



**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 2022

# Contents

<b>Corporate Information</b>	<b>02</b>
<b>Chairman’s Statement</b>	<b>03</b>
<b>Management Discussion and Analysis</b>	<b>04</b>
<b>Biographical Details of Directors and Senior Management</b>	<b>12</b>
<b>Corporate Governance Report</b>	<b>14</b>
<b>Environmental, Social and Governance Report</b>	<b>26</b>
<b>Directors’ Report</b>	<b>33</b>
<b>Independent Auditors’ Report</b>	<b>49</b>
<b>Consolidated Statement of Profit or Loss and Other Comprehensive Income</b>	<b>54</b>
<b>Consolidated Statement of Financial Position</b>	<b>55</b>
<b>Consolidated Statement of Changes in Equity</b>	<b>56</b>
<b>Consolidated Statement of Cash Flows</b>	<b>57</b>
<b>Notes to the Consolidated Financial Statements</b>	<b>58</b>
<b>Major Property Information</b>	<b>133</b>
<b>Five-Year Financial Summary</b>	<b>134</b>

## Corporate Information

### Directors

#### Executive Directors

Felipe TAN (*Chairman*)  
Ronald TAN

#### Independent Non-Executive Directors

CHAN Choi Ling  
LAM Kwai Yan  
TSANG Wai Chun Marianna

### Compliance Officer

Felipe TAN

### Audit Committee

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

### Nomination Committee

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

### Remuneration Committee

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

### Company Secretary

KO Yuen Kwan

### Auditors

HLB Hodgson Impey Cheng Limited  
Certified Public Accountants

### Legal Adviser

Michael Li & Co.

### Share Registrar

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

### Bankers

Hang Seng Bank Limited  
OCBC Wing Hang Bank Limited

### Registered Office

Room 2208  
118 Connaught Road West  
Hong Kong

### Listing

GEM of The Stock Exchange of Hong Kong Limited

### Stock Code

8028

### Authorised Representatives to the Stock Exchange

Felipe TAN  
KO Yuen Kwan

### Website

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

### Email

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

## Chairman's Statement

On behalf of the board (the "Board") of directors ("Director(s)") of the Company, I am pleased to present the annual results of the Group for the financial year ended 31 March 2022.

Nickel prices experienced extreme volatility in the first quarter of 2022. At the end of the first quarter of 2022, nickel prices were trading above US\$30,000 and have remained at that level. Strong prices in Q1 were caused by strong consumer demand as reflected by the continued decrease in inventory levels. As nickel prices are expected to remain at high levels in the coming years, the Group made great effort in speeding up the development of phase two of the Baishiquan Nickel-copper Mine during the year under review. The supplementary exploration work had been completed in April 2022 and the verification report of resources and reserves of phase two of the Baishiquan Nickel-copper Mine is targeted to be submitted to the government authority for review by the end of June 2022. It is expected that the government approval on the report would be granted by end August 2022 and the Group will commence its feasibility study after the government approval is obtained.

During the year under review, the Other Business was still operating in the context of uncertainty and market turmoil generated by the COVID-19 pandemic. The COVID-19 pandemic enters its third year and its enormous impact on global economy has not lessened. In the face of the fifth wave of COVID-19 in Hong Kong led by the highly infectious Omicron variant, the government has imposed the strictest social distancing measures. To ensure the continued health and safety of our staff while maintaining our ability to operate effectively, our Group have temporarily implemented split-team work arrangement in Hong Kong as preventive measures and some of our investment projects had been confronted with forced business closure and restrictions. The pandemic has been gradually easing recently and we have returned to full operation. However, as the pandemic is not yet over, the Group will remain cautious and maintain our prudent financial policy. In order to maintain a healthy financial position and improve the Group's financial and competitive performance, the Group commenced metals trading in February 2022 which has contributed to the profits for operating just two months.

Look ahead, it is expected that uncertainty and volatility will become the new normal. During these challenging times, keeping up with global trend and turning uncertainty into opportunity will be the main strategy of the Group. Despite encountering many unexpected difficulties along the way, the Group will continue to prioritize investments in development of phase two of the Baishiquan Nickel-copper Mine and hygiene and sanitisation technology and products as their markets are expected to keep rising at a considerable rate in the coming years.

Finally, I would like to express my sincere gratitude to the shareholders of the Company for their ongoing support, and to the suppliers, customers and business partners for their trust and cooperation. I would also like to take this opportunity to thank the Board and all staff for their hard work and dedication to our Group and its development.

On behalf of the Board

**Felipe Tan**

*Chairman*

Hong Kong, 20 June 2022

# 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 and trading of metal (“Mining Business”); and (ii) research, development and sale agency of bio and nano materials products as well as software maintenance and development services (“Other Business”). In addition to these operating segments, the Group has investment in various projects including e-sports tournament services, nano applications as well as smart farming solution and services through its associates.

During the year under review, revenue was generated from the Group’s two operating segments, among which, the Mining Business accounted for 99.5% (2021: 99.5%) while the Other Business accounted for 0.5% (2021: 0.5%).

## Business Review and Outlook

### Mining Business

#### Overview

The Mining Business primarily comprises of exploration and exploitation of a nickel-copper mine in Mainland China. For the year ended 31 March 2022, high-grade nickel-copper ores were the major products sold under the Mining Business.

During the year ended 31 March 2022, the Group recorded a decrease in gross profit due to decrease in sales of nickel-copper ores extracted from phase one of the Baishiquan Nickel-copper Mine, the resources of which was exhausted in March 2021 with minimal activities and costs incurred at mine site. All the remaining inventory was sold in August 2021 and there was no turnover from the Mining Business thereafter. In view that the mining license will be expired in September 2022, the Group had commenced the renewal preparation during the year under review. For phase two mining zone of the Baishiquan Nickel-copper Mine, we have engaged qualified professional to prepare verification report of resources and reserves with supplementary exploration work completed in April 2022, of which the approval by the regulatory authority is a precedent for the commencement of the feasibility study. For the year ended 31 March 2022, we have incurred approximately HK\$1.6 million (2021: nil) for drilling 13 holes of approximately 3,441 meters. The Group also paid mining royalties of approximately HK\$12.3 million for the Baishiquan Nickel-copper Mine.

For the year ended 31 March 2022, turnover from sales of 18,046 tonnes of high-grade nickel-copper ores amounted to approximately HK\$79.8 million, as compared to turnover of HK\$189.0 million by sales of 24,730 tonnes of high-grade nickel-copper ores of HK\$80.7 million, 17,471 tonnes of nickel concentrate of HK\$83.8 million and 1,846 tonnes of copper concentrate of HK\$24.5 million for the year ended 31 March 2021.

# Management Discussion and Analysis (Continued)

## Business Review and Outlook (Continued)

### Mining Business (Continued)

#### Resource estimates update

As at 31 March 2022, the details of the resource estimates of the mining zone (phase two) are set out below:

Mine	Resource category	Tonnage	Average grade	
		(tonnes*1,000)	(Ni%)	(Cu%)
Baishiquan Nickel-copper Mine	Indicated	2,880	<b>0.58</b>	0.39
	Inferred	2,631	<b>0.61</b>	0.33

Notes:

- (1) The resource estimates are prepared by internal experts based on the exploration works done and the new national standard of the PRC, Classifications for Mineral Resources and Mineral Reserves (GB/T 17766-2020), adjusted from the JORC resource and reserve estimates previously disclosed.
- (2) Cut-off grade is 0.3%.

#### Exploration, Development and Mining Production Activities

Mine	Activity		
	Exploration	Development	Mining
Baishiquan Nickel-copper Mine	Drilling of 13 holes of approximately 3,441 meters	No material activity	No material activity

# Management Discussion and Analysis (Continued)

## Business Review and Outlook (Continued)

### Mining Business (Continued)

#### Expenditure Incurred

During the year ended 31 March 2022, the Group had incurred expenditure on exploration, development, mining and processing activities as follows:

	<b>Total</b> HK\$'000
<b>1. Capital Expenditure</b>	
1.1 Exploration activities	
Drilling and analysis	1,628
1.2 Development activities (including mine construction)	
Construction of drift	—
<b>Total Capital Expenditure</b>	<b>1,628</b>
<b>2. Operating Expenditure for Mining Activities</b>	
Staff cost	274
Consumables	6
Fuel, electricity, water and other services	89
Non-income taxes, royalties and other government charges	14
Others	8
<b>Total Operating Expenditure</b>	<b>391</b>
<b>Total Capital and Operating Expenditure</b>	<b>2,019</b>
<b>3. Processing Expenditure</b>	<b>—</b>
<b>Total Expenditure</b>	<b>2,019</b>

# Management Discussion and Analysis (Continued)

## Business Review and Outlook (Continued)

### Mining Business (Continued)

#### Infrastructure projects and subcontracting arrangements

As at 31 March 2022, there was HK\$1.0 million commitments in relation to the new contract (2021: nil).

#### Outlook

Throughout this financial year, we have worked hard to develop phase two mining zone of the Baishiquan Nickel-copper Mine as these metals will play a major role in the low-carbon future and demand for nickel and copper is expected to have a rapid growing market.

As we have completed the supplementary exploration work in April 2022, our primary goal in this year is to obtain the government approval on the verification report of resources and reserves which will be submitted in the end of June 2022 and proceed to feasibility study. As the COVID-19 pandemic is still ongoing across the world and may pose great challenge to our operation and business, the Group would timely adjust our plan, keep pace with the global trend and make progress on our projects in times of uncertainty.

### Other Business

#### Overview

Other Business comprised of research, development and sale agency of bio and nano materials products as well as software maintenance and development services. For the year ended 31 March 2022, there was turnover of approximately HK\$0.4 million (2021: HK\$0.9 million) from Other Business and the segment profit was approximately HK\$0.2 million (2021: HK\$1.2 million). The segment profit was mainly contributed by the service fee income of HK\$0.4 million from the provision of sales agency services of bio and nano materials products. The Group also engaged in the development and sales of water soluble and biodegradable products, which contributed a revenue of approximately HK\$25,000 (2021: HK\$16,000) for the year ended 31 March 2022.

# Management Discussion and Analysis (Continued)

## Business Review and Outlook (Continued)

### Other Business (Continued)

#### Outlook

For the Other Business, the year under review was a turbulent year as the development of our investment projects has been delayed due to the strict anti-epidemic measures imposed by the Hong Kong government. For the biodegradable material and nano projects, they will still be our investment in the coming years with first priority as personal and environmental hygiene and sanitization products are the global trend. However, as the macroeconomic environment remains uncertain under the pandemic, the Group will try its best to cope with the operational challenges and turn all challenges into opportunities.

#### Interests in Associates

For the year ended 31 March 2022, the Group recorded share of profit of its associates of approximately HK\$0.3 million (2021: loss of HK\$0.1 million) which mainly derived from HK\$0.6 million and HK\$0.9 million cash rebate received by Nano Bubble Limited and Nano Energy Limited respectively from the Innovation and Technology Commission where there was no cash rebate in the last year.

Immediately after the subscription of 12,470 shares of CGA Holdings Limited (“CGA Holdings”) by an independent third party (the “Subscriber”) on 18 October 2021 with the subscription price to provide funding for the proposed listing of CGA Holdings on an overseas stock exchange (the “Subscription”), the equity interest of CGA Holdings owned by the Group decreased from 29.97% to 15.28%. CGA Holdings ceased to be an associate of the Group and was accounted for as financial assets at fair value through profit or loss. The Group recorded a gain on partial disposal of an associate of approximately HK\$7.3 million upon completion of the Subscription. In the event that the listing is unsuccessful for any reason on or before 18 April 2023, the Subscriber shall transfer all its shareholding in CGA Holdings to Bloom Explorer Limited (“Bloom Explorer”) and the Group at a consideration of HK\$1 so as CGA Holdings shall be owned as to approximately 70.03% by Bloom Explorer and as to approximately 29.97% by the Group. Further details of the Subscription are set out in the Company’s announcement dated 18 October 2021.

Pursuant to the subscription agreement dated 16 May 2018, the three founders of CGA Holdings (the “CGA Guarantors”) guaranteed to the Group that the net profit after tax as shown in the audited consolidated financial statements of CGA Holdings for the years ended 31 March 2020 and 31 March 2021 shall not be in aggregate less than HK\$32,000,000 (“Guaranteed Profit”). As the Guaranteed Profit has not been fulfilled, the CGA Guarantors are required to pay to the Group a compensation of HK\$9,142,400 (“Profit Guarantee Compensation”). On 30 June 2021, the Group and the CGA Guarantors entered into a deed of settlement (“Deed of Settlement”). The CGA Guarantors jointly and severally undertake to pay to the Group (a) HK\$1,000,000 upon the execution of the Deed of Settlement; (b) HK\$8,142,400 on or before 30 June 2023 or such earlier date as may be requested by the Group; and (c) a further sum accruing at the rate of 5% per annum on the outstanding amount payable by the CGA Guarantors under (b) above. As security for the due and punctual performance of the obligations of the CGA Guarantors, Bloom Explorer, which is wholly owned by the CGA Guarantors, executed in favour of the Group a share charge in respect of 9,090 shares of CGA Holdings, representing about 35.72% of the total shares of CGA Holdings currently in issue.

# Management Discussion and Analysis (Continued)

## Business Review and Outlook (Continued)

### Interests in Associates (Continued)

The Group owned 22.53% equity interest in Nano Bubble Limited which is mainly engaged in research and development for hygienic and sanitisation products and related solutions using the nano-ozone technology. The hydroponic machine is not only used for replacing chemical detergent to sterilization and disinfection but also be applied to aquaculture and agriculture to enrich oxygen level in fish and vegetable cultivation media. During the year under review, the industrial hydroponic machine was still under fine tuning while the nano bubble generator for domestic use was under assembling. It is expected that the nano bubble generator for hydroponic use can be launched to the market in 2022. The Group is optimistic on the commercialisation of the research and development outcome of Nano Bubble Limited as such technology attracted massive positive feedback.

### Other Investments

As at 31 March 2021, the Group owned 600,000 ordinary shares of Dragon Silver Holdings Limited (“Dragon Silver”), representing approximately 8.86% of its issued share capital, at an investment cost of HK\$7,800,000. Dragon Silver is a company incorporated in Hong Kong principally engaged in trading, production, processing and investment in metals and related products. Pursuant to the subscription agreement dated 29 December 2017, the founder of Dragon Silver (the “DS Guarantor”) irrevocably guaranteed to the Group that the profit for each of its financial years ended from 30 June 2018 to 2022 (the “DS Relevant Years”) shall not be less than HK\$15,000,000 (“DS Profit Guarantee”). The Group and the DS Guarantor entered into a supplemental agreement on 24 April 2020 to waive the DS Profit Guarantee for the two financial years ended 30 June 2020 and 2021 and the DS Guarantor agreed to extend the DS Profit Guarantee for three additional financial years ending 30 June 2023, 2024 and 2025.

The DS Guarantor also irrevocably guaranteed to the Group that the amount of dividends declared and paid by Dragon Silver for each DS Relevant Years shall not be less than HK\$1.25 per share. Dragon Silver has not paid any dividend to the Group for its financial year ended 30 June 2021 (“FY2021”). On 7 October 2021, the DS Guarantor paid to the Group the compensation of HK\$750,000. As such, the Board (including the independent non-executive Directors) considers that the obligation of the DS Guarantor in respect of the DS Guaranteed Dividend for FY2021 has been fulfilled.

Pursuant to the put option deed dated 29 December 2017, the DS Guarantor has granted to the Group the Put Option to sell all the 600,000 shares at the consideration of HK\$7,800,000 within the period from 29 December 2021 to 28 December 2022. On 16 February 2022, the Group exercised the Put Option to sell all its shares in Dragon Silver to the DS Guarantor (“Disposal”) and the transfer of the shares was completed with the total consideration of HK\$7,800,000 duly received by the Group. Further details of the Disposal are set out in the Company’s announcement dated 16 February 2022.

# Management Discussion and Analysis (Continued)

## Financial Performance Review

For the year ended 31 March 2022, the Group recorded a total turnover of approximately HK\$80.2 million (2021: HK\$189.9 million), representing a decrease of 58% as compared with the last financial year. Other income and gains of approximately HK\$5.5 million for the year under review (2021: HK\$3.6 million) mainly represented dividend income, interest income, rental income and profit from disposal of consumables of processing plant. Profit for the year was approximately HK\$36.6 million (2021: HK\$50.2 million), was mainly contributed by the Mining Business.

The Mining Business recorded revenue of approximately HK\$79.8 million (2021: HK\$189.0 million) and segment profit for the year of HK\$44.7 million (2021: HK\$76.0 million), representing a decrease of 58% and 41% respectively as compared with the last financial year. The decrease in revenue and profit was mainly due to the decrease in sales quantity whereas all the inventory was sold in August 2021.

There was turnover of approximately HK\$0.4 million from the Other Business (2021: HK\$0.9 million). Segment profit was HK\$0.2 million (2021: HK\$1.2 million). The decrease in segment profit of Other Business by 83% was mainly due to a one-off cash rebate for research and development of HK\$0.3 million received in the prior year. The segment profit of Other Business was contributed by the service fee income from sales of nanofibers related products and trading gain on sale of water soluble products.

Profit attributable to owners of the Company was approximately HK\$6.9 million, as compared to approximately HK\$8.0 million for the last financial year.

The adjusted EBITDA of the Group, a non-HKFRSs financial measure, for the current year decreased by HK\$56.1 million to HK\$41.8 million as compared to HK\$97.9 million last year, details of which is provided on page 39 of this annual report.

