Tax rate of 16.5%	**2,991**	(2,631)
Tax effect of share of loss/(gain) of associates	**359**	(458)
Tax effect of expenses not deductible for tax purposes	**1,127**	1,908
Tax effect of income not taxable for tax purposes	**(1,396)**	(124)
Tax effect of unrecognised tax losses	**975**	2,434
(Over)/under provision in prior year	**(67)**	163
Utilisation of tax loss previously not recognised	**(1,566)**	–
Effect of different tax rates for subsidiaries operating in jurisdictions other than Hong Kong	**780**	868
PRC withholding tax	**908**	(278)
Income tax expense for the year	**4,111**	1,882

9. Profit/(loss) for the Year

	2018 HK$'000	2017 HK$'000
Profit/(loss) for the year has been arrived at after charging/(crediting):		
Directors' and chief executive's emoluments (Note 7)	2,885	3,864
Other staff's retirement benefits scheme contributions	1,610	860
Other staff's equity-settled share-based payments	–	532
Other staff costs (Note)	9,283	13,108
Employee benefits expenses	13,778	18,364
Depreciation of property, plant and equipment	3,948	4,295
Amortisation of other intangible assets	26,878	1,790
Depreciation and amortisation (included in the purchase and production costs line item)	30,826	6,085
Depreciation of property, plant and equipment	2,200	2,090
Amortisation of:		
– prepaid lease payments	321	167
– land rehabilitation costs	1,704	724
Depreciation and amortisation (included in the depreciation and amortisation line item)	4,225	2,981
Rental income arising from investment properties	(360)	(30)
Less: direct outgoing expenses	42	–
	(318)	(30)
Auditors' remuneration		
– audit services	750	770
Cost of inventories recognised as an expense	112,611	48,661
Operating lease rentals in respect of rented premises	2,389	373
Net foreign exchange (gain)/losses	(156)	80
Dividends from equity securities	–	(16)
Equity settled share-based payments to consultants	–	952
Interest income	(2,145)	(956)

Note: The costs exclude production staff costs of approximately HK$11,107,000 (2017: HK$4,761,000) which were included in the purchase and production costs line item.

10. Earnings/(loss) Per Share

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

Earnings/(loss):

	2018 HK$'000	2017 HK$'000
Profit/(loss) for the year attributable to owners of the Company for the purpose of basic and diluted earnings/(loss) per share	2,002	(16,574)

Number of ordinary shares:

	2018 '000	2017 '000
Weighted average number of ordinary shares for the purpose of basic and diluted earnings/(loss) per share	2,812,882	2,495,005

The computation of diluted earnings/loss per share did not assume the exercise of the Company's outstanding share options as the exercise price of those share options is higher than the average market price of the shares for the year (2017: their exercise would result in a decrease in loss per share).

11. Property, Plant and Equipment

	Land and buildings HK$'000	Leasehold improvements HK$'000	Plant and machinery HK$'000	Computer equipment HK$'000	Furniture and fixtures HK$'000	Office equipment HK$'000	Motor vehicles HK$'000	Total HK$'000
Cost								
Balance at 1 April 2016	64,331	724	13,831	2,590	227	1,330	3,401	86,434
Exchange adjustments	(2,389)	–	(742)	(98)	–	(10)	(142)	(3,381)
Surplus on revaluation	964	–	–	–	–	–	–	964
Transfer to investment properties (Note 12)	(9,547)	–	–	–	–	–	–	(9,547)
Additions	41	–	71	271	–	14	164	561
Disposals/written-off	(11,217)	(724)	(222)	(905)	(227)	(1,148)	(66)	(14,509)
Balance at 31 March 2017	42,183	–	12,938	1,858	–	186	3,357	60,522
Exchange adjustments	3,726	–	1,219	168	–	22	247	5,382
Additions	–	–	87	201	–	556	777	1,621
Disposals/written-off	(7,523)	–	(745)	(147)	–	(13)	(870)	(9,298)
Balance at 31 March 2018	38,386	–	13,499	2,080	–	751	3,511	58,227
Accumulated depreciation and impairment								
Balance at 1 April 2016	11,606	181	3,438	1,441	49	1,114	2,461	20,290
Exchange adjustments	(584)	–	(184)	(50)	–	(3)	(91)	(912)
Provided for the year	3,937	36	1,747	375	11	15	264	6,385
Eliminated on transfer to investment properties (Note 12)	(555)	–	–	–	–	–	–	(555)
Eliminated on disposals/written-off	(599)	(217)	(218)	(704)	(60)	(1,060)	(63)	(2,921)
Balance at 31 March 2017	13,805	–	4,783	1,062	–	66	2,571	22,287
Exchange adjustments	1,100	–	433	97	–	6	170	1,806
Provided for the year	3,456	–	1,744	395	–	119	434	6,148
Eliminated on disposals/written-off	(4,939)	–	(629)	(118)	–	(10)	(870)	(6,566)
Balance at 31 March 2018	13,422	–	6,331	1,436	–	181	2,305	23,675
Carrying amounts								
Balance at 31 March 2018	24,964	–	7,168	644	–	570	1,206	34,552
Balance at 31 March 2017	28,378	–	8,155	796	–	120	786	38,235

Depreciation expenses of approximately HK$2,200,000 (2017: HK$2,090,000) have been included in profit or loss in the depreciation and amortisation line item and approximately HK$3,948,000 (2017: HK$4,295,000) have been included in profit or loss in the purchase and production costs line item for the year ended 31 March 2018.