## Liquidity and Financial Resources

As at 31 March 2022, the Group had bank balances and cash of approximately HK\$127.1 million (2021: HK\$116.1 million) and net current assets of HK\$122.0 million (2021: HK\$117.4 million). Out of the Group's bank balances and cash, about 1% was denominated in Hong Kong dollars (2021: 2%) and 99% was denominated in Renminbi (2021: 98%). The cash denominated in United States dollars is less than 1% (2021: less than 1%).

As at 31 March 2022, the current ratio was 6.19 (2021: 3.33).

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

As at 31 March 2022, the Group had outstanding borrowings of approximately HK\$11.2 million (2021: HK\$15.0 million), which mainly represented a loan from a related company.

## Capital Commitments

The Group has no significant capital commitment as at 31 March 2022.

## Management Discussion and Analysis (Continued)

### Gearing Ratio

As at 31 March 2022, the Group's gearing ratio was approximately 18.34% (2021: 28.42%), based on total borrowings of approximately HK\$11.2 million (2021: HK\$15.0 million) and equity attributable to owners of the Company of approximately HK\$61.1 million (2021: HK\$52.8 million). The decrease in the ratio was mainly due to profit recognised in the current year which caused the increase in equity attributable to owners of the Company and also repayment of a loan from a related company.

### Employee Information

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

### Charge on the Group's Assets

None of the Group's assets was pledged as at the date of the report.

### Order Book and Prospects for New Business

There was no order book on hand as at 31 March 2022.

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

There was no material disposal or acquisition of subsidiaries, associates and joint ventures for the year.

### Future Plans for Material Investments

The Group does not have any plan for material investments in the near future.

### Exposure to Exchange Risks

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

### Contingent Liabilities

As at 31 March 2022, the Group has no material contingent liabilities.

# Biographical Details of Directors and Senior Management

## Directors

### Executive Directors

**Mr. Felipe TAN**, aged 67, has been re-appointed as an executive Director and Chairman of the Company since 17 March 2021. Mr. Tan was appointed as an executive Director of the Company on 30 September 2012 and Chairman of the Company on 29 July 2016 and resigned on 12 September 2019. He is also directors of certain subsidiaries of the Company. He has over 40 years of experience in metals trading including over 22 years of management experience in mining industry in the People's Republic of China (the "PRC"). He is also the chairman of the board, president and chief executive officer of GobiMin Inc. ("GobiMin"), the shares of which are listed on the TSX Venture Exchange in Canada (symbol: GMN). GobiMin and its subsidiaries are principally engaged in the investment in equity, debt or other securities as well as direct ownership stakes in projects, including the development of mineral properties, mainly in Xinjiang, the PRC. He had been an executive director of Loco Hong Kong Holdings Limited, the shares of which are listed on GEM of The Stock Exchange of Hong Kong Limited (stock code: 8162), from February 2014 to July 2019 and had been a director of Jiangmen Proudly Water-soluble Plastic Co., Ltd., the shares of which were traded on the NEEQ (NEEQ:833367) in the PRC, from September 2015 to December 2019. He is the father of Mr. Ronald Tan, an executive Director of the Company.

**Mr. Ronald TAN**, aged 30, has been appointed as an executive Director of the Company since 2 October 2019. He joined the Group in 2016 and is the project manager of the Group, responsible for evaluating and overseeing different investment projects. He is directors of certain subsidiaries and investment company of the Company. He is also responsible for strategic planning and international expansion of such investment company. Mr. Ronald Tan graduated from the University of Hong Kong with a Master degree of Arts. He is the son of Mr. Felipe Tan, an executive Director and Chairman of the Company.

### Independent Non-executive Directors

**Ms. CHAN Choi Ling**, aged 47, has been appointed as an independent non-executive director ("INED") since 30 September 2012. Ms. Chan is a qualified solicitor in Hong Kong. She obtained her Bachelor of Laws degree from the City University of Hong Kong. Ms. Chan has over 15 years' experience in civil litigation. Ms. Chan currently is a consultant in two law firms in Hong Kong.

**Mr. LAM Kwai Yan**, aged 62, has been appointed as an INED since 23 December 2008. Mr. Lam has a degree in Business Studies from the University of Southern Queensland, Australia. He is a member of the Hong Kong Institute of Certified Public Accountants, a fellow member of the CPA Australia and Institute of Singapore Chartered Accountants. Mr. Lam has worked for various large corporations, and has vast experiences with SME's, including auditing and consulting on re-organisation and restructuring businesses that have cross-border operations in China. His work also included advising and consulting for listed public companies.

**Ms. TSANG Wai Chun Marianna**, aged 67, has been appointed as an INED since 16 October 2003. She is the Managing Director of TWC Management Limited. She is a Chartered Secretary, a Chartered Governance Professional and an Associate of both The Chartered Governance Institute in UK and the Hong Kong Chartered Governance Institute. She is also a member of the Taxation Institute of Hong Kong, the Society of Registered Financial Planners, the Chartered Institute of Arbitrators, the Institute of Financial Accountants and the Institute of Public Accountants in Australia and the Association of International Accountants in UK. She obtained a postgraduate certificate in Professional Accounting. Ms. Tsang had been a member of the Board of Review (Inland Revenue Ordinance) from 2010 to 2015. She has over 30 years working experience covering the spectrum of accounting, company secretarial, corporate affairs, and related legal working experience in major commercial corporations and in professional firms. Ms. Tsang was an INED of Loco Hong Kong Holdings Limited, the shares of which are listed on GEM of the Stock Exchange (Stock Code: 8162), from 22 July 2014 to 28 June 2019.

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

### Compliance Officer

**Mr. Felipe Tan** is the compliance officer of the Company.

### Company Secretary

**Ms. KO Yuen Kwan**, aged 57, has comprehensive experience in finance, accounting and compliance matters of listed companies in Hong Kong and Canada. Ms. Ko joined the Group in November 2014. She is also currently the chief financial officer, vice president corporate affairs & secretary and director of GobiMin Inc. (“GobiMin”), the shares of which are listed on the TSX Venture Exchange in Canada (Symbol: GMN). Ms. Ko had been the company secretary of companies listed on the Main Board and GEM of the Stock Exchange for more than 13 years, responsible for the company secretarial, legal and compliance matters. Ms. Ko holds a Master’s degree in Professional Accounting from the Hong Kong Polytechnic University and is a member of the Hong Kong Institute of Certified Public Accountants and the CPA Australia. She is also a Chartered Secretary, a Chartered Governance Professional and a fellow member of both The Chartered Governance Institute in UK and the Hong Kong Chartered Governance Institute.

# 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 (version up to 31 December 2021) (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 2022, 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. Since the re-appointment of Mr. Felipe Tan as an executive Director and the Chairman of the Company after the resignation of the Acting Chief Executive Officer on 17 March 2021, the Company has a vacancy for the Chief Executive Officer and the role of the Chief Executive Officer has been performed by the executive Directors collectively. The Board of the Company will use its best endeavor in finding a suitable candidate to assume duties as Chief Executive Officer of the Company as soon as possible.

## Board of Directors

### Composition and Responsibilities

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

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

- To develop and review the Company’s policies and practices on corporate governance and make recommendations to the board;
- To review and monitor the training and continuous professional development of Directors and senior management;
- To review and monitor the Company’s policies and practices on compliance with legal and regulatory requirements;
- To develop, review and monitor the code of conduct applicable to employees and directors; and
- To review the Company’s compliance with the Code and disclosure in the Corporate Governance Report.

# Corporate Governance Report (Continued)

## Board of Directors (Continued)

### Composition and Responsibilities (Continued)

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

The Board currently comprises five Directors, including two executive Directors and three independent non-executive Directors.

The composition of the Board is currently as follows:

#### *Executive Directors:*

Mr. Felipe TAN (*Chairman*)  
Mr. Ronald TAN

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

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

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

### Board Meetings

The Board held 7 meetings during the year ended 31 March 2022.

### 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 2022:

	Board Meeting	Audit Committee Meeting	Remuneration Committee Meeting	Nomination Committee Meeting	2021 Annual General Meeting
Number of Meetings Attended/Held					
<b>Executive Directors:</b>					
Felipe TAN ( <i>Chairman</i> )	7/7	–	–	–	1/1
LAM Kai Ling Vincent (note 2)	4/7	–	–	–	–
LAU Yun Fong Carman (note 1)	4/7	–	–	–	–
Ronald TAN	7/7	–	–	–	1/1
<b>Independent Non-executive Directors:</b>					
CHAN Choi Ling	7/7	4/4	1/1	1/1	1/1
LAM Kwai Yan	7/7	4/4	1/1	1/1	1/1
TSANG Wai Chun Marianna	7/7	4/4	1/1	1/1	1/1

# Corporate Governance Report (Continued)

## Board of Directors (Continued)

### Composition and Responsibilities (Continued)

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

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

Notes:

1. Ms. Lau Yun Fong Carman resigned as executive Director of the Company with effect from 31 August 2021.
2. Mr. Lam Kai Ling Vincent resigned as executive Director of the Company with effect from 13 September 2021.

#### Appointment, Re-election and Removal

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

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

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

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

#### Confirmation of Independence

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

#### Directors' Securities Transactions

The Company has adopted a code of conduct regarding the securities transactions by Directors on terms no less exacting than the required standard of dealings set out in rules 5.48 to 5.67 of the GEM Listing Rules. Having made specific enquiry of all Directors, all Directors confirmed that they had complied with the required standard of dealings and the code of conduct regarding securities transactions by Directors adopted by the Company throughout the year ended 31 March 2022.

# Corporate Governance Report (Continued)

## Board of Directors (Continued)

### Directors' Participation in Continuous Professional Trainings

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

The Directors, namely Mr. Felipe Tan, Mr. Lam Kai Ling Vincent (resigned on 13 September 2021), Ms. Lau Yun Fong Carman (resigned on 31 August 2021), Mr. Ronald Tan, Ms. Chan Choi Ling, Mr. Lam Kwai Yan and Ms. Tsang Wai Chun Marianna, confirmed that they have participated in continuous professional development to develop and refresh their knowledge and skills during the year under review and where applicable, up to the date of cessation as director.

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

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

## Board Committees

### Audit Committee

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

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

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

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

For the year ended 31 March 2022, the Audit Committee held 4 meetings. Details of the attendance of the members of the Audit Committee in the said meetings are set out under the sub-heading "Directors' Attendance at Board/Board Committee/General Meetings" above.

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

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

## Board Committees (Continued)

### Audit Committee (Continued)

The Audit Committee has reviewed the accounts for the year ended 31 March 2022 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 2022, the Board did not take different view from the Audit Committee on the appointment of external auditor.

### Nomination Committee

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

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

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

For the year ended 31 March 2022, the Nomination Committee held 1 meeting. Details of the attendance of the members of the Nomination Committee in the said meeting are set out under the sub-heading “Directors’ Attendance at Board/Board Committee/General Meetings” above.

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

- To review and monitor the structure, size and composition (including the skills, knowledge and experience) of the Board at least annually and make recommendations to the Board regarding any proposed changes;
- To identify and nominate qualified individuals for appointment as additional Directors or to fill Board vacancies as and when they arise. The criteria to be adopted by the Board in considering each individual shall be their ability to contribute to the effective carrying out by the Board of its responsibilities; and
- To make recommendations to the Board on matters relating to the appointment or re-appointment of Directors and succession planning for Directors in particular the chairman and the chief executive officer.

#### I. Nomination Policy

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

#### *Nomination Process*

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

## Board Committees (Continued)

### Nomination Committee (Continued)

#### I. Nomination Policy (Continued)

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

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

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

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

#### 2. Procedures for Re-election of Director at General Meeting

- (a) The Nomination Committee reviews the overall contribution to the Company of the retiring Director.
- (b) The Nomination Committee also reviews and determines whether the retiring Director continues to meet the selection criteria set out in the Nomination Policy.
- (c) The Nomination Committee shall recommend to the Board which shall then make recommendation to shareholders in respect of the proposed re-election of Director at the general meeting.

#### 3. Procedures for Nomination by Shareholders

- (a) The Company's website sets out the procedures for shareholders to propose a person for election as a Director.
- (b) For any person that is nominated by a shareholder for election as a Director at the general meeting of the Company, the Nomination Committee shall evaluate such candidate based on the selection criteria set out in the Nomination Policy and to determine whether such candidate is qualified for directorship and where appropriate, the Nomination Committee shall recommend to the Board which shall then make recommendation to shareholders in respect of the proposed election of Director at the general meeting.

## Board Committees (Continued)

### Nomination Committee (Continued)

#### I. Nomination Policy (Continued)

##### *Selection Criteria*

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

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

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

#### II. Board Diversity Policy

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

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

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

##### *Measurable objectives*

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

## Board Committees (Continued)

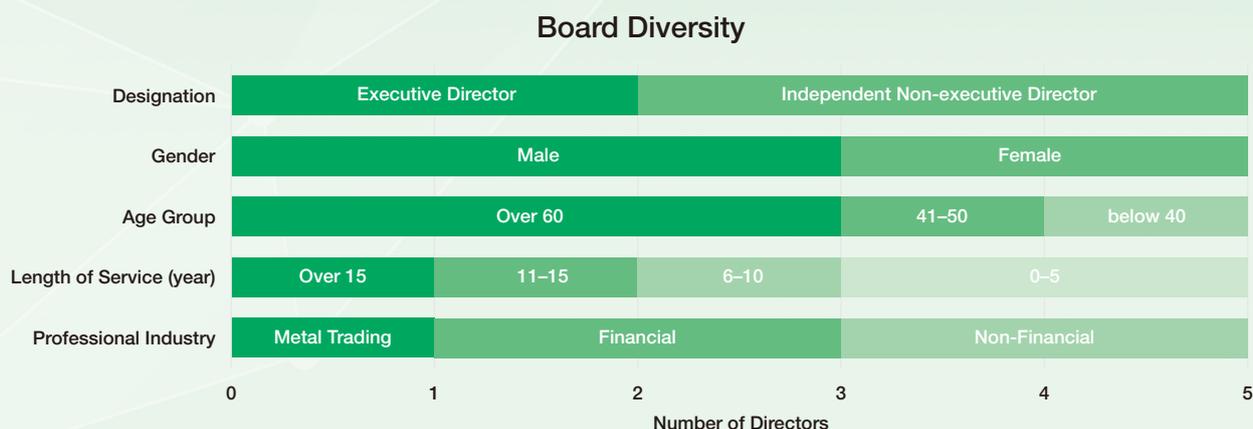
### Nomination Committee (Continued)

## II. Board Diversity Policy (Continued)

### Monitoring and Reporting

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

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



## Remuneration Committee

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

Ms. CHAN Choi Ling (*Chairlady*)

Mr. LAM Kwai Yan

Ms. TSANG Wai Chun Marianna

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

For the year ended 31 March 2022, the Remuneration Committee held 1 meeting. Details of the attendance of the members of the Remuneration Committee in the said meeting are set out under the sub-heading "Directors' Attendance at Board/Board Committee/General Meetings" above.

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

- To determine the policy for the remuneration of executive Directors, assessing performance of executive Directors and approving the terms of executive Directors' service contracts;
- To make recommendations to the Board on the Company's policy and structure for all remuneration of Directors and senior management and on the establishment of a formal and transparent procedure for developing policy on such remuneration and to place recommendations before the Board concerning the total remuneration and/or benefits granted to the Directors from time to time; and
- To review and approve the senior management's remuneration proposals with reference to the corporate goals and objectives resolved by the Board from time to time.

## Auditors' Remuneration

For the year ended 31 March 2022, 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	620,000

## 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 49 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.

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

# Corporate Governance Report (Continued)

## Accountability and Audit (Continued)

### Review of Risk Management and Internal Control (Continued)

The Group regulates the handling and dissemination of inside information according to the “Guidelines on Disclosure of Inside Information” published by the Securities and Future Commission in June 2012 to ensure inside information remains confidential until the disclosure of such information is appropriately approved, and the dissemination of such information is efficiently and consistently made. The Company regularly reminds the Directors and employees about due compliance with all policies regarding the inside information. Also, the Company keeps Directors, senior management and employees apprised of the latest regulatory updates. The Company shall prepare or update appropriate guidelines or policies to ensure the compliance with regulatory requirements.

### Company Secretary

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

For the year ended 31 March 2022, 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 2022, 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.

According to the shareholders' communication policy, the Company uses a range of communication tools including various announcements, circulars, annual, interim and quarterly reports, general meetings including AGM to disseminate relevant information to shareholders as well as by making all the disclosures submitted to The Stock Exchange of Hong Kong Limited available on the Company's website on a timely basis. 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.

Shareholders of the Company and the public can make enquiries to the Company directly through the email [info@timeless.com.hk](mailto:info@timeless.com.hk) or in writing to the Company's registered office in Hong Kong.

## Dividend Policy

1. The Company adopted a dividend policy (the "Dividend Policy") on 29 January 2019 in compliance with E.1.5 of the Code with retrospective effect from 1 January 2019, which decides whether to propose a dividend and in determining the dividend amount, the Board shall take into account, inter alia:
  - (a) the Group's actual and expected financial performance;
  - (b) shareholders' interests;
  - (c) retained earnings and distributable reserves of the Company and each of the other members of the Group;
  - (d) the level of the Group's debts to equity ratio, return on equity and financial covenants to which the Group is subject;
  - (e) possible effects on the Group's creditworthiness;
  - (f) any restrictions on payment of dividends that may be imposed by the Group's lenders;
  - (g) the Group's expected working capital requirements and future expansion plans;
  - (h) liquidity position and future commitments of the Group at the time of declaration of dividend;
  - (i) taxation considerations;
  - (j) statutory and regulatory restrictions;
  - (k) general business conditions and strategies;
  - (l) general economic conditions, business cycle of the Group's business and other internal or external factors that may have an impact on the business or financial performance and position of the Company; and
  - (m) other factors that the Board deems appropriate.

## Corporate Governance Report (Continued)

### Dividend Policy (Continued)

2. Pursuant to the Dividend Policy, the declaration and payment of dividends shall remain to be determined at the discretion of the Board and subject to all applicable requirements under the Hong Kong Companies Ordinance and the Articles of Association of the Company. Except for the interim dividend which can be declared and distributed by the discretion of the Board, any dividends declared by the Company must be approved by an ordinary resolution of shareholders at the general meeting and must not exceed the amount recommended by the Board.
3. The Company will continually review the Dividend Policy and reserves the right in its sole and absolute discretion to update, amend and/or modify the Dividend Policy at any time, and the Dividend Policy shall in no way constitute a legally binding commitment by the Company that dividends will be paid in any particular amount and/or in no way obligate the Company to declare a dividend at any time or from time to time.

### Voting by Poll

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

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

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

### The Procedures for Sending Enquiries to the Board

Specific enquiries from shareholders to the Board can be sent in writing to the Company at our registered office in Hong Kong or by email through [info@timeless.com.hk](mailto:info@timeless.com.hk) as stated on the Company's website.

# Environmental, Social and Governance Report

For the Year ended at 31 March 2022

## 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 2022.

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

The Group is principally engaged in the exploration and exploitation of mines and trading of metal (“Mining Business”) and research, development and sale agency of bio and nano materials products as well as software maintenance and development services (“Other Business”). The Mining Business includes exploration and exploitation of mines and processing and sale of the outputs from the mines in Xinjiang, the People’s Republic of China (“PRC”). Nickel-copper products are the main products sold under the Mining Business.

During the year from 1 April 2021 to 31 March 2022 (the “Reporting Period”), the Mining Business accounted for 99.5% of the Group’s turnover, and the remaining turnover was recorded from the Other Business. This ESG Report covers the information and activities of our Mining Business for the year ended 31 March 2022.

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

## Quality of Working Environment

### Employment (B1)

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

1. Remuneration of employees is determined in accordance with the staff salaries management measures.
2. Employees are recruited, promoted and dismissed pursuant to the “Labour Law of the PRC” (《中華人民共和國勞動法》) and the “Employment Contract Law of the PRC” (《中華人民共和國勞動合同法》).
3. Flexible employee leave policies are established based on the relevant requirements by the government and are in place to provide the Group’s employees with sufficient rest time and work life balance, depending on their plans and needs.
4. Equal opportunities are promoted within the Group so every candidates and employees are treated equally when it comes to recruitment and promotion.

## Quality of Working Environment (Continued)

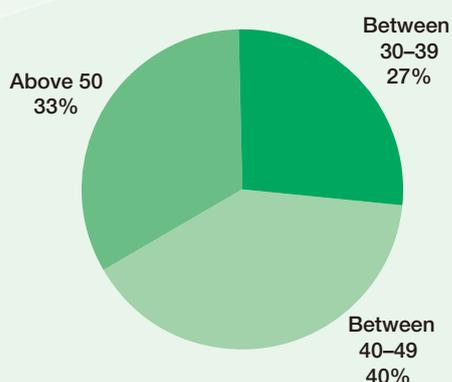
### Employment (B1) (Continued)

5. Various welfares and benefits are provided to all the employees pursuant to the requirements as stipulated by local governments where our enterprises are located, including endowment insurance, medical insurance, unemployment insurance, work-related injury insurance, maternity insurance and housing provident funds which are equivalent to 16%, 6%, 0.5%, 1.52%, 0.5% and 5% of the relevant monthly basic salary respectively.
6. Various leisure facilities including basketball courts, table tennis rooms and snooker rooms are made available to employees during their spare time. Prior to the outbreak of COVID-19, the Group organized various travel trip and cultural performances banquet for its employees.

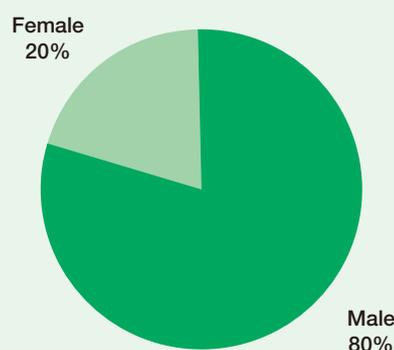
Laws, regulations and relevant systems and requirements mentioned above were strictly complied with an aim to provide a favourable working environment for all of our employees.

Following the completion of mining and processing activities during the year ended 31 March 2021, the Group dismissed a total of 97 employees pursuant to the “Labour Law of the PRC” (《中華人民共和國勞動法》) and the “Employment Contract Law of the PRC” (《中華人民共和國勞動合同法》). The following charts summarised the composition of the Group’s employees for its Mining Business:

**DISTRIBUTION OF EMPLOYEE AGE GROUP  
(AT 31/3/2022)**



**EMPLOYEES' GENDER  
(AT 31/3/2022)**



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

For the year ended 31 March 2022, there was no violation of relevant codes, rules and regulations.

## Quality of Working Environment (Continued)

### Health and Safety (B2)

In previous years, 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》). There are no history of violation of the relevant codes, rules and regulations. Following the completion of mining and processing activities in the prior year, the risk relating to health and safety resulting from the Group’s mining operation had been reduced significantly.

In Xinjiang, COVID-19 pandemic has been under control and no large-scale outbreak is noted. Nevertheless, the Group is still cautious in terms of its working environment and distributes anti-epidemic items to employees every month, including masks, disinfection products, protective clothing, gloves, medical safety goggles, etc.

However, the pandemic in Hong Kong has been worsening since January 2022 due to the outbreak of Omicron variant. In view of the situation, management of the Group has implemented the following policies:

- (1) Adoption of flexible working arrangement that allowed staff to work at their home in order to reduce flow of people and social contacts in the community. Staff was arranged to work from home as far as possible.
- (2) Purchase of various anti-epidemic items, including face masks, disinfection items and rapid antigen test kits for employees.
- (3) Provide special leaves to employees for taking vaccination to ensure they have sufficient rest time.
- (4) Perform more frequent cleaning and disinfection of the office premises.

For the year ended 31 March 2022, there was one reported case of infection and the related employee recovered within 2 weeks.

### Development and Training (B3)

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

For the year ended 31 March 2022, due to the completion of the mining and processing activities and dismissal of mining staff, the Group only provides training to its finance staff in Mainland China for the preparation of phase two work. It involves 2 staff and the average training hours amounted to 65 hours.

## Quality of Working Environment (Continued)

### Labour Standards (B4)

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

The Group has fulfilled all its obligations to its employees and there was no labour disputes nor litigations during the year ended 31 March 2022.

## Environmental Protections

### Emissions (A1)

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

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

For the year ended 31 March 2022, there was no violation of relevant codes, rules and regulations.

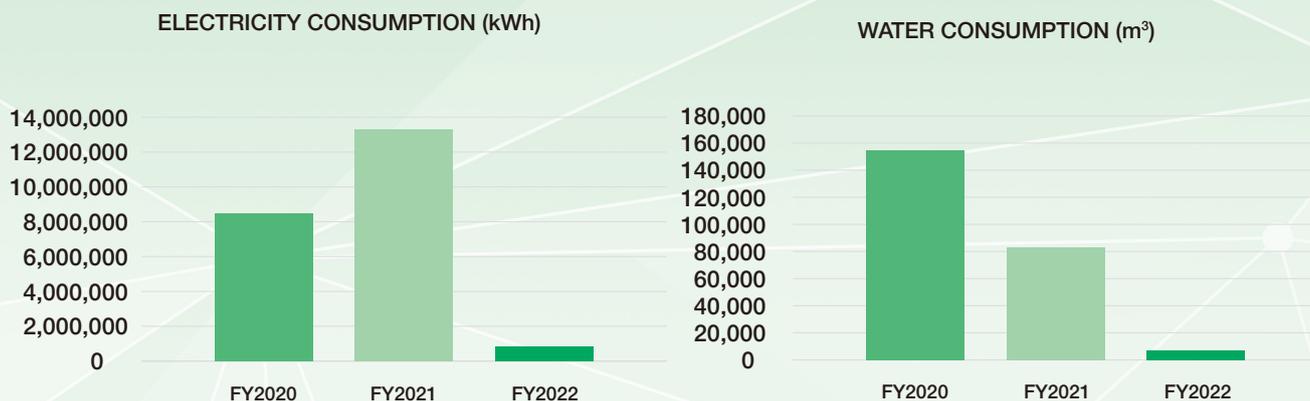
Upon completion of mining and processing activities, a significant reduction in waste emission was noted in the current year. The Group’s waste emission for the past 3 years was summarised below:



## Environmental Protections (Continued)

### Use of Resources (A2)

For the year ended 31 March 2022, due to completion of mining and processing activities, the Group's utility consumption decreased significantly as follows:



During the year, the Group has commenced the exploration and evaluation of phase two of the Baishiquan project. In selecting service provider, the Group has compared various quotations and selected the most suitable one. Other than typical considerations such as contract terms, financial position and qualifications, the Group also evaluated the track record of service providers in terms of their compliance with the PRC government environmental requirements. Service providers with history of failure to comply with the relevant requirements imposed by the PRC government will not be considered.

In addition, the Group, since February 2022, promoted environmentally friendly policies by converting most of its paper documents into electronic form. In designing the work flows and procedures, management made effort to reduce the consumption of paper as far as possible.

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

The major environmental impacts of mine production are the accumulation of mining barren rocks, the covering or damage of the land, and the pollution due to domestic sewage and other emissions. In the past, we used the mining barren rock for underground filling of mines and established garbage pools, public toilets and other facilities in the living area for garbage and wastes collection and classification. The wastes were processed or disposed, as appropriate, on a regular basis. The restoration work of mine had been substantially completed in the prior year. With the commencement of exploration of phase two of the Baishiquan project, the Group is in the process of assessing the potential impact of restoration when the project is completed and will arrange sufficient resources to fulfill its obligation of restoration in the future.

# Environmental, Social and Governance Report (Continued)

For the Year ended at 31 March 2022

## Environmental Protections (Continued)

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

Starting from the year ended 31 March 2021, the Group launched the sales of water soluble bags as one of its principal activities. We aimed to reduce the consumption of traditional plastic bags as those plastic is not environmentally friendly and takes more than 100 years to decompose. The water soluble bags sold by us are 100% biodegradable and make no harm to the environment. Depending on the reaction from the market, the Group intended to expand such business in the coming 2 to 3 years.

### Climate Change (A4)

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

## Operating Practices

### Anti-corruption (B7)

In order to comply with the relevant national laws, regulations and requirements, we established corresponding management systems after considering facts and circumstances affecting the Group's operations. These systems are formulated to prevent illegal and criminal activities such as bribery, extortion, fraud and money laundering.

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

If employees identified violations of national laws and regulations in the production and business activities, they can report to the senior management personnel or other disciplinary departments. After investigation and verification, the case will be dealt with in accordance with established policies. For serious cases involving huge sum, we will refer the case to the judicial authorities.

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

For the year ended 31 March 2022, we have not received any report on illegal and criminal activities and were not involved in any illegal and criminal cases.

## Operating Practices (Continued)

### Supply Chain Management (B5)

Our suppliers provide various types of products, but with different quality. We adopted both normal price enquiry and review approach and tender approach for all procurement. Strictly in compliance with the management system, for each type of materials, the operating department nominates two to three suppliers and forms a supplier selection team, which consists of the operating department, production department and finance department. Supply cooperation agreements are signed with the selected suppliers, which specifically stipulated the rights and obligations of both parties and the mutually benefited terms of cooperation. We regularly visit, communicate with and investigate suppliers to assess their product quality and credibility. The suitability, quality and price of the supplier's products will be evaluated. Supply cooperation agreements will be terminated if the suppliers fail to meet our requirements. We adopt tendering approach for material procurement or construction projects involving large amounts.

### Product Responsibilities (B6)

Mineral raw materials such as high-grade nickel-copper ores are the main products we sold during the year.

The sale of high-grade nickel-copper ores is determined with reference to the metal quantities converted according to the analytical grade of the products received by customers. Analysis of product quality and mineral content will be performed by the customers to ensure the products satisfy their requirement. Such transactions are settled based on factors including the quoted price by the Shanghai Metals Market and the applicable average prices of electrolytic nickel and electrolytic copper at the month which the transactions intended to be settled as well as the pricing terms agreed in the sales contract.

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

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

For the year ended 31 March 2022, there was no complaints nor product recall due to quality or health issues.

## Community Involvement

### Community Investment (B8)

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

## Directors' Report

The Directors present their annual report and the audited consolidated financial statements for the year ended 31 March 2022.

The principal activity of the Company is investment holding.

The principal activities of the Company's principal subsidiaries are set out in note 33 to the consolidated financial statements.

## Business Review

### Review of Business and Performance

A review of the business of the Company and a discussion and analysis of the Group's performance during the year and outlook of Company's business are set out in the Management Discussion and Analysis on pages 4 to 11. The discussion forms part of this Directors' Report.

### Principal Risks and Uncertainties

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

### Mining Business

#### (i) Metal Prices

There are various factors that can affect the copper and nickel prices and demand in the international markets, including uncertainty in global political stability, social situation and global economy. Any of these uncertainty factors may, individually or jointly, result in fluctuation of the commodity prices and it is impossible to predict copper and nickel price movements in the future. The COVID-19 outbreak and lockdowns, since the beginning of 2020, continued to cause uncertainty to the global economy. The decline in real GDP and consumer spending may have adverse impact on the industrial production and reduce metals demand which ultimately results in increased uncertainty in metal prices. Uncertain situation regarding tariff-related tension between the US and China creates instability in metal demand and prices. The volatility is further enhanced with the global political tension in recent years. The profitability of the Group may be significantly affected by the changes in the market prices of metals. The Group aims to mitigate this risk by maintaining close relationship with customers and by timely adjusting production layout, improving the production system flexibility and strengthening the cost control. The Group closely monitors commodity prices and potential impacts on cash flow and project development. Capital expenditure plans are aligned to prevailing and anticipated market conditions.

#### (ii) Currency Risks

The Group's operating expenses and revenues from the mining business are in RMB, one of the main currencies used by the Group. Exchange rate fluctuations in RMB may adversely affect the Group's financial position and operating results. These fluctuations became more unpredictable under the current global political and economic situation and the quantitative easing policies adopted by different countries. The Group does not currently engage in foreign currency hedging activities.

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

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

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

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

To mitigate the above risks, the Group has developed and maintained policies appropriate to set and adjust the stage of development of its various projects. Since the Group has ceased the mining extraction and processing activities in March 2021, these risks were kept at acceptable level.

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

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

### Business Review (Continued)

#### Mining Business (Continued)

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

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

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

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

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

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

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

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

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

## Directors' Report (Continued)

### Business Review (Continued)

#### Mining Business (Continued)

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

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

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

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

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

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

#### **Other Business**

##### **Business Risks**

The Group operates in a highly competitive industry which faces rapid changes in market trends, consumer preferences and constantly evolving technological advances in hardware models, software features and functionalities. The risks are mitigated through continual reviews of market trends, including hardware changes, software updates and emerging technologies. We also commit to innovate and build a broad coverage on various operating environment.

## Directors' Report (Continued)

### Business Review (Continued)

#### Other Business (Continued)

#### Business Risks (Continued)

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

#### Compliance with the Relevant Laws and Regulations

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

#### Environmental Policies and Performance

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

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

The Group endeavored to maintain safety standard and environmental protection by adhering to targets such as "zero work casualty, zero environmental incident", energy conservation and emission reduction, etc. It also made efforts to contribute the development of local communities. More details are set out in the "Environmental Protections" section of Environmental, Social and Governance Report on pages 26 to 32, which form part of this Directors' Report.

#### Summary Financial Information

A summary of the results and the assets and liabilities of the Group for the last five financial years, as extracted from the audited consolidated financial statements and reclassified as appropriate, is set out on page 134. The summary does not form part of the audited consolidated financial statements.

#### Financial Key Performance Indicators

We assess our performance against the following financial key performance indicators ("KPIs"), each of which is linked to our long-term strategy. The Directors consider it is appropriate to use the following KPIs to monitor progress in the delivery of the Group's strategic objectives, to assess actual performance and to provide aid for business management. The underlying data are sourced from internal information and information contained in the Group's consolidated financial statements. Some of the KPIs presented are not mandatorily required by the Hong Kong Financial Reporting Standards ("HKFRSs")\*, including those derived from our reported results that reduce factors that distort year-on-year comparisons.

		For the year ended 31 March		
		2022	2021	
<i>The Group</i>				
1.	Earnings per share – basic and diluted	HK cents	0.25	0.28
2.	Adjusted Earnings Before Interest, Taxes, Depreciation and Amortisation (“EBITDA”)*	HK\$'000	41,788	97,852
3.	Operating cash flows per share*	HK cents	1.73	3.03
4.	Current ratio*	times	6.19	3.33
5.	Gearing ratio	%	18.34	28.42
<i>Mining Business</i>				
6.	Nickel-copper ores extracted	tonnes	–	158,456
7.	Cash mining cost per tonne of nickel-copper ores extracted	HK\$	–	214
8.	Cash processing cost per tonne of nickel-copper ores processed	HK\$	–	140
<i>Other Business</i>				
9.	Sales conversion rate	%	72.22	58.33

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

#### 1. Earnings per share – basic and diluted

The basic and diluted earnings per share amounted to HK0.25 cents for the year ended 31 March 2022 (2021: HK0.28 cents).