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

12. Investment Properties

At fair value

	2018 HK$'000	2017 HK$'000
Balance at the beginning of year	8,992	–
Transfer from property, plant and equipment (Note 11)	–	8,992
Increase in fair value recognised in profit or loss	1,208	–
Balance at the end of year	10,200	8,992

The Group's property interests held under operating leases to earn rentals 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.

Fair value measurement of the Group's investment properties

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

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

Details of the Group's investment properties and information about the fair value hierarchy as at 31 March 2018 are as follows:

	Level 1 HK$'000	Level 2 HK$'000	Level 3 HK$'000	Total HK$'000
Commercial properties units located in Hong Kong	–	10,200	–	10,200

Details of the Group's investment properties and information about the fair value hierarchy as at 31 March 2017 are as follows:

	Level 1 HK$'000	Level 2 HK$'000	Level 3 HK$'000	Total HK$'000
Commercial properties units located in Hong Kong	–	8,992	–	8,992

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.

13. Other Intangible Assets

	Mining rights HK$'000
Cost	
Balance at 1 April 2016	362,708
Effect of foreign currency exchange differences	(21,118)
Balance at 31 March 2017	341,590
Effect of foreign currency exchange differences	36,398
Balance at 31 March 2018	**377,988**
Accumulated amortisation and impairment	
Balance at 1 April 2016	153,114
Effect of foreign currency exchange differences	(9,874)
Provided for the year	2,986
Balance at 31 March 2017	146,226
Effect of foreign currency exchange differences	17,450
Provided for the year	28,104
Balance at 31 March 2018	**191,780**
Carrying amounts	
Balance at 31 March 2018	**186,208**
Balance at 31 March 2017	195,364

At 31 March 2018, the carrying amounts of the mining rights for nickel-copper mine and gold mine were approximately HK$186,208,000 and nil respectively (2017: HK$194,460,000 and HK$904,000 respectively).

The effective amortisation rate of mining rights for the year approximates to 8% (2017: 1%).

Amortisation expenses of approximately HK$26,878,000 (2017: HK$1,790,000) have been included in profit or loss in the purchase and production costs line item and approximately HK$1,226,000 (2017: HK$1,196,000) have been capitalised in the cost of inventories as at 31 March 2018.

13. Other Intangible Assets (Continued)

Nickel-copper mining

The recoverable amount of nickel-copper mining is determined based on a value in use calculation and pre-tax discount rate of 17% (2017: 17%) which reflects current market assessments of the time value of money and the risks specifics to nickel-copper mining. Other key assumptions for the value in use relate to the estimation of cash inflows which include production scale, mining costs and nickel-copper prices.

Based on the value in use calculation, the directors considered that the recoverable amount the nickel-copper mining cash-generating unit was found to be more than its carrying amount. Accordingly, no impairment loss has been recognised for the year ended 31 March 2018 (2017: nil).

14. Interests in Associates

	2018 HK$'000	2017 HK$'000
Unlisted investments, at cost	**75,143**	96,350
Share of post-acquisition results and other comprehensive income	**(74,851)**	(87,376)
	292	8,974

The principal associate of the Group at 31 March 2017 represents 25.035% equity interest in 寧夏教育信息技術股份有限公司 (Ningxia Educational Information & Technology Co., Ltd.) ("Ningxia Educational"), a Sino-foreign joint stock limited company established in the PRC and engaged in software development and information technology services in the PRC.

On 29 September 2017, the Company disposed the entire 25.035% equity interest of Ningxia Educational to an independent third party for a total consideration of RMB5,752,500 and the Group recognised a gain of approximately HK$3,057,000 from the disposal.

The Group has no material associate as at 31 March 2018.

The summarised financial information in respect of the Group's material associate as at 31 March 2017 is set out below. The summarised financial information below represents amounts shown in the associate's financial statements prepared in accordance with HKFRSs.

14. Interests in Associates (Continued)

The summarised financial position in respect of the Group's major associates is as follows:

	2018 HK$'000	2017 HK$'000
Current assets	–	31,343
Non-current assets	–	10,873
Current liabilities	–	(2,857)
Non-current liabilities	–	(7,903)
Net assets	–	31,456

The summarised total comprehensive income in respect of the Group's major associates is as follows:

	For the period ended 29 September 2017 HK$'000	For the year ended 31 March 2017 HK$'000
Revenue	–	–
(Loss)/profit for the year	(5,471)	11,491
Other comprehensive expense for the year	(5,244)	(1,816)
Total comprehensive (expense)/income for the year	(10,715)	9,675

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

	2018 HK$'000	2017 HK$'000
Net assets of the associate	–	31,456
Proportion of the Group's ownership interest	–	25.035%
Carrying amount of the Group's interest	–	7,875

14. Interests in Associates (Continued)

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

	2018 HK$'000	2017 HK$'000
Share of associates' result and total comprehensive expense for the year	**(807)**	(101)
Aggregate carrying amount of the Group's interest in the associates	**292**	1,099

15. Prepaid Lease Payments

	2018 HK$'000	2017 HK$'000
Balance at the beginning of year	**6,829**	7,393
Effect of foreign currency exchange differences	**662**	(397)
Amortisation expense	**(321)**	(167)
Balance at the end of year	**7,170**	6,829
Analysis of the carrying amounts of prepaid lease payments is as follows:		
Prepaid lease payments	**7,170**	6,829
Less: portion to be charge to profit or loss in the coming twelve months and shown as current assets	**(245)**	(223)
Classified as non-current assets	**6,925**	6,606

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

16. Deposits

Long-term deposits of the Group represent the land restoration and environmental recoverability guarantee deposits in certain specified bank accounts. The amounts are restricted and not expected to be refunded within the next 12 months as at 31 March 2018.