**Relevance to Strategy:** It is calculated by dividing the profit attributable to the owners of the Company of approximately HK\$6,948,000 in 2022 (2021: HK\$7,976,000) by the weighted average of the number of ordinary shares in issue. It measures the Group's profit or loss per outstanding ordinary share. It is often used as an important indicator to determine the Company's share price and value.

#### 2. Adjusted EBITDA

The adjusted EBITDA of the Group decreased by HK\$56.1 million from approximately HK\$97.9 million for the year ended 31 March 2021 to approximately HK\$41.8 million for the year ended 31 March 2022. The decrease was mainly attributed to the decrease in revenue from the sales of nickel-copper products from HK\$189.0 million to HK\$79.8 million in current year.

#### 2. Adjusted EBITDA (Continued)

Reconciliation of the Adjusted EBITDA from profit for the year	For the year ended	
	31 March	
	2022	2021
	HK\$'000	HK\$'000
Profit for the year	36,632	50,173
Income tax expense	8,441	20,067
(Gain)/loss on disposal/write-off of property, plant and equipment	(319)	661
Impairment loss on other receivables	557	–
Loss on fair value changes of an investment property	700	2,240
Loss/(gain) on fair value changes of financial assets at fair value through profit or loss	1,894	(1,126)
Loss on derecognition of financial assets at fair value through profit or loss	2,258	–
Gain on partial disposal of interests in an associate	(7,272)	(407)
Interest income	(3,769)	(989)
Government grants	–	(944)
Depreciation and amortisation	2,009	27,498
Finance costs	657	679
Adjusted EBITDA	41,788	97,852

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

#### 3. Operating cash flows per share

The operating cash flows per share decreased to HK1.73 cents per share for the year ended 31 March 2022 (2021: HK3.03 cents). The decrease was mainly due to the decrease in net cash from operating activities, resulting from the decrease in turnover during the year.

Relevance to Strategy: Operating cash flows per share is considered a non-HKFRSs financial measure and should be considered in addition to, rather than as a substitute for, earnings per share as a measure of the Group's performance. It is computed by dividing net cash from operating activities of approximately HK\$48,676,000 (2021: HK\$85,267,000) by the weighted average of the number of ordinary shares in issue. It helps measure the ability to generate cash from the Group's principal activities. Operating cash flows per share eliminated significant non-cash items such as depreciation and amortisation expenses, impairment loss and fair value changes of various financial and non-financial assets. Operating cash flows per share is useful in comparing our operating performance with other companies in similar industries although our measures of operating cash flows per share may not be directly comparable to similar measures used by other companies.

#### 4. Current ratio

The current ratio increased from 3.33 as at 31 March 2021 to 6.19 as at 31 March 2022. The increase in current ratio was mainly due to the increase in the balance of bank balances and cash and decrease in payables balance, which was driven by the net cash from operating activities of HK\$48,676,000 during the year.

Relevance to Strategy: Current ratio is considered a non-HKFRSs financial measure which is calculated by dividing the current assets of approximately HK\$145,429,000 (2021: HK\$167,752,000) by the current liabilities of approximately HK\$23,478,000 (2021: HK\$50,326,000). It measures the short-term liquidity of the Group and provides insight of the availability of the Group's resources to meet its debts and obligations falling due within 12 months from the end of the reporting period.

#### 5. Gearing ratio

The gearing ratio decreased from 28.42% as at 31 March 2021 to 18.34% as at 31 March 2022. The decrease was mainly due to the increase in equity attributable to owners of the Company following the improvement in profitability during the year and also repayment of a loan from a related company.

Relevance to Strategy: It is calculated by dividing the total borrowings of the Group of approximately HK\$11.2 million (2021: HK\$15.0 million) by the equity attributable to owners of the Company of approximately HK\$61.1 million (2021: HK\$52.8 million). It measures the Group's financial leverage and assists in monitoring the capital structure of the Group.

#### 6. Nickel-copper ores extracted

There was no nickel-copper ores extracted during the year (2021: 158,456 tonnes) upon the completion of ores extraction of phase one mining zone in December 2020.

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

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

There was no cash mining cost per tonne of nickel-copper ores extracted as there was no nickel-copper ores being extracted in current year (2021: HK\$214 per tonne).

Relevance to Strategy: It is calculated by dividing the aggregate cash mining cost by the quantity of nickel-copper ores extracted. Aggregate mining cash cost is computed by excluding depreciation and amortisation from the total extraction expenditure. It is used to monitor the cost efficiency of extraction activities and is used as a reference in designing the mining plan.

## Business Review (Continued)

### Financial Key Performance Indicators (Continued)

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

There was no cash processing cost per tonne of nickel-copper ores processed as there was no processing activities in current year (2021: HK\$140 per tonne).

Relevance to Strategy: It is calculated by dividing the aggregate cash processing cost by the quantity of nickel-copper ores processed. Aggregate cash processing cost is computed by excluding depreciation and amortisation from the total processing expenditure. It is used to monitor the cost efficiency of the processing activities.

#### 9. Sales conversion rate

During the year, the Group commenced the business engaging in the provision of sales and marketing agency services for the nanofibers related products and continuing development of bio and nano new materials. Customer conversion rate in relation to the Group's Other Business for the year ended 31 March 2022 is 72.22% (2021: 58.33%).

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

### Relationship with Employees, Suppliers and Customers

#### (i) Major Customers and Suppliers

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

In terms of the Group's revenue from the Mining Business, the top customer is a large enterprise located in Gansu. We maintained stable relationship with our customer since 2018. All the trade receivables from it has been fully collected and no provision is necessary for the year ended 31 March 2022.

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

During the year, the aggregate sales attributable to the Group's five largest customers comprised 100% (2021: 98%) of the Group's total sales while the sales attributable to the Group's largest customer was approximately 99% (2021: 42%) of the Group's total sales.

The aggregate purchases during the year attributable to the Group's five largest suppliers comprised 100% (2021: 40%) of the Group's total purchases while the purchases attributable to the Group's largest supplier was 100% (2021: 18%) of the Group's total purchases.

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

### Business Review (Continued)

#### Relationship with Employees, Suppliers and Customers (Continued)

##### **(ii) Emolument Policy**

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

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

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

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

Mr. Felipe Tan holds shareholding and directorship in GobiMin. Its subsidiaries are principally engaged in investment in equity, debt or other securities as well as direct ownership stakes in projects, including the development of mineral properties, mainly in Xinjiang, the PRC. GobiMin is mainly engaged in gold exploration or prospecting, whereas the mineral resources that are currently exploring by the Group are nickel-copper. In this regard, Mr. Felipe Tan is considered to have interests in business which might compete, either directly or indirectly with the businesses of the Group.

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

##### **(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 2022, the Group employed a total staff of 22 (2021: 35). The decrease in staff number was due to the staff layoff in the mine site and the processing plant upon completed extraction of mineral resources in the current mining zone (phase one) and also expiration of the tenancy of its processing plant. Staff remuneration is reviewed by the management of the Group from time to time and increases are granted normally annually or by special adjustment depending on length of service and performance when warranted. In addition to salaries, the Group provides staff benefits including medical insurance and provident fund. Share options and bonuses are also available to employees of the Group at the discretion of the Directors and depending upon the financial performance of the Group. The Group also concerns on work safety to the employees. During the year ended 31 March 2022, there was no serious work safety issue on our Group's employees.

# Directors' Report (Continued)

## 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 (2021: 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.

### Reserves

Details of the movements in reserves of the Group and the Company during the year are set out on page 56 and note 39 to the consolidated financial statements, respectively.

The Company had no reserves available for distribution to shareholders as at 31 March 2022 (2021: nil).

### Property, Plant and Equipment

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

## Directors and Directors' Service Contracts

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

#### *Executive Directors:*

Felipe TAN (*Chairman*)  
Ronald TAN

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

CHAN Choi Ling  
LAM Kwai Yan  
TSANG Wai Chun Marianna

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

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

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

## Directors' Report (Continued)

### Directors and Directors' Service Contracts (Continued)

Other than the existing Directors named above, the following persons were the directors of the subsidiaries undertakings during the financial year ended 31 March 2022 or during the period beginning on 1 April 2021 and ending on the date of this report:

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

### Permitted Indemnity Provision

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

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

As at 31 March 2022, the interests and short positions of the Directors and the chief executive of the Company and their associates in the shares, underlying shares or debentures of the Company and its associated corporations, as recorded in the register maintained by the Company pursuant to Section 352 of the Securities and Futures Ordinance ("SFO"), or otherwise notified to the Company and the Stock Exchange pursuant to Rule 5.46 of the GEM Listing Rules, were as follows:

#### Long positions

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

Name of Directors	Number of ordinary shares held in the capacity of		Total number of shares	Percentage of shareholding
	Beneficial owner	Controlled corporation		
<b>Executive Director</b>				
Felipe TAN	159,128,000	678,074,400*	837,202,400	29.76%
<b>Independent Non-Executive Directors</b>				
CHAN Choi Ling	1,200,000	–	1,200,000	0.04%
LAM Kwai Yan	1,200,000	–	1,200,000	0.04%

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

## Directors' Report (Continued)

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

#### Long positions (Continued)

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

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

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

### Long positions (Continued)

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

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

Name of Directors	Date of grant	Vesting and exercisable period	Exercise price per share HK\$	Number of share options and underlying shares				
				Outstanding at 1.4.2021	During the year			Outstanding at 31.3.2022
					Cancelled	Lapsed	Reclassified	
<b>Executive Directors</b>								
Felipe TAN	02.03.2017	02.03.2017 – 01.03.2027	0.1080	2,000,000	-	-	-	2,000,000
LAU Yun Fong Carman	03.10.2013	03.10.2013 – 02.10.2023	0.1435	2,075,676	-	(2,075,676)	-	-
	17.02.2014	17.02.2014 – 16.02.2024	0.1329	415,135	-	(415,135)	-	-
	02.03.2017	02.03.2017 – 01.03.2027	0.1080	1,000,000	-	(1,000,000)	-	-
Ronald TAN	02.03.2017	02.03.2017 – 01.03.2027	0.1080	2,000,000	-	-	-	2,000,000
<b>Independent Non-Executive Directors</b>								
CHAN Choi Ling	02.03.2017	02.03.2017 – 01.03.2027	0.1080	1,000,000	-	-	-	1,000,000
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
				<u>10,490,811</u>	<u>-</u>	<u>(3,490,811)</u>	<u>-</u>	<u>7,000,000</u>

#### Notes:

- Ms. Lau Yun Fong Carman resigned as Executive Director with effect from 31 August 2021.
- No share options have been granted under the share option schemes during the year ended 31 March 2022.
- No share options granted under the share option schemes were exercised during the year ended 31 March 2022.

## Directors' Report (Continued)

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

#### Long positions (Continued)

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

Save as disclosed above, as at 31 March 2022, 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 2022, the register maintained by the Company pursuant to Section 336 of the SFO shows that other than the interests disclosed above in respect of certain Directors and the chief executive, the following shareholders had notified the Company of relevant interest in the issued share capital of the Company.

Name of substantial shareholders	Nature of interests	Number of shares or underlying shares held			Percentage of the issued share capital as at 31.3.2022
		Ordinary shares	Share options	Total	
Starmax Holdings Limited*	Beneficial owner	678,074,400	–	678,074,400	24.11%

\* Starmax is beneficially owned by Mr. Felipe Tan.

Saved as disclosed above, as at 31 March 2022, the Company has not been notified by any persons (other than the Directors) who has interests or short positions in the Shares or underlying Shares of the Company which would fall to be notified to the Company and the Stock Exchange pursuant to Part XV of the SFO, or which were required, pursuant to section 336 of the SFO, to be recorded in the register referred to therein.

### Share Options

Details of the Company's share option schemes adopted on 28 April 2003 and 25 September 2013 are set out in note 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 104,065,014 shares, representing 3.7% 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.

## Directors' Report (Continued)

### Independence of Independent Non-Executive Directors

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

### Connected Transaction

Details of related party transactions are set out in note 38 to the consolidated financial statements for the year ended 31 March 2022. The related party transactions were carried out in the ordinary and normal course of business of the Group. The transactions were entered into on normal commercial terms mutually negotiated between the Group and the respective related parties; or where there is no available comparison, on the terms that are no less favourable to the Group than terms to or from independent third parties.

None of the "Related party transactions" constituted discloseable non-exempted connected transaction or non-exempted continuing connected transaction under the GEM Listing Rules.

To the extent of the above "Related party transactions" constituted connected transactions as defined in the GEM Listing Rules, the Company had complied with the relevant requirements under Chapter 20 of the GEM Listing Rules during the year.

### Purchase, Sale or Redemption of the Company's Listed Securities

During the year, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

### Corporate Governance

Principal corporate governance policies adopted by the Company are set out in the Corporate Governance Report on pages 14 to 25.

### Sufficiency of Public Float

Based on information that is publicly available to the Company and within the knowledge of its Directors as at the date of this report, the Company has maintained sufficient public float as required under the GEM Listing Rules.

### Auditors

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

On behalf of the Board

**TIMELESS SOFTWARE LIMITED**

**Felipe Tan**

*Chairman*

Hong Kong, 20 June 2022

# Independent Auditors' Report



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

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

## TO THE MEMBERS OF TIMELESS SOFTWARE LIMITED

*(Incorporated in Hong Kong with limited liability)*

### Opinion

We have audited the consolidated financial statements of Timeless Software Limited (the “Company”) and its subsidiaries (collectively referred to as the “Group”) set out on pages 54 to 132, which comprise the consolidated statement of financial position as at 31 March 2022, 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 2022, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) and have been properly prepared in compliance with the Hong Kong Companies Ordinance.

### Basis for Opinion

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

## Key Audit Matters

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

### Key audit matters

### How our audit addressed the key audit matters

#### Valuation of Level 3 financial instruments

We identified the valuation of Level 3 financial instruments as a key audit matter due to the significance of the judgement and estimates made by management and the subjectivity in determination of Level 3 fair value given the lack of availability of market-based data.

The total fair value of financial assets at fair value classified as Level 3, amounted to approximately HK\$7,290,000 as at 31 March 2022 as disclosed in note 19 to the consolidated financial statements.

Our procedures in relation to the valuation of Level 3 financial instruments included:

- Understanding the Group's valuation models for Level 3 financial instruments;
- Discussing with management, together with our own valuation specialists, where necessary, on the valuation of the Level 3 financial instruments, and;
  - (i) evaluating the appropriateness of the valuation methodologies and assumptions based on the industry knowledge; or
  - (ii) evaluating the appropriateness of the key inputs by independently checking to the external data; or by evaluating the rationale of management's judgement on the key inputs; or by performing sensitivity analysis with reference to available market information to evaluate the reasonableness of the valuation, where appropriate.
- Assessing the competence and independence of the third party specialists engaged by the Group and their experience in conducting similar valuation.
- Assessing the reasonableness of the disclosures in the consolidated financial statements with reference to the requirements of the prevailing accounting standards.

# Independent Auditors' Report (Continued)

## Key Audit Matters (Continued)

### Key audit matters

#### Impairment of exploration and evaluation assets

At 31 March 2022, the Group held exploration and evaluation assets of approximately HK\$13,956,000 as disclosed in note 17 to the consolidated financial statements.

The carrying value of exploration and evaluation assets is assessed for impairment by the Group when facts and circumstances indicate that these assets may exceed their recoverable amount.

The determination as to whether there are any facts and circumstances to require exploration and evaluation assets to be assessed for impairment, involves a number of judgements including whether the Group has tenure, will be able to perform ongoing expenditure and whether there is sufficient information for a decision to be made that the area of interest is not commercially viable. The directors did not identify any impairment indicators.

Given the degree of judgement involved in assessing whether any indicators of impairment exist, we consider this a key audit matter.

### 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.

### How our audit addressed the key audit matters

Our procedures in relation to impairment of exploration and evaluation assets included:

- Considered whether the Group's right to explore was current, which includes obtaining and assessing supporting documentation such as license agreements or correspondence with relevant government agencies.
- Considered the Group's intention to carry out ongoing exploration and evaluation activities in the relevant areas of interest and enquiring of senior management as to their intentions and the strategy of the Group.
- Assessed whether exploration and evaluation data exists to indicate that the carrying value of exploration and evaluation assets is unlikely to be recovered through development or sale.
- Assessed the adequacy of the disclosures in the consolidated financial statements.