17. Land Rehabilitation Costs

	2018 HK$'000	2017 HK$'000
Balance at the beginning of year	4,118	5,116
Effect of foreign currency exchange differences	399	(274)
Amortisation expense	(1,704)	(724)
Balance at the end of year	2,813	4,118

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

18. Inventories

	2018 HK$'000	2017 HK$'000
Raw materials	6,459	22,385
Finished goods	–	29
	6,459	22,414

19. Trade and Other Receivables

	2018 HK$'000	2017 HK$'000
Trade receivables		
Note receivables	7,360	9,331
Prepayments	1,412	4,946
Deposits	29,656	25,409
Other receivables	105	461
	38,533	40,147
Less: deposits classified as non-current assets (Note 16)	(29,234)	(25,327)
	9,299	14,820

19. Trade and Other Receivables (Continued)

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

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

	2018 HK$'000	2017 HK$'000
0 to 90 days	4,300	9,331
91 to 180 days	3,060	–
	7,360	9,331

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

As at 31 March 2018 and 2017, the Group did not have any account receivables.

Movement in the allowance for doubtful debts

	2018 HK$'000	2017 HK$'000
Balance at the beginning of year	–	1,015
Derecognised upon disposals of subsidiaries	–	(1,015)
Balance at the end of year	–	–

20. Held-for-Trading Investments

The held-for-trading-investments represent Hong Kong listed debt securities with fixed interest rates of 4.6% to 7.5% and maturity dates in September 2022 and June 2023 respectively. The fair value of these investments are determined with reference to quoted market prices.

21. Other Financial Assets

	2018 HK$'000	2017 HK$'000
Financial assets at fair value through profit or loss – Designated as such upon initial recognition	**10,625**	–

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

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

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

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

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

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

The investment in Dragan Silver are regarded as a hybrid instrument that contains one or more embedded derivatives and are designated as financial assets at fair value through profit or loss on initial recognition. During the year ended 31 March 2018, fair value changes on financial assets designated as at fair value through profit or loss of approximately HK$2,825,000 was recognised in the consolidated statement of profit or loss and other comprehensive income.

22. 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 1.69% (2017: between 0.01% and 1.43%) per annum.

At 31 March 2018, the Group had bank balances and cash of approximately HK$87,164,000 (2017: HK$38,457,000) 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.

23. Trade and Other Payables

	2018 **HK$'000**	2017 HK$'000
Trade payables	**3,098**	2,933
Other payables (Note)	**10,267**	10,339
	13,365	13,272

Note: Included in other payables are deposits received of approximately HK$3,699,000 (2017: HK$3,412,000), receipt in advance of approximately HK$271,000 (2017: nil) and other payables and accruals of approximately HK$6,297,000 (2017: HK$6,927,000).

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

	2018 **HK$'000**	2017 HK$'000
0 to 30 days	**5**	2,082
31 to 60 days	**101**	27
61 to 90 days	**897**	320
More than 90 days	**2,095**	504
	3,098	2,933

24. Promissory Note

On 11 May 2012, the Group issued a promissory note to Starmax Holdings Limited as part of the purchase consideration of a 51% equity interest of Goffers Management Limited in the principal amount of HK$63,000,000 (the "PN"). The PN bears interest at 3% per annum repayable by instalments in accordance with the terms of the PN on each anniversary date of issue. The PN is secured by a charge over a 51% equity interest of Goffers Management Limited, a non-wholly-owned subsidiary of the Company. As at 31 March 2018, the outstanding aggregate principal amount of the PN amounting to HK$10,000,000 (2017: HK$20,000,000).

25. Obligations under a Finance Lease

	2018 HK$'000	2017 HK$'000
Analysed for reporting purposed as:		
Current liabilities	256	–
Non-current liabilities	271	–
	527	–

During the year, the Group purchase a motor vehicle by way of a finance lease. The lease term is 3 years and the interest rate is 2.5% per annum and repayable by monthly instalments with an option for the Group to purchase the motor vehicle at the end of the lease term at a consideration of HK$500. The finance lease is secured by the Group's motor vehicle with carrying amount of approximately HK$644,000 as at 31 March 2018 and personal guarantee provided by Mr. Felipe Tan.

	Minimum lease payments 2018 HK$'000	Present value of minimum lease payments 2018 HK$'000	Minimum lease payments 2017 HK$'000	Present value of minimum lease payments 2017 HK$'000
Obligations under finance leases payable:				
Within one year	275	256	–	–
Within a period of more than one year but not more than two years	275	271	–	–
Total minimum finance lease payment	550	527	–	–
Less: future finance charges	(23)		–	
Present value of lease obligations	527		–	
Less: Amount due for settlement within 12 months	(256)		–	
Amount due for settlement after 12 months	271		–	

26. Provision for Land Rehabilitation

	2018 HK$'000	2017 HK$'000
Balance at the beginning of year	**8,917**	9,422
Effect of foreign currency exchange differences	**864**	(505)
Balance at the end of year	**9,781**	8,917
Less: provision for land rehabilitation classified as non-current liabilities	**(7,291)**	(8,917)
Land rehabilitation classified as current liabilities	**2,490**	–

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

27. Amount Due to a Non-Controlling Interest

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

28. Deferred Taxation

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

	Withholding tax on undistributed profits HK$'000	Fair value adjustments arising from business combination HK$'000	Total HK$'000
Balance at 1 April 2016	3,099	27,105	30,204
Effect of foreign currency exchange differences	(166)	(1,454)	(1,620)
Charge/(credit) to profit or loss			
Origination and reversal of temporary differences	(278)	1,997	1,719
Reversal upon payment	(782)	–	(782)
Balance at 31 March 2017	**1,873**	**27,648**	**29,521**
Effect of foreign currency exchange differences	**182**	**2,681**	**2,863**
Charge/(credit) to profit or loss			
Origination and reversal of temporary differences	**908**	**(2,217)**	**(1,309)**
Reversal upon payment	**(2,247)**	**–**	**(2,247)**
Balance at 31 March 2018	**716**	**28,112**	**28,828**

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

28. Deferred Taxation (Continued)

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

At the end of the reporting period, the Group has estimated unused tax losses of approximately HK$298,000,000 (2017: HK$294,000,000) available for offsetting against future profits of the group entities in which the losses arose. These estimated unused tax losses of the Group may be carried forward indefinitely. No deferred tax asset has been recognised in respect of these estimated unused tax losses due to unpredictability of future profit streams.

29. Share Capital

	Number of ordinary shares		Amount	
	2018	2017	**2018**	2017
			HK$'000	HK$'000
Ordinary shares, issued and fully paid:				
At the beginning of year	**2,812,881,803**	2,387,881,803	**906,074**	866,564
Issue of shares by way of placing	**–**	425,000,000	**–**	40,375
Transaction costs attributable to issue of new ordinary shares	**–**	–	**–**	(865)
At the end of year	**2,812,881,803**	2,812,881,803	**906,074**	906,074

On 30 December 2016, an aggregate of 425,000,000 ordinary shares were issued to not less than six placees, who are independent third parties, at a price of HK$0.095 per share. The net proceeds were used to provide additional working capital of the Group. All the shares issued during the year ended 31 March 2017 rank *pari passu* with the then existing shares in all respects.

30. Reserves

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

Share options reserve

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

Translation reserve

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

31. Share Options

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

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

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

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

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

The 2003 Share Option Scheme is valid for a period of ten years commencing on the adoption date of 28 April 2003 and was expired during the financial year ended 31 March 2014. Thereafter, no further options would be granted under the 2003 Share Option Scheme but the subsisting options granted thereunder prior to the expiry date will continue to be valid and exercisable in accordance with the terms of the 2003 Share Option Scheme.

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.

31. Share Options (Continued)

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

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 the full time or part time employees of the Group (including any directors, whether executive or non-executive and whether independent or not, of the Company or any subsidiary), any supplier, consultants, agents and advisers or any person who, in the sole discretion of the board of directors of the Company, has contributed or may contribute to the Group eligible for options under this share option scheme ("2013 Eligible Participants") at a price to be determined by the board of directors being the highest of (a) the closing price of the shares on the Stock Exchange on the date of grant of the option, which must be a trading day and (b) the average closing price of the shares of the Stock Exchange for the five trading days immediately preceding the date of grant of the option.

The maximum number of shares which may be issued upon the exercise of all outstanding options granted and yet to be exercised under the 2013 Share Option Scheme shall not exceed 10% of the shares of the Company in issue from time to time and together with other share option schemes of the Company shall not, in aggregate, exceed 30% of the shares of the Company in issue from time to time. No options may be granted to any 2013 Eligible Participants which if exercised in full would result in the total number of shares issued and to be issued upon exercise of the share options already granted to such 2013 Eligible Participants in the 12-month period up to and including the date of such new grant exceeding 1% of the issued share capital of the Company as at the date of grant unless approval is obtained from the shareholders of the Company. The exercisable period is determined by the board of directors in its absolute discretion, save that such period shall not be more than ten years from the date of grant. There is no generally applicable minimum period for which the options must be held before it can be exercised.

The 2013 Share Option Scheme shall be valid and effective for a period of 10 years commencing 25 September 2013 and its remaining life as at 31 March 2018 was about 5.5 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 2013 Eligible Participants concerned for a period of 28 days from the date of offer.

The total number of shares available for issue under the 2013 Share Option Scheme is 98,574,203 (2017: 83,460,689) shares, representing 3.5% (2017: 2.97%) of the issued share capital of the Company as at the end of the reporting period.

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.