### 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, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

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

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

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

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

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

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

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

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

*Certified Public Accountants*

#### **Kwok Kin Leung**

Practising Certificate Number: P05769

Hong Kong, 20 June 2022

# Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 March 2022

	Notes	2022 HK\$'000	2021 HK\$'000
Revenue	5	80,197	189,935
Other income and gains	6	5,543	3,583
Production costs		(18,428)	(90,751)
Staff costs		(11,071)	(12,031)
Depreciation and amortisation		(1,690)	(1,870)
Gain/(loss) on disposal/write-off of property, plant and equipment		319	(661)
Gain on partial disposal of interests in an associate		7,272	407
Impairment loss on other receivables	23	(557)	–
Loss on fair value changes of an investment property	15	(700)	(2,240)
(Loss)/gain on fair value changes of financial assets at fair value through profit or loss	19	(1,894)	1,126
Loss on derecognition of financial assets at fair value through profit or loss		(2,258)	–
Other operating expenses		(11,307)	(16,478)
Share of profit/(loss) of associates	18	304	(101)
Finance costs	7	(657)	(679)
Profit before tax		45,073	70,240
Income tax expense	8	(8,441)	(20,067)
Profit for the year	9	36,632	50,173
<b>Other comprehensive income</b>			
<i>Items that may be reclassified subsequently to profit or loss:</i>			
Exchange differences arising on translation of foreign operations		5,090	8,458
<b>Total comprehensive income for the year</b>		<b>41,722</b>	<b>58,631</b>
Profit attributable to:			
Owners of the Company		6,948	7,976
Non-controlling interests		29,684	42,197
		<b>36,632</b>	<b>50,173</b>
Total comprehensive income attributable to:			
Owners of the Company		8,272	10,176
Non-controlling interests		33,450	48,455
		<b>41,722</b>	<b>58,631</b>
		<b>HK cents</b>	<b>HK cents</b>
<b>Earnings per share</b>			
– Basic and diluted	12	<b>0.25</b>	0.28

# Consolidated Statement of Financial Position

At 31 March 2022

	Notes	2022 HK\$'000	2021 HK\$'000
<b>Non-current assets</b>			
Property, plant and equipment	13	157	1,494
Right-of-use assets	14	6,165	6,263
Investment property	15	7,900	8,600
Intangible assets	16	–	–
Exploration and evaluation assets	17	13,956	–
Interests in associates	18	401	97
Financial assets at fair value through profit or loss	19	7,290	9,992
Land rehabilitation costs	20	–	242
		<b>35,869</b>	26,688
<b>Current assets</b>			
Inventories	21	130	9,947
Trade receivables	22	5	3,621
Prepayments, deposits and other receivables	23	16,510	25,179
Financial assets at fair value through profit or loss	19	1,719	12,933
Bank balances and cash	24	127,065	116,072
		<b>145,429</b>	167,752
<b>Current liabilities</b>			
Trade and other payables	25	11,418	16,068
Dividends payable to a non-controlling shareholder		–	8,820
Provision for land rehabilitation	26	860	827
Loans from related companies	27	11,200	15,000
Current tax liabilities		–	9,611
		<b>23,478</b>	50,326
<b>Net current assets</b>		<b>121,951</b>	117,426
<b>Total assets less current liabilities</b>		<b>157,820</b>	144,114
<b>Non-current liabilities</b>			
Provision for land rehabilitation	26	7,246	6,965
Deferred tax liabilities	28	2,218	1,870
		<b>9,464</b>	8,835
<b>Net assets</b>		<b>148,356</b>	135,279
<b>Capital and reserves</b>			
Share capital	29	906,074	906,074
Reserves	30	(845,018)	(853,290)
Equity attributable to owners of the Company		<b>61,056</b>	52,784
Non-controlling interests		<b>87,300</b>	82,495
<b>Total equity</b>		<b>148,356</b>	135,279

The consolidated financial statements were approved and authorised for issue by the board of directors on 20 June 2022 and are signed on its behalf by:

**Felipe Tan**  
Director

**Ronald Tan**  
Director

## Consolidated Statement of Changes in Equity

For the year ended 31 March 2022

	Share capital HK\$'000	Share options reserve HK\$'000	General reserve HK\$'000	Property revaluation reserve HK\$'000	Translation reserve HK\$'000	Accumulated deficit HK\$'000	Attributable to owners of the Company HK\$'000	Non- controlling interests HK\$'000	Total HK\$'000
<b>At 1 April 2020</b>	906,074	2,024	1,590	964	(6,082)	(861,833)	42,737	55,768	98,505
Profit for the year	-	-	-	-	-	7,976	7,976	42,197	50,173
Other comprehensive income for the year	-	-	-	-	2,200	-	2,200	6,258	8,458
Total comprehensive income for the year	-	-	-	-	2,200	7,976	10,176	48,455	58,631
Lapse of share options	-	(38)	-	-	-	38	-	-	-
Transfer to general reserve	-	-	615	-	-	(615)	-	-	-
Dividends distributed to non-controlling interests	-	-	-	-	-	-	-	(21,857)	(21,857)
Acquisition of non-controlling interests	-	-	-	-	-	(129)	(129)	129	-
<b>At 31 March 2021</b>	906,074	1,986	2,205	964	(3,882)	(854,563)	52,784	82,495	135,279
Profit for the year	-	-	-	-	-	6,948	6,948	29,684	36,632
Other comprehensive income for the year	-	-	-	-	1,324	-	1,324	3,766	5,090
Total comprehensive income for the year	-	-	-	-	1,324	6,948	8,272	33,450	41,722
Lapse of share options	-	(239)	-	-	-	239	-	-	-
Dividends distributed to non-controlling interests	-	-	-	-	-	-	-	(28,645)	(28,645)
<b>At 31 March 2022</b>	906,074	1,747	2,205	964	(2,558)	(847,376)	61,056	87,300	148,356

# Consolidated Statement of Cash Flows

For the year ended 31 March 2022

	Notes	2022 HK\$'000	2021 HK\$'000
<b>OPERATING ACTIVITIES</b>			
Profit before tax		45,073	70,240
Adjustments for:			
Interest income	6	(3,769)	(989)
Finance costs	7	657	679
Dividend income	6	(750)	(750)
Share of (profit)/loss of associates	18	(304)	101
Depreciation and amortisation		2,009	27,498
Loss on derecognition of financial assets at fair value through profit or loss		2,258	–
(Gain)/loss on disposal/write-off of property, plant and equipment		(319)	661
Impairment loss on other receivables	23	557	–
Provision for inventories		1,431	–
Gain on partial disposal of interests in an associate		(7,272)	(407)
Loss on fair value changes of an investment property	15	700	2,240
Loss/(gain) on fair value changes of financial assets at fair value through profit or loss	19	1,894	(1,126)
Operating cash flows before movements in working capital		42,165	98,147
Decrease/(increase) in inventories		8,656	(48)
Decrease/(increase) in trade receivables		3,714	(3,510)
Decrease in prepayments, deposits and other receivables		17,441	1,357
(Increase)/decrease in trade and other payables		(5,192)	4,233
Decrease in provision for land rehabilitation		–	(1,504)
Cash generated from operations		66,784	98,675
Income taxes paid		(18,108)	(13,408)
<b>NET CASH FROM OPERATING ACTIVITIES</b>		<b>48,676</b>	<b>85,267</b>
<b>INVESTING ACTIVITIES</b>			
Interest received		3,371	989
Dividends received		750	750
Purchases of property, plant and equipment		(47)	–
Purchases of intangible assets		–	(11,662)
Purchases of exploration and evaluation assets		(13,779)	–
Proceed on disposal of property, plant and equipment		319	–
Proceed on disposal of interests in an associate		–	407
Proceed on disposal/settlement of financial assets at fair value through profit or loss		8,805	–
<b>NET CASH USED IN INVESTING ACTIVITIES</b>		<b>(581)</b>	<b>(9,516)</b>
<b>FINANCING ACTIVITIES</b>			
Repayment of a loan from a related company		(10,000)	–
Loan received from a related company		6,200	–
Interest paid		(657)	(675)
Lease payments		–	(170)
– capital elements		–	(170)
– interest element		–	(4)
Dividends paid to non-controlling shareholders		(37,465)	(13,037)
<b>NET CASH USED IN FINANCING ACTIVITIES</b>		<b>(41,922)</b>	<b>(13,886)</b>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>		<b>6,173</b>	<b>61,865</b>
<b>CASH AND CASH EQUIVALENTS AT THE BEGINNING OF YEAR</b>		<b>116,072</b>	<b>47,912</b>
Effect of foreign exchange rate changes		4,820	6,295
<b>CASH AND CASH EQUIVALENTS AT THE END OF YEAR, represented by bank balances and cash</b>		<b>127,065</b>	<b>116,072</b>

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2022

## 1. General

Timeless Software Limited (the “Company”) is a public limited company incorporated in Hong Kong and its shares are listed on GEM of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”). The address of the registered office and principal place of business of the Company are disclosed in the corporate information section to the annual report.

The principal activity of the Company is investment holding. The principal activities of the Company’s principal subsidiaries are set out in note 33.

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

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

### Amendments to HKFRSs that are mandatorily effective for the current year

In the current year, the Company and its subsidiaries (collectively the “Group”) have applied the following amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) for the first time, which are mandatorily effective for the annual period beginning on or after 1 April 2021 for the preparation of the consolidated financial statements:

Amendments to HKFRS 16	Covid-19 Related Rent Concessions
Amendments to HKFRS 16	Covid-19 Related Rent Concessions beyond 30 June 2021
Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	Interest Rate Benchmark Reform – Phase 2

In addition, the Group applied the agenda decision of the IFRS Interpretations Committee (the “Committee”) of the International Accounting Standards Board issued in June 2021 which clarified the costs an entity should include as “estimated costs necessary to make the sale” when determining the net realisable value of inventories.

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

# Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 March 2022

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

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

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

HKFRS 17	<i>Insurance Contracts and the Related Amendments<sup>2</sup></i>
Amendments to HKFRS 3	<i>Reference to the Conceptual Framework<sup>1</sup></i>
Amendments to HKFRS 10 and HKAS 28	<i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture<sup>3</sup></i>
Amendments to HKAS 1	<i>Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020)<sup>2</sup></i>
Amendments to HKAS 1 and HKFRS Practice Statement 2	<i>Disclosure of Accounting Policies<sup>2</sup></i>
Amendments to HKAS 8	<i>Definition of Accounting Estimates<sup>2</sup></i>
Amendments to HKAS 12	<i>Deferred Tax related to Assets and Liabilities arising from a Single Transaction<sup>2</sup></i>
Amendments to HKAS 16	<i>Property, Plant and Equipment – Proceeds before Intended Use<sup>1</sup></i>
Amendments to HKAS 37	<i>Onerous Contracts – Cost of Fulfilling a Contract<sup>1</sup></i>
Amendments to HKFRSs	<i>Annual Improvements to HKFRSs 2018–2020<sup>1</sup></i>

<sup>1</sup> Effective for annual periods beginning on or after 1 January 2022.

<sup>2</sup> Effective for annual periods beginning on or after 1 January 2023.

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

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

### Amendments to HKFRS 3 *Reference to the Conceptual Framework*

The amendments:

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

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

The application of the amendments is not expected to have significant impact on the financial position and performance of the Group.

# Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 March 2022

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

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

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

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

- specify that the classification of liabilities as current or non-current should be based on rights that are in existence at the end of the reporting period. Specifically, the amendments clarify that:
  - (i) the classification should not be affected by management intentions or expectations to settle the liability within 12 months; and
  - (ii) if the right is conditional on the compliance with covenants, the right exists if the conditions are met at the end of the reporting period, even if the lender does not test compliance until a later date; and
- clarify that if a liability has terms that could, at the option of the counterparty, result in its settlement by the transfer of the entity’s own equity instruments, these terms do not affect its classification as current or non-current only if the entity recognises the option separately as an equity instrument applying HKAS 32 *Financial Instruments: Presentation*.

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

The application of the amendments will not result in reclassification of the Group’s liabilities as at 31 March 2022.

#### **Amendments to HKAS 1 and HKFRS Practice Statement 2 *Disclosure of Accounting Policies***

HKAS 1 is amended to replace all instances of the term “significant accounting policies” with “material accounting policy information”. Accounting policy information is material if, when considered together with other information included in an entity’s financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements.

The amendments also clarify that accounting policy information may be material because of the nature of the related transactions, other events or conditions, even if the amounts are immaterial. However, not all accounting policy information relating to material transactions, other events or conditions is itself material. If an entity chooses to disclose immaterial accounting policy information, such information must not obscure material accounting policy information.

HKFRS Practice Statement 2 *Making Materiality Judgements* (the “Practice Statement”) is also amended to illustrate how an entity applies the “four-step materiality process” to accounting policy disclosures and to judge whether information about an accounting policy is material to its financial statements. Guidance and examples are added to the Practice Statement.

The application of the amendments is not expected to have significant impact on the financial position or performance of the Group but may affect the disclosures of the Group’s significant accounting policies. The impacts of application, if any, will be disclosed in the Group’s future consolidated financial statements.

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

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

#### **Amendments to HKAS 8 *Definition of Accounting Estimates***

The amendments define accounting estimates as “monetary amounts in financial statements that are subject to measurement uncertainty”. An accounting policy may require items in financial statements to be measured in a way that involves measurement uncertainty – that is, the accounting policy may require such items to be measured at monetary amounts that cannot be observed directly and must instead be estimated. In such a case, an entity develops an accounting estimate to achieve the objective set out by the accounting policy. Developing accounting estimates involves the use of judgements or assumptions based on the latest available, reliable information.

In addition, the concept of changes in accounting estimates in HKAS 8 is retained with additional clarifications.

The application of the amendments is not expected to have significant impact on the Group’s consolidated financial statements.

#### **Amendments to HKFRSs *Annual Improvements to HKFRSs 2018–2020***

The annual improvements make amendments to the following standards.

##### *HKFRS 9 Financial Instruments*

The amendment clarifies that for the purpose of assessing whether modification of terms of original financial liability constitutes substantial modification under the “10 per cent” test, a borrower includes only fees paid or received between the borrower and the lender, including fees paid or received by either the borrower or the lender on the other’s behalf.

##### *HKFRS 16 Leases*

The amendment to Illustrative Example 13 accompanying HKFRS 16 removes from the example the illustration of reimbursement relating to leasehold improvements by the lessor in order to remove any potential confusion.

The application of the amendments is not expected to have significant impact on the financial position and performance of the Group.

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

### 3.1 Basis of preparation of consolidated financial statements

These consolidated financial statements have been prepared in accordance with HKFRSs issued by the HKICPA. For the purpose of preparation of the consolidated financial statements, information is considered material if such information is reasonably expected to influence decisions made by primary users. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on GEM of the Stock Exchange (“GEM Listing Rules”) and by the Hong Kong Companies Ordinance.

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

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

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

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

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

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

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

# Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 March 2022

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

### 3.2 Significant accounting policies

#### Basis of consolidation

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

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

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

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

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

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

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

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

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

### 3.2 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. The financial statements of associates used for equity accounting purposes are prepared using uniform accounting policies as those of the Group for like transactions and events in similar circumstances. Under the equity method, an investment in an associate is initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associate. Changes in net asset of the associate other than profit or loss and other comprehensive income are not accounted for unless such changes resulted in changes in ownership interest held by the Group. When the Group's share of losses of an associate exceeds the Group's interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate.

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

The Group assesses whether there is an objective evidence that the interest in an associate may be impaired. When any objective evidence exists, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with HKAS 36 as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs of disposal) with its carrying amount. Any impairment loss recognised is not allocated to any asset, including goodwill, that forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with HKAS 36 to the extent that the recoverable amount of the investment subsequently increases.

When the Group ceases to have significant influence over an associate, it is accounted for as a disposal of the entire interest in the investee with a resulting gain or loss being recognised in profit or loss. When the Group retains an interest in the former associate and the retained interest is a financial asset within the scope of HKFRS 9, the Group measures the retained interest at fair value at that date and the fair value is regarded as its fair value on initial recognition. The difference between the carrying amount of the associate and the fair value of any retained interest and any proceeds from disposing of the relevant interest in the associate is included in the determination of the gain or loss on disposal of the associate. In addition, the Group accounts for all amounts previously recognised in other comprehensive income in relation to that associate on the same basis as would be required if that associate had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognised in other comprehensive income by that associate would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Group reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) upon disposal/partial disposal of the relevant associate.

# Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 March 2022

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

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

#### Revenue from contracts with customers

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

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

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

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

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

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

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

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

### 3.2 Significant accounting policies (Continued)

#### Revenue from contracts with customers (Continued)

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

The Group recognises revenue from the following major sources:

##### *Sales of goods*

Revenue from sales of goods is recognised at a point in time when control of goods is transferred to the customer and the Group has present right to payment and the collection of the consideration is probable.

##### *Provision of sales agency services*

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

##### *Provision of management and marketing services*

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

#### Leases

##### *Definition of a lease*

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

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

##### *The Group as a lessee*

##### *Allocation of consideration to components of a contract*

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

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

# Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 March 2022

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

### 3.2 Significant accounting policies (Continued)

#### Leases (Continued)

*The Group as a lessee (Continued)*

Short-term leases and leases of low-value assets

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

Right-of-use assets

The cost of right-of-use asset includes:

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

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

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

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

Lease liabilities

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

The lease payments include:

- fixed payments (including in-substance fixed payments) less any lease incentives receivable; and
- payments of penalties for terminating a lease, if the lease term reflects the Group exercising an option to terminate the lease.

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

### 3.2 Significant accounting policies (Continued)

#### Leases (Continued)

##### *The Group as a lessee (Continued)*

##### Lease liabilities (Continued)

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

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

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

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

##### Lease modifications

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

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

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

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

# Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 March 2022

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

### 3.2 Significant accounting policies (Continued)

#### Leases (Continued)

##### *The Group as a lessor*

##### Classification and measurement of leases

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

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

Rental income which are derived from the Group's ordinary course of business are presented as other income and gains.

##### Allocation of consideration to components of a contract

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

##### Refundable rental deposits

Refundable rental deposits received are accounted for under HKFRS 9 and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments from lessees.

##### Lease modification

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

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

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

### 3.2 Significant accounting policies (Continued)

#### Foreign currencies

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

Exchange differences on the settlement of monetary items, and on the retranslation of monetary items, are recognised in profit or loss in the period in which they arise.

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

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

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

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

#### Borrowing costs

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

Any specific borrowing that remains outstanding after the related asset is ready for its intended use or sale is included in the general borrowing pool for calculation of capitalisation rate on general borrowings. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

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

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

### 3.2 Significant accounting policies (Continued)

#### Government grants

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

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

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

#### Employee benefits

##### *Retirement benefit costs*

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

#### Share-based payments

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

##### *Share options granted to employees*

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

The fair value of the equity-settled share-based payments determined at the grant date without taking into consideration all non-market vesting condition is expensed on a straight-line basis over the vesting period, based on the Group’s estimate of equity instruments that will eventually vest, with a corresponding increase in equity (share options reserve). At the end of the reporting period, the Group revises its estimates of the number of equity instruments expected to vest based on assessment of all relevant non-market vesting conditions. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to the share options reserve. For share options that vest immediately at the date of grant, the fair value of the share options granted is expensed immediately to profit or loss.

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

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

### 3.2 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 because of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

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

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and associates, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

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

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

# Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 March 2022

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

### 3.2 Significant accounting policies (Continued)

#### Taxation (Continued)

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied to the same taxable entity by the same taxation authority.

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

#### Property, plant and equipment

Property, plant and equipment are tangible assets that are held for use in the production or supply of goods or services, or for administrative purposes. Property, plant and equipment are stated in the consolidated statement of financial position at cost or fair value less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

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

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. 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. Depreciation is calculated using the straight-line method to write off the cost of each asset less its residual value over its estimated useful life as follows:

Building and property	3 to 12 years
Plant and machinery	8 years
Computer equipment	3 to 5 years
Furniture, fixtures and equipment	3 to 5 years
Motor vehicles	2 to 8 years

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

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

### 3.2 Significant accounting policies (Continued)

#### Property, plant and equipment (Continued)

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 leasehold land classified as right-of-use assets) at the date of transfer is recognised in other comprehensive income and accumulated in property revaluation reserve. On the subsequent sale or retirement of the property, the relevant property revaluation reserve will be transferred directly to retained earnings/accumulated deficit.

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

#### Investment properties

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

Investment properties are initially measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment properties are measured at their fair value, adjusted to exclude any prepaid or accrued operating lease income.

Gains or losses arising from changes in the fair value of investment properties are included in profit or loss for the period in which they arise.

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

#### Intangible assets

##### *Intangible assets acquired separately*

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

##### *Intangible assets acquired in a business combination*

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

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

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

### 3.2 Significant accounting policies (Continued)

#### Intangible assets (Continued)

##### *Mining rights*

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

##### *Exploration and evaluation assets*

Exploration and evaluation assets are stated at cost less impairment losses. Exploration and evaluation assets include the cost of acquiring exploration rights, topographical and geological surveys, exploratory drilling, sampling and trenching and activities in relation to commercial and technical feasibility studies, and expenditure incurred to secure further mineralisation in existing ore bodies as well as in new areas of interest. Expenditure incurred prior to accruing legal rights to explore an area is written off as incurred.

When it can be reasonably ascertained that an exploration property is capable of commercial production, exploration and evaluation costs capitalised are transferred to either mining infrastructure or mining rights and reserves and depreciated/amortised by the units of production method based on the proven and probable mineral reserves. Costs incurred for exploration which can be directly attributable to the development of mining infrastructure are transferred to mining infrastructure when the exploration reaches the stage of commercial production. All other costs will be transferred to mining rights and reserves. Exploration and evaluation assets are written off to profit or loss if the exploration property is abandoned.

##### *Derecognition of intangible assets*

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

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

### 3.2 Significant accounting policies (Continued)

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

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

The recoverable amount of property, plant and equipment, right-of-use assets, and intangible assets are estimated individually. When it is not possible to estimate the recoverable amount of an asset individually, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

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

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

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or the cash-generating unit) is reduced to its recoverable amount. For corporate assets or portion of corporate assets which cannot be allocated on a reasonable and consistent basis to a cash-generating unit, the Group compares the carrying amount of a group of cash-generating units, including the carrying amounts of the corporate assets or portion of corporate assets allocated to that group of cash-generating units, with the recoverable amount of the group of cash-generating units. In allocating the impairment loss, the impairment loss is allocated first to reduce the carrying amount of any goodwill (if applicable) and then to the other assets on a pro-rata basis based on the carrying amount of each asset in the unit or the group of cash-generating units. The carrying amount of an asset is not reduced below the highest of its fair value less costs of disposal (if measurable), its value in use (if determinable) and zero. The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit or the group of cash-generating units. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount under another standard, in which case the impairment loss is treated as a revaluation decrease under that standard.

When an impairment loss subsequently reverses, the carrying amount of the asset (or cash generating unit or a group of cash-generating units) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or a cash-generating unit or a group of cash-generating units) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount under another standard, in which case the reversal of the impairment loss is treated as revaluation increase under that standard.

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

### 3.2 Significant accounting policies (Continued)

#### **Inventories**

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

#### **Cash and cash equivalents**

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

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

#### **Provisions**

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

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

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

#### **Provision for land rehabilitation**

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

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

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

### 3.2 Significant accounting policies (Continued)

#### Financial instruments

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

Financial assets and financial liabilities are initially measured at fair value except for trade receivables arising from contracts with customers which are initially measured in accordance with HKFRS 15. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets or financial liabilities at fair value through profit or loss ("FVTPL")) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at FVTPL are recognised immediately in profit or loss.

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

#### *Financial assets*

##### Classification and subsequent measurement of financial assets

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

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

Financial assets that meet the following conditions are subsequently measured at fair value through other comprehensive income ("FVTOCI"):

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

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

### 3.2 Significant accounting policies (Continued)

#### Financial instruments (Continued)

##### *Financial assets (Continued)*

Classification and subsequent measurement of financial assets (Continued)

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

A financial asset is held for trading if:

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

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

##### (i) Amortised cost and interest income

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

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

### 3.2 Significant accounting policies (Continued)

#### Financial instruments (Continued)

##### *Financial assets (Continued)*

Classification and subsequent measurement of financial assets (Continued)

##### (ii) Financial assets at FVTPL

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

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

Impairment of financial assets subject to impairment assessment under HKFRS 9

The Group performs impairment assessment under expected credit loss (“ECL”) model on financial assets (including trade receivables, amount due from an associate, deposits and other receivables and bank balances and cash) which are subject to impairment under HKFRS 9. The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

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

The Group always recognises lifetime ECL for trade receivables.

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

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

### 3.2 Significant accounting policies (Continued)

#### Financial instruments (Continued)

##### *Financial assets (Continued)*

Impairment of financial assets subject to impairment assessment under HKFRS 9 (Continued)

##### (i) Significant increase in credit risk

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

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

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

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

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

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

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

### 3.2 Significant accounting policies (Continued)

#### Financial instruments (Continued)

##### *Financial assets (Continued)*

Impairment of financial assets subject to impairment assessment under HKFRS 9 (Continued)

##### (ii) Definition of default

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

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

##### (iii) Credit-impaired financial assets

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

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

##### (iv) Write-off policy

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

# Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 March 2022

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

### 3.2 Significant accounting policies (Continued)

#### Financial instruments (Continued)

##### *Financial assets (Continued)*

Impairment of financial assets subject to impairment assessment under HKFRS 9 (Continued)

##### (v) Measurement and recognition of ECL

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

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

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

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

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

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

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

##### Derecognition of financial assets

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

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

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

### 3.2 Significant accounting policies (Continued)

#### Financial instruments (Continued)

##### *Financial liabilities and equity*

##### Classification as debt or equity

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

##### Equity instruments

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

##### Financial liabilities at amortised cost

Financial liabilities including trade and other payables, dividends payable to a non-controlling shareholder and loans from related companies are subsequently measured at amortised cost, using the effective interest method.

##### Derecognition of financial liabilities

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

##### *Derivative financial instruments*

Derivatives are initially recognised at fair value at the date when derivative contracts are entered into and are subsequently remeasured to their fair value at the end of the reporting period. The resulting gain or loss is recognised in profit or loss.

##### Embedded derivatives

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

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

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

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

### 3.2 Significant accounting policies (Continued)

#### Financial instruments (Continued)

##### *Offsetting a financial asset and a financial liability*

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

#### Related parties

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

- (a) the party is a person or a close member of that person's family and that person,
  - (i) has controls or joint control over the Group;
  - (ii) has significant influence over the Group; or
  - (iii) is a member of the key management personnel of the Group or of a parent of the Group;
- or
- (b) the party is an entity where any of the following conditions applies:
  - (i) the entity and the Group are members of the same group;
  - (ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);
  - (iii) the entity and the Group are joint ventures of the same third party;
  - (iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;
  - (v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;
  - (vi) the entity is controlled or jointly controlled by a person identified in (a);
  - (vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); and
  - (viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the parent of the Group.

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

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

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

The estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

### Critical judgements in applying accounting policies

The following are the critical judgements, apart from those involving estimations (see below), that the directors of the Company have made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in the consolidated financial statements.

#### Impairment of exploration and evaluation assets

Exploration and evaluation assets are assessed for impairment when facts and circumstances suggest that the carrying amount of an exploration and evaluation asset may exceed its recoverable amount. When facts and circumstances suggest that the carrying amount exceeds the recoverable amount, the Group measures, presents and discloses any resulting impairment loss.

The assessment of whether there are any impairment indicators in respect of the exploration and evaluation assets involves a number of judgements. These include whether the Group has the right to explore in the specific area of interest, whether ongoing expenditure is planned or budgeted and whether there is sufficient information for a decision to be made that the area of interest is not commercially viable.

As at 31 March 2022, the carrying amount of the exploration and evaluation assets is approximately HK\$13,956,000 (2021: nil). There is no impairment loss recognised for the year ended 31 March 2022 as no facts and circumstances suggest that the exploration and evaluation assets may be impaired.

#### Key sources of estimation uncertainty

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

#### Fair value measurement of financial instruments

As at 31 March 2022, certain of the Group's financial assets amounting to HK\$7,290,000 (2021: HK\$20,067,000) are measured at fair value which are determined based on significant unobservable inputs using valuation techniques. Judgement and estimation are required in establishing the relevant valuation techniques and the relevant inputs thereof and changes in assumptions relating to these factors could result in material adjustments to the fair value of these financial instruments.

# Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 March 2022

## 5. Revenue and Segment Information

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

No operating segments have been aggregated in arriving at the reportable segments of the Group.

Specifically, the Group’s reportable segments under HKFRS 8 are as follows:

- (i) Mining Business – exploration and exploitation of mines and trading of metal; and
- (ii) Other Business – research, development and sale agency of bio and nano material products as well as software maintenance and development services

### Segment revenues and results

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

#### For the year ended 31 March 2022

	Mining Business HK\$'000	Other Business HK\$'000	Total HK\$'000
<b>Segment revenue</b>			
External sales	<u>79,766</u>	<u>431</u>	<u>80,197</u>
Segment profit	<u>44,698</u>	<u>237</u>	<u>44,935</u>
Interest income			3,769
Unallocated other income and gains			994
Unallocated corporate expenses			(6,135)
Gain on partial disposal of interests in an associate			7,272
Impairment loss on other receivables			(557)
Loss on fair value changes of an investment property			(700)
Loss on fair value changes of financial assets at FVTPL			(1,894)
Loss on derecognition of financial assets at FVTPL			(2,258)
Share of profit of associates			304
Finance costs			(657)
Group’s profit before tax			<u>45,073</u>

# Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 March 2022

## 5. Revenue and Segment Information (Continued)

### Segment revenues and results (Continued)

#### For the year ended 31 March 2021

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

There were no inter-segment sales in the current year (2021: nil).

The accounting policies of the operating segments are the same as the Group's accounting policies described in note 3. Segment profit represents the profit from each segment without allocation of interest income, unallocated other income and gains, unallocated corporate expenses, gain on partial disposal of interests in an associate, impairment loss on other receivables, gain/(loss) on fair value changes of the Group's financial instruments and an investment property, loss on derecognition of financial assets at FVTPL, share of results of associates and finance costs. This is the measure reported to the CODM for the purposes of resource allocation and performance assessment.

# Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 March 2022

## 5. Revenue and Segment Information (Continued)

### Segment assets and liabilities

	2022 HK\$'000	2021 HK\$'000
<b>Segment assets</b>		
Mining Business	22,278	46,106
Other Business	60	40
	<hr/>	<hr/>
Total reportable segment assets	22,338	46,146
Interests in associates	401	97
Unallocated	158,559	148,197
	<hr/>	<hr/>
<b>Consolidated assets</b>	181,298	194,440
	<hr/> <hr/>	<hr/> <hr/>
<b>Segment liabilities</b>		
Mining Business	20,911	34,534
Other Business	–	5
	<hr/>	<hr/>
Total reportable segment liabilities	20,911	34,539
Unallocated	12,031	24,622
	<hr/>	<hr/>
<b>Consolidated liabilities</b>	32,942	59,161
	<hr/> <hr/>	<hr/> <hr/>

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

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

# Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 March 2022

## 5. Revenue and Segment Information (Continued)

### Other segment information

	2022 HK\$'000	2021 HK\$'000
<b>Additions to non-current assets*</b>		
Mining Business	<u>14,003</u>	<u>11,662</u>
<b>Gain/(loss) on disposal/write-off of property, plant and equipment</b>		
Mining Business	<u>319</u>	<u>(661)</u>
<b>Depreciation and amortisation</b>		
Mining Business	<u>1,501</u>	<u>1,681</u>
Unallocated	<u>189</u>	<u>189</u>
	<u>1,690</u>	<u>1,870</u>
<b>Depreciation and amortisation included in production costs</b>		
Mining Business	<u>319</u>	<u>25,628</u>
Total depreciation and amortisation recognised in profit and loss	<u>2,009</u>	<u>27,498</u>

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

# Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 March 2022

## 5. Revenue and Segment Information (Continued)

### Geographical Information

The Group's operations are mainly located in Hong Kong and Mainland China.

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.

	2022 HK\$'000	2021 HK\$'000
Revenue from external customers		
Hong Kong	431	917
Mainland China	79,766	189,018
	<u>80,197</u>	<u>189,935</u>
Non-current assets		
Hong Kong	8,032	8,921
Mainland China	20,146	7,678
	<u>28,178</u>	<u>16,599</u>

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

### Information about major customers

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

	2022 HK\$'000	2021 HK\$'000
Customer A <sup>1</sup>	79,766	80,710
Customer B <sup>1</sup>	N/A <sup>2</sup>	67,145

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

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

# Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 March 2022

## 5. Revenue and Segment Information (Continued)

### Disaggregation of revenue from contracts with products

	2022 HK\$'000	2021 HK\$'000
<b>Types of goods or service</b>		
Sales of high-grade nickel-copper ores	79,766	80,710
Sales of nickel concentrates	–	83,783
Sales of copper concentrates	–	24,525
Service fee income	406	901
Sales of water soluble bags	25	16
	<u>80,197</u>	<u>189,935</u>
<b>Timing of revenue recognition</b>		
At a point in time	80,072	189,135
Over time	125	800
	<u>80,197</u>	<u>189,935</u>

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

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

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

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

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

# Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 March 2022

## 6. Other Income and Gains

	2022 HK\$'000	2021 HK\$'000
Dividend income from a financial asset at FVTPL	750	750
Interest income		
– bank deposits	3,275	801
– financial assets at FVTPL	188	188
– other receivable	306	–
Government grants	–	944
Net foreign exchange gain	153	–
Others	871	900
	<u>5,543</u>	<u>3,583</u>

During the year ended 31 March 2021, the Group recognised government grants of HK\$944,000, of which HK\$506,000 related to Employment Support Scheme provided by the Hong Kong government. There was no unfulfilled condition in respect of the grants.

## 7. Finance Costs

	2022 HK\$'000	2021 HK\$'000
Interest on loans from related companies	657	675
Interest on lease liabilities	–	4
	<u>657</u>	<u>679</u>

# Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 March 2022

## 8. Income Tax Expense

	2022 HK\$'000	2021 HK\$'000
Current tax		
– PRC Enterprise Income Tax	7,021	22,262
– Under provision in prior years	27	7
– PRC withholding tax	1,062	750
Deferred tax (note 28)	331	(2,952)
	<u>8,441</u>	<u>20,067</u>

On 21 March 2018, the Hong Kong Legislative Council passed The Inland Revenue (Amendment) (No. 7) Bill 2017 (the “Bill”) which introduces the two-tiered profits tax rates regime. The Bill was signed into law on 28 March 2018 and was gazette on the following day. Under the two-tiered profits tax rates regime, the first HK\$2 million of profits of the qualifying group entity will be taxed at 8.25%, and profits above HK\$2 million will be taxed at 16.5%. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the jurisdictions in which the Group operates.

Under the Law of the People’s Republic of China (“PRC”) on Enterprise Income Tax (the “EIT Law”) and Implementation Regulation of the EIT Law, the tax rate of the subsidiaries operating in Mainland China is 25% for both years.