31. Share Options (Continued)

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

				Number of share options									
			Exercise price	Outstanding	During the year			Outstanding	During the year				Outstanding
Type of Particulars	Date of grant	Exercisable period	per share HK$	at 1.4.2016	Granted	Exercised	Lapsed	at 31.3.2017	Granted	Exercised	Cancelled	Lapsed	at 31.3.2018
2003 Share Option Scheme													
Employee	18.06.2007	18.06.2007 – 17.06.2017	0.2871	622,702	–	–	(622,702)	–	–	–	–	–	–
	09.09.2011	09.09.2011 – 08.09.2021	0.1445	830,270	–	–	(830,270)	–	–	–	–	–	–
	20.11.2012	20.11.2012 – 19.11.2022	0.1281	10,378,380	–	–	(7,264,866)	3,113,514	–	–	–	–	3,113,514
Total				11,831,352	–	–	(8,717,838)	3,113,514	–	–	–	–	3,113,514
Weighted average exercise price				HK$0.1373	N/A	N/A	HK$0.1410	HK$0.1281	N/A	N/A	N/A	N/A	HK$0.1281

31. Share Options (Continued)

				No of share options										
			Exercise price	Outstanding	During the year				Outstanding	During the year				Outstanding
Type of Particulars	Date of grant	Exercisable period	per share HK$	at 1.4.2016	Granted	Exercised	Reclassified*	Lapsed	at 31.3.2017	Granted	Exercised	Cancelled	Lapsed	at 31.3.2018
2013 Share Option Scheme														
Directors	03.10.2013	03.10.2013 – 02.10.2023	0.1435	5,189,190	–	–	(3,113,514)	–	2,075,676	–	–	–	–	2,075,676
	17.02.2014	17.02.2014 – 16.02.2024	0.1329	415,135	–	–	–	–	415,135	–	–	–	–	415,135
	02.03.2017	02.03.2017 – 01.03.2027	0.1080	–	7,000,000	–	–	–	7,000,000	–	–	–	–	7,000,000
				5,604,325	7,000,000	–	(3,113,514)	–	9,490,811	–	–	–	–	9,490,811
Employees	03.10.2013	03.10.2013 – 02.10.2023	0.1435	4,358,920	–	–	–	(726,487)	3,632,433	–	–	–	–	3,632,433
	17.02.2014	17.02.2014 – 16.02.2024	0.1329	726,487	–	–	–	(103,784)	622,703	–	–	–	–	622,703
	02.03.2017	02.03.2017 – 01.03.2027	0.1080	–	12,000,000	–	–	–	12,000,000	–	–	–	–	12,000,000
				5,085,407	12,000,000	–	–	(830,271)	16,255,136	–	–	–	–	16,255,136
Others	03.10.2013	03.10.2013 – 02.10.2023	0.1435	–	–	–	3,113,514	–	3,113,514	–	–	(3,113,514)	–	–
	02.03.2017	02.03.2017 – 01.03.2027	0.1080	–	25,000,000	–	–	–	25,000,000	–	–	(12,000,000)	–	13,000,000
				–	25,000,000	–	3,113,514	–	28,113,514	–	–	(15,113,514)	–	13,000,000
Total				10,689,732	44,000,000	–	–	(830,271)	53,859,461	–	–	(15,113,514)	–	38,745,947
Weighted average exercise price				HK$0.1424	HK$0.1080	N/A	N/A	HK$0.1422	HK$0.1143	N/A	N/A	HK$0.1153	N/A	HK$0.1139

* A total of 3,113,514 options outstanding as at 31 March 2017 were transferred from "Directors" category to "Others" category upon resignation of a director during the year ended 31 March 2017.

31. Share Options (Continued)

No share options have been granted during the year ended 31 March 2018 (2017: 44,000,000 granted to eligible participants under the 2013 share option schemes, of which 2,000,000 share options were granted to a close family member of Mr. Felipe Tan, a director and shareholder of the Company).

The fair value of the share options granted to employees and directors during the year ended 31 March 2017 was determined using the Binomial Option Priority (the "Model"). The Model is a generalised numerical method with limitation and involves subjectivity and uncertainty to the effect that the values so determined are subject to a number of assumptions. Where relevant, the expected life used in the Model has been adjusted based on management's best estimate for the effects of non-transferability, exercise restrictions (including the probability of meeting market conditions attached to the option), and behavioural considerations. Expected volatility is based on the historical volatility of the Company's share price, adjusted for any expected changes to future volatility based on publicly available information.

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

	2 March 2017
Share price at grant date	HK$0.108
Exercise price	HK$0.108
Expected volatility	85.548%
Expected life	9.998 years
Risk-free interest rate	1.824%
Expected dividend yield	Nil

The fair value of the share options granted during the year ended 31 March 2017 was approximately HK$1,750,000.

Options granted are fully vested at the date of grant. During the year ended 31 March 2017, equity-settled share-based payments to employees and directors of approximately HK$798,000 was included in the consolidated statement of profit or loss and other comprehensive income for the year ended 31 March 2017, the corresponding amount of which has been credited to share options reserve (Note 30). The Company measures the fair value of share options granted by reference to the value of services rendered.

The total consideration received during the year ended 31 March 2017 from the grant of share options amounted to HK$14.

No share options granted under the share option schemes were exercised during the years ended 31 March 2018 and 2017.

32. Operating Lease Commitments

The Group as lessee

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

	2018 HK$'000	2017 HK$'000
Within one year	176	987

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

The Group as lessor

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

	2018 HK$'000	2017 HK$'000
Within one year	330	30

Property rental income earned during the year was approximately HK$360,000 (2017: HK$30,000).