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

	2022 HK\$'000	2021 HK\$'000
Profit before tax	45,073	70,240
Tax at the Hong Kong Profits Tax rate of 16.5%	7,437	11,590
Tax effect of share of (profit)/loss of associates	(50)	17
Tax effect of expenses not deductible for tax purposes	1,410	873
Tax effect of income not taxable for tax purposes	(1,513)	(847)
Tax effect of tax losses not recognised	1,063	1,062
Utilisation of deductible temporary differences previously not recognised	(4,632)	(993)
Under provision in prior years	27	7
Effect of different tax rates for subsidiaries operating in other jurisdictions	4,110	6,517
PRC withholding tax	589	1,841
Income tax expense for the year	<u>8,441</u>	<u>20,067</u>

# Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 March 2022

## 9. Profit for the Year

	2022 HK\$'000	2021 HK\$'000
Profit for the year has been arrived at after charging/(crediting):		
Directors' and chief executive's emoluments (note 10)	2,125	2,830
Other staff's retirement benefits scheme contributions	406	619
Other staff costs*	<b>8,540</b>	8,582
Employee benefits expenses	<b>11,071</b>	12,031
Depreciation of property, plant and equipment	319	1,286
Amortisation of intangible assets	–	24,342
Depreciation and amortisation (including in the production costs line item)	<b>319</b>	25,628
Depreciation of property, plant and equipment	1,096	1,415
Depreciation of right-of-use assets	345	396
Amortisation of land rehabilitation costs	249	59
Depreciation and amortisation (included in the depreciation and amortisation line item)	<b>1,690</b>	1,870
Rental income arising from an investment property	(192)	(206)
Less: direct operating expenses incurred for an investment property that generate rental income during the year	85	76
	<b>(107)</b>	(130)
Auditor's remuneration	620	650
Cost of inventories recognised as an expense	16,404	76,415
Provision for inventories (included in the production costs line item)	1,431	–
Expense relating to short-term leases not included in the measurement of lease liabilities	<b>772</b>	3,500

\* The costs exclude production staff costs of approximately HK\$274,000 (2021: HK\$8,301,000) which were included in the production costs line item.

# Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 March 2022

## 10. Directors' and Chief Executive's Emoluments

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

### For the year ended 31 March 2022

	Fee HK\$'000	Salaries and other benefits in kind HK\$'000	Retirement benefits scheme contributions HK\$'000	Performance and discretionary bonus HK\$'000	Total emoluments HK\$'000
<b>Executive directors</b>					
Felipe Tan (note i)	–	911	–	76	987
Lau Yun Fong Carman (note iii)	–	358	8	–	366
Lam Lai Ling Vincent (note iv)	–	255	9	40	304
Ronald Tan	–	66	4	8	78
<b>Independent non-executive directors</b>					
Tsang Wai Chun Marianna	130	–	–	–	130
Lam Kwai Yan	130	–	–	–	130
Chan Choi Ling	130	–	–	–	130
	<b>390</b>	<b>1,590</b>	<b>21</b>	<b>124</b>	<b>2,125</b>

### For the year ended 31 March 2021

	Fee HK\$'000	Salaries and other benefits in kind HK\$'000	Retirement benefits scheme contributions HK\$'000	Performance and discretionary bonus HK\$'000	Total emoluments HK\$'000
<b>Executive directors</b>					
Felipe Tan (note i)	–	65	–	–	65
Chan Mei Ying Spencer (note ii)	–	630	15	84	729
Lau Yun Fong Carman (note iii)	–	692	18	55	765
Lam Lai Ling Vincent (note iv)	–	441	18	47	506
Ronald Tan	–	250	14	27	291
<b>Acting chief executive officer</b>					
Chu Pui Lam (note v)	–	93	3	–	96
<b>Independent non-executive directors</b>					
Tsang Wai Chun Marianna	126	–	–	–	126
Lam Kwai Yan	126	–	–	–	126
Chan Choi Ling	126	–	–	–	126
	<b>378</b>	<b>2,171</b>	<b>68</b>	<b>213</b>	<b>2,830</b>

# Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 March 2022

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

Notes:

- i. Mr. Felipe Tan was appointed on 17 March 2021.
- ii. Mr. Chan Mei Ying Spencer resigned on 1 February 2021.
- iii. Ms. Lau Yun Fong Carman resigned on 31 August 2021.
- iv. Mr. Lam Kai Ling Vincent resigned on 13 September 2021.
- v. Mr. Chu Pui Lam was appointed as acting chief executive officer on 1 February 2021 and resigned on 17 March 2021.

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

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

During the year, no emoluments were paid by the Group to any of the directors or the chief executive as an inducement to join or upon joining the Group or as compensation for loss of office (2021: nil). None of the directors or the chief executive has waived any emoluments during the year (2021: nil).

## 11. Five Highest Paid Employees

For the year ended 31 March 2022, the five highest paid employees of the Group included three directors. Details of the remuneration of the remaining two highest paid employees who are neither a director nor chief executive of the Company are stated below.

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

	2022 HK\$'000	2021 HK\$'000
Salaries and allowances	1,675	2,019
Retirement benefits scheme contribution	34	36
Performance and discretionary bonus	99	301
	<b>1,808</b>	<b>2,356</b>

# Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 March 2022

## 11. Five Highest Paid Employees (Continued)

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

	2022	2021
Nil to HK\$1,000,000	1	3
HK\$1,000,001 to HK\$1,500,000	1	–
	<u>2</u>	<u>3</u>

During the year, no emoluments were paid by the Group to any of the five highest paid employees as an inducement to join or upon joining the Group or as compensation for loss of office (2021: nil).

## 12. Earnings Per Share

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

### Earnings for the basic and diluted earnings per share:

	2022 HK\$'000	2021 HK\$'000
Earnings for the year attributable to owners of the Company for the purpose of basic and diluted earnings per share	<u>6,948</u>	<u>7,976</u>

### Number of shares:

	2022 '000	2021 '000
Weighted average number of ordinary shares for the purpose of basic and diluted earnings per share	<u>2,812,882</u>	<u>2,812,882</u>

The computation of the diluted earnings per share does not assume the exercise of the Company's outstanding share option since the exercise prices of those options were higher than the average market price for shares for both 2022 and 2021.

# Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 March 2022

## 13. Property, Plant and Equipment

	Building and property HK\$'000	Plant and machinery HK\$'000	Computer equipment HK\$'000	Furniture, fixtures and equipment HK\$'000	Motor vehicles HK\$'000	Total HK\$'000
<b>Cost</b>						
Balance at 1 April 2020	31,353	4,613	1,655	664	3,955	42,240
Exchange adjustments	2,612	392	134	54	307	3,499
Write-off	(1,183)	–	(235)	(29)	–	(1,447)
Balance at 31 March 2021	<b>32,782</b>	<b>5,005</b>	<b>1,554</b>	<b>689</b>	<b>4,262</b>	<b>44,292</b>
Exchange adjustments	<b>1,086</b>	<b>201</b>	<b>62</b>	<b>21</b>	<b>153</b>	<b>1,523</b>
Additions	<b>20</b>	<b>–</b>	<b>–</b>	<b>27</b>	<b>–</b>	<b>47</b>
Disposal/write-off	<b>(17,587)</b>	<b>–</b>	<b>–</b>	<b>(464)</b>	<b>(390)</b>	<b>(18,441)</b>
<b>Balance at 31 March 2022</b>	<b>16,301</b>	<b>5,206</b>	<b>1,616</b>	<b>273</b>	<b>4,025</b>	<b>27,421</b>
<b>Accumulated depreciation and impairment</b>						
Balance at 1 April 2020	29,372	4,613	1,505	245	2,094	37,829
Exchange adjustments	2,504	392	125	28	213	3,262
Provided for the year	926	–	65	286	1,216	2,493
Eliminated on write-off	(576)	–	(183)	(27)	–	(786)
Balance at 31 March 2021	<b>32,226</b>	<b>5,005</b>	<b>1,512</b>	<b>532</b>	<b>3,523</b>	<b>42,798</b>
Exchange adjustments	<b>1,075</b>	<b>201</b>	<b>61</b>	<b>17</b>	<b>138</b>	<b>1,492</b>
Provided for the year	<b>502</b>	<b>–</b>	<b>43</b>	<b>154</b>	<b>716</b>	<b>1,415</b>
Eliminated on disposal/write-off	<b>(17,587)</b>	<b>–</b>	<b>–</b>	<b>(464)</b>	<b>(390)</b>	<b>(18,441)</b>
<b>Balance at 31 March 2022</b>	<b>16,216</b>	<b>5,206</b>	<b>1,616</b>	<b>239</b>	<b>3,987</b>	<b>27,264</b>
<b>Carrying amounts</b>						
<b>Balance at 31 March 2022</b>	<b>85</b>	<b>–</b>	<b>–</b>	<b>34</b>	<b>38</b>	<b>157</b>
Balance at 31 March 2021	556	–	42	157	739	1,494

# Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 March 2022

## 14. Right-of-Use Assets

	Leasehold land HK\$'000	Leased properties HK\$'000	Total HK\$'000
<b>As at 31 March 2022</b>			
Carrying amount	<u>6,165</u>	<u>–</u>	<u>6,165</u>
<b>As at 31 March 2021</b>			
Carrying amount	<u>6,162</u>	<u>101</u>	<u>6,263</u>
<b>For the year ended 31 March 2022</b>			
Exchange adjustments	<u>245</u>	<u>2</u>	<u>247</u>
Depreciation charge	<u>(242)</u>	<u>(103)</u>	<u>(345)</u>
	<u>3</u>	<u>(101)</u>	<u>(98)</u>
<b>For the year ended 31 March 2021</b>			
Exchange adjustments	494	16	510
Depreciation charge	<u>(229)</u>	<u>(167)</u>	<u>(396)</u>
	<u>265</u>	<u>(151)</u>	<u>114</u>

	2022 HK\$'000	2021 HK\$'000
Depreciation of right-of-use assets	<u>345</u>	396
Interest expense on lease liabilities	–	4
Expense relating to short-term leases	<u>772</u>	3,500
Total cash outflow for leases	<u>772</u>	<u>1,807</u>

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

The Group regularly entered into short-term leases for office premises. As at 31 March 2022 and 2021, the portfolio of short-term leases is similar to the portfolio of short-term leases to which the short-term lease expense disclosed above.

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

## Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 March 2022

### 15. Investment Property

The Group leases out a commercial property under operating leases with rentals payable monthly. The leases typically run for an initial period of 2 years (2021: 1 to 2 years). Majority of the lease contracts contain annual lease payment that are fixed over the lease term.

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

	2022 HK\$'000	2021 HK\$'000
<b>FAIR VALUE</b>		
At 1 April 2021/2020	8,600	10,840
Net increase in fair value recognised in profit or loss	(700)	(2,240)
At 31 March	7,900	8,600

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

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

The fair value of the Group's investment property as at 31 March 2022 and 2021 has been arrived at by management using direct comparison method on an open market basis with reference to the value of adjacent properties.

In estimating the fair value of the property, the highest and best use of the property is its current use.

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

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

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

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

Level 3: Fair value measured using significant unobservable inputs.

The Group's investment properties are measured at their fair value of approximately HK\$7,900,000 (2021: HK\$8,600,000), which represented a commercial building located in Hong Kong and was classified as Level 3 fair value hierarchy.

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

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 (2021: nil).

# Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 March 2022

## 16. Intangible Assets

	Mining rights HK\$'000
<b>Cost</b>	
At 1 April 2020	332,818
Exchange adjustments	28,663
Addition for the year	11,662
	<hr/>
Balance at 31 March 2021	<b>373,143</b>
Exchange adjustments	<b>15,012</b>
Write-off	<b>(147,554)</b>
	<hr/>
<b>At 31 March 2022</b>	<b>240,601</b>
	<hr/>
<b>Accumulated amortisation and impairment</b>	
At 1 April 2020	320,088
Exchange adjustments	28,007
Charge for the year	25,048
	<hr/>
At 31 March 2021	<b>373,143</b>
Exchange adjustments	<b>15,012</b>
Write-off	<b>(147,554)</b>
	<hr/>
<b>At 31 March 2022</b>	<b>240,601</b>
	<hr/>
<b>Carrying values</b>	
<b>Balance at 31 March 2022</b>	<b>–</b>
	<hr/> <hr/>
Balance at 31 March 2021	–
	<hr/> <hr/>

The effective amortisation rate of mining rights for the year ended 31 March 2021 approximates to 8%.

## 17. Exploration and Evaluation Assets

	HK\$'000
At 1 April 2021 and 2020	–
Exchange adjustments	177
Additions for the year	13,779
	<hr/>
<b>At 31 March 2022</b>	<b>13,956</b>
	<hr/> <hr/>

# Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 March 2022

## 18. Interests in Associates

	2022 HK\$'000	2021 HK\$'000
<b>Share of net assets at the beginning of year</b>	<b>44</b>	128
Addition	–	17
Disposal	–	–
Share of profit/(loss)	<b>304</b>	(101)
<b>Share of net assets at the end of year</b>	<b>348</b>	44
Amount due from an associate	<b>53</b>	53
	<b>401</b>	97

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

Name of entity	Country of incorporation/ registration	Principal place of business	Proportion of ownership interest and voting rights held by the Group		Principal activities
			2022	2021	
CGA Holdings Limited ("CGA" Holdings)	British Virgin Islands	Hong Kong	N/A <sup>2</sup>	29.97%	Investment holding
CGA Entertainment Limited <sup>1</sup>	Hong Kong	Hong Kong	N/A <sup>2</sup>	29.97%	Promoting e-sports activities and organising e-sports tournament
CGA e-Commerce Limited <sup>1</sup>	Hong Kong	Hong Kong	N/A <sup>2</sup>	29.97%	E-commerce
CGA Legend Limited <sup>1</sup>	Hong Kong	Hong Kong	N/A <sup>2</sup>	29.97%	Promoting e-sports activities and organising e-sports tournament
Versus Arena Limited <sup>1</sup>	Hong Kong	Hong Kong	N/A <sup>2</sup>	29.97%	E-sports business
Nano Bubble Limited ("Nano Bubble")	Hong Kong	Hong Kong	22.53%	22.53%	Development of domestic pesticide removal, surface cleaning and sanitisation product
Nano Energy Limited ("Nano Energy")	Hong Kong	Hong Kong	27.03%	27.03%	Development of different power generation mechanisms

<sup>1</sup> Wholly-owned subsidiaries of CGA Holdings.

## 18. Interests in Associates (Continued)

<sup>2</sup> On 18 October 2021, an independent third party (“the Subscriber”) subscribed for 12,470 shares of CGA Holdings at a consideration of US\$3,000,000 with the subscription price payable in cash (the “Subscription”). Immediately after the Subscription, the issued shares of CGA Holdings increased from 12,980 shares to 25,450 shares and the Group’s equity interests in CGA Holdings was diluted from 29.97% to 15.28%. The Group recorded a gain on deemed disposal of an associate of approximately HK\$7,272,000 upon completion of the Subscription. Accordingly, CGA Holdings ceased to be an associate of the Group and the retained investment in CGA Holdings was accounted for as a financial asset at fair value through profit or loss.

On 14 May 2020, the Group disposed of 0.85% equity interest in CGA Holdings to Bloom Explorer Limited, one of the existing shareholders of CGA Holdings, at a cash consideration of HK\$407,000, resulting in a decrease of the Group’s equity interest in CGA Holdings from 30.82% to 29.97%.

On 30 November 2020, CGA Holdings disposed of two subsidiaries, CGA Stadium Limited and Cyber Games Arena Limited, to a company owned by one of its founders and since then CGA Holdings ceased operating e-Stadium and store.

Pursuant to the subscription agreement dated 16 May 2018, the major shareholders of Cyber Games Arena Limited (the “Guarantors”) undertake the profit guarantee compensation and jointly and severally guaranteed to the Group that the net profit after tax of CGA Holdings and its subsidiaries (the “CGA Group”) as shown in the audited consolidated financial statements of the CGA Group for the years ended 31 March 2020 and 31 March 2021 (excluding the one-off, non-operational in nature and items not incurred in the ordinary and usual course of business) shall not be in aggregate less than HK\$32,000,000 (“CGA Profit Guarantee”). The CGA Profit Guarantee was accounted for as financial assets at FVTPL on initial recognition.

The Group invested in the equity interest of Nano Bubble and Nano Energy at a consideration of HK\$570,000 and HK\$30,000 respectively. The Group also made a proportional shareholders loan to Nano Bubble and Nano Energy of HK\$53,000 and HK\$768,000 respectively. In the prior year, the proportional shareholders loan made to Nano Energy was capitalised as equity interest.

The amount due from an associate is unsecured, interest-free and has no fixed term of repayment.

### Summarised financial information of material associates

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

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

The Group has no material associate as at 31 March 2022.

# Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 March 2022

## 18. Interests in Associates (Continued)

### CGA Group

	2021 HK\$'000
Current assets	3,488
Non-current assets	1,627
Current liabilities	(6,166)
Non-current liabilities	(974)
Net liabilities	<u>(2,025)</u>

	2021 HK\$'000
Revenue	<u>12,726</u>
Profit and total comprehensive income for the year	<u>32,321</u>

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

	2021 HK\$'000
Net liabilities of CGA Group	(2,025)
Proportion of the Group's ownership interest in CGA Group	29.97%
The Group's share of net liabilities of CGA Group	(607)
Cumulative unrecognised share of loss of CGA Group	<u>607</u>
Carrying amount of the Group's interest in CGA Group	<u>–</u>

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

	2022 HK\$'000	2021 HK\$'000
Share of associates' profit/(loss) and total comprehensive income/(expense) for the year	<b>304</b>	(101)
Aggregate carrying amount of the Group's interests in the associates	<b>401</b>	<u>97</u>

# Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 March 2022

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

	2022 HK\$'000	2021 HK\$'000
Financial assets measured at FVTPL:		
Listed debt securities (note a)	1,719	2,858
Unlisted equity investments (note b)	7,290	9,992
Convertible loan (note c)	–	933
CGA Profit Guarantee (note d)	–	9,142
	<b>9,009</b>	22,925
Analysed for reporting purposes:		
Current assets	1,719	12,933
Non-current assets	7,290	9,992
	<b>9,009</b>	22,925

### Notes:

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

For the year ended 31 March 2022, the Group recorded a loss on fair value changes of approximately HK\$1,139,000 (2021: gain of HK\$232,000) in the consolidated statement of profit or loss and other comprehensive income.