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

During the year ended 31 March 2018, the total amount contributed by the Group to the schemes and charged to the consolidated statement of profit or loss and other comprehensive income amounted to approximately HK$1,654,000 (2017: HK$912,000).

34. Disposals of Subsidiaries

On 28 July 2016, the Group disposed of the entire equity interest in its wholly-owned subsidiaries, namely, Three Principles Computer Service Company Limited, Encore Trading Limited and Corp-Vision Publishing Limited at a total cash consideration of HK$155,000. These subsidiaries were principally engaged in provision of computer consultancy services, development and sales of computer software, trading of computer software and hardware in Hong Kong.

Analysis of the aggregated assets and liabilities over which control was lost

	2017 HK$'000
Current assets	
Trade and other receivables	62
Bank balances and cash	449
Current liabilities	
Trade and other payables	(357)
Net assets disposed of	154

Gain on disposals of subsidiaries

	2017 HK$'000
Consideration received	155
Net assets disposed of	(154)
Gain on disposal	1

Net cash outflow on disposals of subsidiaries

	2017 HK$'000
Consideration received in cash and cash equivalents	155
Less: cash and cash equivalent balances disposed of	(449)
Net cash outflow	(294)

35. Particulars of Principal Subsidiaries of the Company

General information of principal subsidiaries

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

Name of subsidiary	Place of incorporation/ registration/ operations	Issued ordinary/ registered capital	Percentage of equity attributable to the Company		Principal activities
			Directly	Indirectly	
Time Rich HK Limited	Hong Kong	HKD100	–	100%	Investment holding and provision of business services
Timeless T12M Capital Limited	Hong Kong	HKD1,000,000	–	90.1%	Technology and business investment activities
新疆天目礦業資源開發有限公司 ("Xinjiang Tianmu")	PRC	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

Xinjiang Tianmu is a Sino-foreign equity joint venture company established in the PRC and owned as to 51% by Goffers Management Limited, a 51% owned subsidiary of the Group.

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

None of the subsidiaries had issued any debt securities during the year.

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

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

Name of subsidiary	Place of establishment/ registration and principal place of business	Proportion of ownership interests held by the non-controlling interests		Profit/(loss) allocated to non-controlling interests		Accumulated non-controlling interests	
		2018	2017	2018 HK$'000	2017 HK$'000	2018 HK$'000	2017 HK$'000
Xinjiang Tianmu	PRC	74%	74%	12,997	(1,117)	186,662	211,625
Individually immaterial subsidiaries with non-controlling interests						14,188	5,625
						200,850	217,250

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.

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

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

Xinjiang Tianmu

	2018 HK$'000	2017 HK$'000
Current assets	102,947	75,677
Non-current assets	259,088	269,650
Current liabilities	(74,352)	(22,745)
Non-current liabilities	(35,403)	(36,564)
Net assets	252,280	286,018
Equity attributable to owners of the Company	65,618	74,393
Non-controlling interests	186,662	211,625
Total equity	252,280	286,018
Revenue	173,872	64,110
Other income and gains	3,044	2,355
Expenses	(159,350)	(67,975)
Profit/(loss) for the year	17,566	(1,510)
Profit/(loss) attributable to owners of the Company	4,569	(393)
Profit/(loss) attributable to the non-controlling interests	12,997	(1,117)
Profit/(loss) for the year	17,566	(1,510)
Other comprehensive income (expense) attributable to owners of the Company	7,532	(4,655)
Other comprehensive income (expense) attributable to non-controlling interests	21,428	(13,244)
Other comprehensive income/(expense) for the year	28,960	(17,899)
Total comprehensive income (expense) attributable to owners of the Company	12,101	(5,048)
Total comprehensive income (expense) attributable to non-controlling interests	34,425	(14,361)
Total comprehensive income (expense) for the year	46,526	(19,409)
Dividends paid to non-controlling interests of Xinjiang Tianmu	15,049	8,298
Net cash inflow from operating activities	74,136	1,215
Net cash inflow from investing activities	1,102	93
Net cash outflow from financing activities	(31,939)	(16,469)
Effect of foreign exchange rate changes	5,439	(3,108)
Net increase/(decrease) in cash and cash equivalents	48,738	(18,269)

36. Financial Instruments

(a) Categories of financial instruments

	2018 HK$'000	2017 HK$'000
Financial assets		
Fair value through profit or loss		
Held-for-trading investments	3,044	–
Designated as at FVTPL	10,625	–
Loans and receivables (including cash and cash equivalents)	170,706	137,287
Financial liabilities		
Amortised cost	54,397	39,336

(b) Financial risk management objectives and policies

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

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

Market risk

Foreign currency risk management

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

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

36. Financial Instruments (Continued)

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

Market risk (Continued)

Foreign currency risk management (Continued)

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

	2018 HK$'000	2017 HK$'000
Assets:		
United States Dollars ("US$")	805	21
RMB	15,692	22

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

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

	2018 HK$'000	2017 HK$'000
RMB	785	1

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

36. Financial Instruments (Continued)

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

Market risk (Continued)

Interest rate risk management

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

Credit risk management

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

In order to minimise the credit risk, the management closely monitors the settlement of trade and other receivables and reviews the recoverable amount of each individual trade debt and other receivables at the end of the reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors consider that the Group's credit risk is significantly reduced.

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

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

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

36. Financial Instruments (Continued)

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

Liquidity risk management

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

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

	Weighted average effective interest rate	On demand or less than 1 year	Over 1 year	Total undiscounted cash flows	Carrying amounts at 31 March
	%	HK$'000	HK$'000	HK$'000	HK$'000
2018					
Non-derivative financial liabilities					
Trade and other payables	N/A	13,094	–	13,094	13,094
Dividend payable to non-controlling interests	N/A	29,619	–	29,619	29,619
Obligations under a finance lease	2.5	275	275	550	527
Promissory note	3.00	10,300	–	10,300	10,266
Amount due to a non-controlling interest	N/A	–	891	891	891
		53,288	1,166	54,454	54,397
2017					
Non-derivative financial liabilities					
Trade and other payables	N/A	13,272	–	13,272	13,272
Dividend payable to non-controlling interests	N/A	5,532	–	5,532	5,532
Promissory note	3.16	10,600	10,300	20,900	20,532
		29,404	10,300	39,704	39,336

36. Financial Instruments (Continued)

(c) Fair value measurements of financial instruments

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

Fair value hierarchy as at 31 March 2018

	Level 1 HK$'000	Level 2 HK$'000	Level 3 HK$'000	Total HK$'000
Financial assets				
Held-for-trading investments	3,044	–	–	3,044
Financial assets designated as at fair value through profit or loss	–	10,625	–	10,625
Total	3,044	10,625	–	13,669

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

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

The Group had engaged independent professional qualified valuer to perform valuation of the fair value of the financial assets designated as at fair value through profit or loss at the end of the reporting period. The fair value was measure using Guideline Public Company Method market approach with option-pricing method and is based on observable volatilities, pricing multiples of market comparable companies and adjusted to reflect the liquidity and/or marketability.

During the years ended 31 March 2018 and 2017, there were no transfers between Level 1, 2 and 3.

36. Financial Instruments (Continued)

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

Fair value of financial assets and financial liabilities that are carried at other than fair value hierarchy as at 31 March 2018.

	Level 1 HK$'000	Level 2 HK$'000	Level 3 HK$'000	Total HK$'000
Financial liabilities				
Promissory note	**–**	**10,247**	**–**	**10,247**

Fair value hierarchy as at 31 March 2017

	Level 1 HK$'000	Level 2 HK$'000	Level 3 HK$'000	Total HK$'000
Financial liabilities				
Promissory note	–	20,408	–	20,408

The carrying amount of the PN as at 31 March 2018 amounted to approximately HK$10,266,000 (2017: HK$20,532,000), whereas its fair value amounted to approximately HK$10,247,000 (2017: HK$20,408,000). The fair value of the Promissory Note at 31 March 2018 has been arrived using the effective interest method by discounting future estimated repayments at discount rate of 4.65% (2017: 4.05%) with reference to the United States Treasury Bonds yields and credit spreads of comparable financial instruments with similar characteristics.

The directors consider that the carrying amounts of the Group's other financial assets and liabilities carried at cost or amortised cost are not materially different from their fair values as at 31 March 2018 and 2017.

37. Capital Management

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

The capital structure of the Group consists of debts (which includes promissory note, obligations under a finance lease and amount due to a non-controlling interest) and equity attributable to owners of the Company (comprising issued share capital and reserves).

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

Gearing ratio

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

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

	2018 HK$'000	2017 HK$'000
Debts	11,684	20,532
Equity attributable to owners of the Company	138,732	132,135
Gearing ratio	8.4%	15.5%

38. Notes to the Consolidated Statement of Cash Flows

(a) Major non-cash transactions

During the year ended 31 March 2018, addition to a motor vehicle of approximately HK$758,000 was financed by finance lease arrangement (Note 25).

(b) Reconciliation of liabilities arising from financing activities

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

	Promissory note HK$'000	Obligations under a finance lease HK$'000	Amount due to a non-controlling interest HK$'000	Dividend payable HK$'000	Total HK$'000
At 1 April 2017	20,532	–	–	5,532	26,064
Changes from financing cash flows	(10,599)	(275)	891	(27,403)	(37,386)
New finance leases	–	767	–	–	767
Dividends distributed to non-controlling interests	–	–	–	49,864	49,864
Interest expenses	333	35	–	–	368
Foreign exchange	–	–	–	1,626	1,626
At 31 March 2018	10,266	527	891	29,619	41,303

39. Related Party Transactions

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

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

	2018 HK$'000	2017 HK$'000
Rental expenses paid to related companies (Note (i))	381	373
Interest expenses to a related company (Note (ii))	333	633
Service income received from a related company (Note (iii))	300	550
Rental income received from an associate (Note (iv))	360	30
Donation by the Group (Note (v))	100	–

Notes:

(i) Rental expenses in respect of the leasing of office premises were paid to related companies which are beneficially owned by Mr. Felipe Tan, a director and shareholder of the Company, at terms mutually agreed by both parties.

(ii) Effective interest expenses on PN is charged at 3% (2017: 3.16%) per annum and payable to a related company which is beneficially owned by Mr. Felipe Tan, a director and shareholder of the Company, at terms mutually agreed by both parties. Further details of the PN are set out in note 24.

(iii) Service income in respect of services provided by the Group was received from a related company, in which Mr. Felipe Tan is a director and has indirect equity interest, at terms mutually agreed by both parties.

(iv) Rental income in respect of the leasing of office premises were received from an associate in which the Company owned a 48% equity interest, at terms mutually agreed by both parties.

(v) Donation was made to a charitable company, which is exempt from tax under section 88 of the Inland Revenue Ordinance, in which Mr. Felipe Tan acts as director and is one of the founder members.

(vi) Personal guarantee was provided by Mr. Felipe Tan in respect of the obligations under a finance lease (Note 25).

Compensation of key management personnel

The key management personnel are the directors of the Company. The details of the remuneration paid to them are set out in note 7.

40. Statement of Financial Position of the Company and Reserve Movements

Statement of financial position of the Company

	2018 HK$'000	2017 HK$'000
Non-current assets		
Property, plant and equipment	644	–
Investment properties	10,200	8,992
Investments in subsidiaries	14,844	14,844
Interests in associates	–	6,717
	25,688	30,553
Current assets		
Deposits and other receivables	185	215
Amounts due from subsidiaries	105,014	99,625
Bank balances and cash	324	2,133
	105,523	101,973
Current liabilities		
Other payables and accruals	881	1,502
Obligations under a finance lease	256	–
	1,137	1,502
Net current assets	104,386	100,471
Total assets less current liabilities	130,074	131,024
Non-current liabilities		
Obligations under a finance lease	271	–
Net assets	129,803	131,024
Capital and reserves		
Share capital	906,074	906,074
Reserves	(776,271)	(775,050)
Total equity	129,803	131,024

The statement of financial position was approved and authorised for issue by the Board of Directors on 20 June 2018 and are signed on its behalf by:

Felipe Tan
Director

Lau Yun Fong Carman
Director

40. Statement of Financial Position of the Company and Reserve Movements (Continued)

Reserves movements of the Company

	Share options reserve HK$'000	Property revaluation reserve HK$'000	Accumulated deficit HK$'000	Total HK$'000
Balance at 1 April 2016	1,809	–	(756,820)	(755,011)
Total comprehensive income/(expense) for the year	–	964	(22,753)	(21,789)
Recognition of equity-settled share-based payments	1,750	–	–	1,750
Release of reserve upon share options lapsed	(781)	–	781	–
Balance at 31 March 2017	**2,778**	**964**	**(778,792)**	**(775,050)**
Total comprehensive expense for the year	**–**	**–**	**(1,221)**	**(1,221)**
Release of reserve upon share options cancelled	**(710)**	**–**	**710**	**–**
Balance at 31 March 2018	**2,068**	**964**	**(779,303)**	**(776,271)**

41. Event after the Reporting Period

Pursuant to a subscription agreement dated 16 May 2018 entered into between the Group, Cyber Games Arena Limited ("CGA"), and the major shareholders of CGA ("Guarantors"), the Group subscribed for 4,000 ordinary shares of Summit Soar Limited ("Summit Soar", a company incorporated in the British Virgin Islands and the holding company of CGA) at a consideration of HK$50,000,000, representing approximately 28.57% of the equity interest in Summit Soar after restructuring, and entered into a shareholders' agreement on 19 June 2018. CGA is a company incorporated in Hong Kong with limited liability and principally engaged in provision of advertising and promotion service of e-sport activities and organisation of regular e-sport tournament.

Pursuant to the subscription agreement, the Guarantors undertake the profit guarantee compensation and jointly and severally guaranteed to the Group that the net profit after tax of Summit Soar and its subsidiaries after restructuring as shown in the audited consolidated financial statements of Summit Soar 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.

The subscription constitutes a discloseable transaction of the Company under the GEM Listing Rules.

Major Property Information

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

Location	Existing use	Tenure	Group's interest (%) 2018	2017
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-Years Financial Summary

	Year ended 31 March				
	2014 HK$'000	2015 HK$'000	2016 HK$'000	2017 HK$'000	**2018** **HK$'000**
RESULTS					
Revenue	127,981	142,986	155,704	64,910	**174,172**
(Loss)/profit before tax	(92,346)	(61,904)	(1,412)	(15,949)	**18,129**
Income tax credit/(expense)	2,471	4,086	(8,748)	(1,882)	**(4,111)**
(Loss)/profit for the year	(89,875)	(57,818)	(10,160)	(17,831)	**14,018**
Attributable to:					
Owners of the Company	(56,903)	(33,443)	(20,621)	(16,574)	**2,002**
Non-controlling interests	(32,972)	(24,375)	10,461	(1,257)	**12,016**
	(89,875)	(57,818)	(10,160)	(17,831)	**14,018**

	At 31 March				
	2014 HK$'000	2015 HK$'000	2016 HK$'000	2017 HK$'000	**2018** **HK$'000**
ASSETS AND LIABILITIES					
Total assets	545,278	475,622	456,814	427,159	**433,481**
Total liabilities	(204,686)	(139,061)	(94,820)	(77,774)	**(93,899)**
	340,592	336,561	361,994	349,385	**339,582**
Attributable to:					
Owners of the Company	86,018	86,041	111,553	132,135	**138,732**
Non-controlling interests	254,574	250,520	250,441	217,250	**200,850**
	340,592	336,561	361,994	349,385	**339,582**