- b. Unlisted equity investments as at 31 March 2022 composed of the Group's 15.28% equity investment in CGA Holdings (note 18) and 2.3% equity interest in an unlisted investment (note c).

Unlisted equity investments as at 31 March 2021 composed of 8.86% equity interest in Dragon Silver Holdings Limited ("Dragon Silver"), profit guarantee, dividend guarantee and put option as described below. Dragon Silver is a company incorporated in Hong Kong principally engaged in trading, production, processing and investment in precious metals and non-ferrous metals and related products.

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

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

Notes: (Continued)

b. (Continued)

In the event that the actual audited profit after tax of Dragon Silver for each of the Relevant Years shall be less than the Guaranteed Profits, the Guarantor shall compensate the Group for the shortfall of the actual profits attributable to the Group (i.e., the Guaranteed Profits less actual audited profit multiplied by 8.86%). The maximum amount payable by the Guarantor under the Guaranteed Profits shall not be more than the consideration paid by the Group (i.e., HK\$7,800,000). On 24 April 2020, the Group entered into a supplemental agreement that the Group agreed to waive the profit guarantee given by the Guarantor for the two financial years ending 30 June 2020 and 30 June 2021 and in return, the Guarantor agreed to extend the profit guarantee period for the agree additional financial years for the financial years ending 30 June 2023, 2024 and 2025.

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

In addition, the Guarantor and the Group entered into the put option deed 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. On 16 February 2022, the Group exercised the put option to sell all its shares to the Guarantor at a cash consideration of HK\$7,800,000, resulting in a loss on derecognition of HK\$2,192,000.

For the year ended 30 June 2021, Dragon Silver had not declared and paid any dividend to the Group. In October 2021, the Guarantor paid to the Group the Dividend Compensation Amount of HK\$750,000 pursuant to the term of the subscription agreement.

For the year ended 31 March 2022, loss on fair value changes of HK\$755,000 (2021: HK\$1,303,000) was recognised in the consolidated statement of profit or loss and other comprehensive income.

c. Convertible loan in the principal sum of approximately HK\$777,000 bears interest rate of 6% per annum with maturity on 15 March 2022. The Group has the right to convert all or part of the loan amount into equity shares of the borrower according to the terms and conditions of the convertible loan agreement entered into between the Group and the borrower. On 22 November 2021, the Group converted the loan amount into 104 ordinary shares, representing 2.3% of the total issued shares. Upon conversion, the Group recorded a loss on conversion of HK\$155,000.

For the year ended 31 March 2021, loss on fair value changes of HK\$301,000 was recognised in the consolidated statement of profit or loss and other comprehensive income.

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

Further details of the CGA Profit Guarantee were set out in note 18 to the financial statements.

On 30 June 2021, the Group and the Guarantors entered into a deed of settlement ("Deed of Settlement") in relation to the CGA Profit Guarantee. Upon the conclusion of the Deed of Settlement, the carrying amount of the CGA Profit Guarantee previously recognised as a financial assets at FVTPL was derecognised and the amount receivable under the CGA Profit Guarantee was included in the "prepayment, deposits and other receivables" line item.

## Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 March 2022

### 20. Land Rehabilitation Costs

	2022 HK\$'000	2021 HK\$'000
<b>Balance at the beginning of year</b>	<b>242</b>	279
Exchange adjustments	7	22
Amortisation charge for the year	<b>(249)</b>	(59)
<b>Balance at the end of year</b>	<b>-</b>	242

The land rehabilitation costs relate to the restoration costs for the occupation of lands at mining sites. The amortisation period was approximately 5 years.

### 21. Inventories

	2022 HK\$'000	2021 HK\$'000
Raw materials	<b>108</b>	2,709
Finished goods	<b>22</b>	7,238
	<b>130</b>	9,947

### 22. Trade receivables

	2022 HK\$'000	2021 HK\$'000
Trade receivables from contracts with customers	<b>5</b>	3,621

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

	2022 HK\$'000	2021 HK\$'000
0 to 30 days	<b>5</b>	3,621

As at 31 March 2022, none of trade receivables balance are past due (2021: nil).

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

## Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 March 2022

### 23. Prepayments, Deposits and Other Receivables

	2022 HK\$'000	2021 HK\$'000
Prepayments	6,501	197
Deposits	1,818	24,870
Other receivables	8,748	112
Less: allowance of credit losses (note 34b)	(557)	–
	<u>16,510</u>	<u>25,179</u>

The Group's deposits amounting to approximately HK\$1,714,000 (2021: HK\$24,041,000) represent the land restoration and environmental recoverability guarantee deposits for the Group's mines.

The Group's other receivables amounting to approximately HK\$8,448,000 (2021: nil) represent the amount receivable under the CGA Profit Guarantee as detailed in notes 18 and 19(d) to the consolidated financial statements.

### 24. Bank Balances and Cash

Bank balances and cash comprise cash held by the Group and short-term bank deposits with effective interest rates ranging between 0.3% and 2.5% (2021: 0.3% and 1.9%) per annum.

At 31 March 2021, the Group had bank balances and cash of approximately HK\$114,427,000 (2021: HK\$97,644,000) which are denominated in Renminbi and placed with banks in Mainland China. The remittance of these funds out of Mainland China is subject to the exchange control restrictions imposed by the PRC government.

## Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 March 2022

### 25. Trade and Other Payables

	2022 HK\$'000	2021 HK\$'000
Trade payables	907	2,970
Other payables	10,511	13,098
	<u>11,418</u>	<u>16,068</u>

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

	2022 HK\$'000	2021 HK\$'000
0 to 30 days	352	305
31 to 60 days	–	–
61 to 90 days	–	2,552
More than 90 days	555	113
	<u>907</u>	<u>2,970</u>

Included in trade payable as at 31 March 2022 was an amount of HK\$352,000 (2021: nil) due to a related company which is a non-controlling shareholder of a subsidiary. Such balance is unsecured, interest-free and are expected to be settled within 90 days.

Included in other payables are mainly deposits received of approximately HK\$163,000 (2021: HK\$1,039,000), and accrued salary and other benefits of approximately HK\$6,710,000 (2021: HK\$5,095,000).

### 26. Provision for Land Rehabilitation

	2022 HK\$'000	2021 HK\$'000
<b>Balance at the beginning of year</b>	<b>7,792</b>	8,613
Exchange adjustments	314	683
Utilisation of provision	–	(1,504)
	<u>8,106</u>	<u>7,792</u>
<b>Balance at the end of year</b>	<b>8,106</b>	7,792
Less: provision for land rehabilitation classified as non-current liabilities	(7,246)	(6,965)
	<u>860</u>	<u>827</u>
Provision for land rehabilitation classified as current liabilities		

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

## Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 March 2022

### 27. Loan from Related Companies

The Group entered into loan agreements with related companies which are beneficially owned by Mr. Felipe Tan, a director and substantial shareholder of the Company. The loans are unsecured, repayable on demand and bear interest at 4.5% per annum.

### 28. Deferred Tax

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	Exploration and evaluation assets HK\$'000	Write-down of inventories HK\$'000	Fair value adjustments arising from business combination HK\$'000	Total HK\$'000
At 1 April 2020	660	–	–	3,727	4,387
Exchange adjustments	119	–	–	316	435
Charge/(credit) to profit or loss					
Origination and reversal of temporary differences	1,841	–	–	(4,043)	(2,202)
Reversal upon payment	(750)	–	–	–	(750)
At 31 March 2021	<b>1,870</b>	–	–	–	<b>1,870</b>
Exchange adjustments	<b>17</b>	–	–	–	<b>17</b>
Charge/(credit) to profit or loss					
Origination and reversal of temporary differences	<b>589</b>	<b>3,489</b>	<b>(464)</b>	<b>(2,221)</b>	<b>1,393</b>
Reversal upon payment	<b>(1,062)</b>	–	–	–	<b>(1,062)</b>
<b>At 31 March 2022</b>	<b>1,414</b>	<b>3,489</b>	<b>(464)</b>	<b>(2,221)</b>	<b>2,218</b>

Under the Enterprise Income Tax Law of the PRC, withholding tax is imposed on dividends declared in respect of profits earned by the subsidiaries in Mainland China 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 the subsidiary in Mainland China .

At the end of the reporting period, the Group has unused tax losses of approximately HK\$326,334,000 (2021: HK\$320,172,000) available for offsetting against future profits. No deferred tax asset has been recognised in respect of these unused tax losses due to unpredictability of future profit streams. Included in unrecognised tax losses are losses of approximately HK\$561,000 expiring in 2027. Other losses may be carried forward indefinitely.

As at 31 March 2021, the Group has deductible temporary differences of approximately HK\$17,813,000. No deferred tax asset has been recognised in relation to such deductible temporary differences as it is not probable that taxable profit will be available against which the deductible temporary differences can be utilised.

# Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 March 2022

## 29. Share Capital

	Number of shares		Share capital	
	2022	2021	2022	2021
			HK\$'000	HK\$'000
<b>Issued and fully paid</b>				
At 1 April 2020, 31 March 2021 and 31 March 2022	<u>2,812,881,803</u>	<u>2,812,881,803</u>	<u>906,074</u>	<u>906,074</u>

## 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.

### General reserve

General reserve was established in accordance with the relevant PRC rules and regulations and the articles of association of the Company's subsidiary incorporated in the PRC. Transfers to the reserve were approved by the respective board of directors and the PRC subsidiary are required to transfer at least 10% of its net profit (after offsetting prior year's losses), as determined under the PRC accounting rules and regulations, to general reserve until the reserve balance reaches 50% of the registered capital under the PRC Company Law and the articles of association of this entity. The transfer to this reserve must be made before distribution of dividends to the equity shareholders.

### Share options reserve

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

### Translation reserve

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

## 31. Share-based Payment Transactions

### 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.

## 31. Share-based Payment Transactions (Continued)

### Share option scheme prior to 28 April 2013 (“2003 Share Option Scheme”) (Continued)

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

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

### Share option scheme on or after 25 September 2013 (“2013 Share Option Scheme”)

On 25 September 2013, an ordinary resolution approving the adoption of a new share option scheme was passed by shareholders at the annual general meeting of the Company. Under the 2013 Share Option Scheme, directors of the Company may grant options to eligible persons to subscribe for the Company’s shares subject to the terms and conditions as stipulated therein. Unless otherwise cancelled or amended, the 2013 Share Option Scheme will remain valid for a period of 10 years from the adoption date.

The purpose of the 2013 Share Option Scheme is to provide incentives to the eligible participants to contribute to the Group and to enable the Group to recruit high-caliber employees and attract resources that are valuable to the Group. Under the 2013 Share Option Scheme, the board of directors of the Company may grant options to any person being a full time or part time employees of the Group (including any directors, whether executive or non-executive and whether independent or not, of the Company or any subsidiary) any supplier, consultants, agents and advisers or any person who, in the sole discretion of the board of directors of the Company, has contributed or may contribute to the Group eligible for options under this share option scheme (“2013 Eligible Participants”) at a price to be determined by the board of directors being the highest of (a) the closing price of the shares on the Stock Exchange on the date of grant of the option, which must be a trading day and (b) the average closing price of the shares of the Stock Exchange for the five trading days immediately preceding the date of grant of the option.

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

# Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 March 2022

## 31. Share-based Payment Transactions (Continued)

### Share option scheme on or after 25 September 2013 (“2013 Share Option Scheme”) (Continued)

The 2013 Share Option Scheme shall be valid and effective for a period of 10 years commencing 25 September 2013 and its remaining life as at 31 March 2022 was about 1.5 years.

An offer of the grant of an option shall be accepted when the Company receives in writing the acceptance of the offer from the grantee together with a remittance in favor of the Company of HK\$1 by way of consideration for the grant thereof. The option shall remain open for acceptance by the Eligible Participants concerned for a period of 28 days from the date of offer.

At 31 March 2022, the total number of shares available for issue under the 2013 Share Option Scheme is 104,065,014 (2021: 100,574,203) shares, representing 3.7% (2021: 3.6%) of the issued share capital of the Company at that date.

Options granted are fully vested at the date of grant. All equity-settled share-based payments will be settled in equity. The Group has no legal and constructive obligation to repurchase or settle the options.



# Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 March 2022

## 31. Share-based Payment Transactions (Continued)

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

Type of Participants	Date of grant	Vesting and Exercisable period	Exercise price per share HK\$	Number of share options							
				Outstanding at 1.4.2020	Cancelled during the year	Lapsed during the year	Reclassified	Outstanding at 31.3.2021	Cancelled during the year	Lapsed during the year	Outstanding at 31.3.2022
<b>2003 Share Option Scheme</b>											
Employee	20.11.2012	20.11.2012 – 19.11.2022	0.1281	3,113,514	-	-	-	3,113,514	-	-	3,113,514
<b>Total</b>				<u>3,113,514</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,113,514</u>	<u>-</u>	<u>-</u>	<u>3,113,514</u>
<b>Weighted average exercise price</b>				<u>HK\$0.1281</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>HK\$0.1281</u>	<u>N/A</u>	<u>N/A</u>	<u>HK\$0.1281</u>

# Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 March 2022

## 31. Share-based Payment Transactions (Continued)

Type of Participants	Date of grant	Vesting and Exercisable period	Exercise price per share HK\$	Number of share options					Outstanding at 31.3.2022
				Outstanding at 1.4.2020	Cancelled during the year	Lapsed during the year	Reclassified	Outstanding at 31.3.2021	
<b>2013 Share Option Scheme</b>									
<b>Directors</b>									
	03.10.2013	03.10.2013 – 02.10.2023	0.1435	2,075,676	-	-	-	2,075,676	-
	17.02.2014	17.02.2014 – 16.02.2024	0.1329	415,135	-	-	-	415,135	-
	02.03.2017	02.03.2017 – 03.01.2027	0.1080	7,000,000	-	(1,000,000)	2,000,000	8,000,000	7,000,000
				9,490,811	-	(1,000,000)	2,000,000	10,490,811	7,000,000
<b>Employees</b>									
	03.10.2013	03.10.2013 – 02.10.2023	0.1435	3,632,433	-	-	-	3,632,433	3,632,433
	17.02.2014	17.02.2014 – 16.02.2024	0.1329	622,703	-	-	-	622,703	622,703
	02.03.2017	02.03.2017 – 01.03.2027	0.1080	11,000,000	-	-	(2,000,000)	9,000,000	9,000,000
				15,255,136	-	-	(2,000,000)	13,255,136	13,255,136
<b>Others</b>									
	02.03.2017	02.03.2017 – 01.03.2027	0.1080	13,000,000	-	-	-	13,000,000	13,000,000
				13,000,000	-	-	-	13,000,000	13,000,000
				37,745,947	-	(1,000,000)	-	36,745,947	33,255,136
<b>Total</b>				HK\$0.1141	N/A	N/A	N/A	HK\$0.1141	HK\$0.1123
<b>Weighted average exercise price</b>									

Notes:

1. A total of 2,000,000 options granted to Mr. Felipe Tan on 2 March 2017 was reclassified from "Employee" category to "Director" category upon his appointment as an executive director of the Company on 17 March 2021.
2. No options have been granted under the share option schemes during the year ended 31 March 2022 (2021: nil).
3. No options granted under the share option schemes were exercised during the year ended 31 March 2022 (2021: nil).

## Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 March 2022

### 32. Retirement Benefits Schemes

The Group operates a Mandatory Provident Fund Scheme for all qualifying employees in Hong Kong. The assets of the plans are held separately from those of the Group, in funds under the control of trustees. The Group contributes monthly the lower of HK\$1,500 or 5% of the relevant monthly payroll costs to the MPF Scheme, which contribution is matched by employees.

The employees of the Group's subsidiary in Mainland China 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 2022, 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\$427,000 (2021: HK\$687,000).

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

#### General information of principal subsidiaries

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

Name of subsidiary	Place of incorporation/ registration/ operations	Issued ordinary/ registered capital	Percentage of equity interests attributable to the Company		Principal activities
			Directly	Indirectly	
Goffers Management Limited	British Virgin Islands	US\$200	–	51%	Investment holdings
Nano Tech Limited	Hong Kong	HK\$100,000	–	90.1%	Investment holding
SRJJ Limited	Hong Kong	HK\$10,000	–	100%	Research and development of and sales of bio and nano materials products
Time Rich HK Limited	Hong Kong	HK\$100	–	100%	Investment holding, provision of business and agency services
Timeless T12M Capital Limited	Hong Kong	HK\$1,000,000	–	100%	Technology and business investment activities
Timeless IT Limited	Hong Kong	HK\$100	–	100%	Trading of metal
新疆天目礦業資源開發有限公司 ("Xinjiang Tianmu")	Mainland China	RMB36,000,000	–	26%	Exploration and exploitation of nickel-copper mines in Xinjiang, the PRC and processing and sale of the outputs from the mines

# Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 March 2022

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

### General information of principal subsidiaries (Continued)

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

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

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

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

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

Name of subsidiary	Place of establishment/ registration and principal place of business	Proportion of ownership interests held by the non-controlling interests		Profit/(loss) allocated to non-controlling interests		Accumulated non-controlling interests	
		2022	2021	2022	2021	2022	2021
		HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Xinjiang Tianmu	Mainland China	74%	74%	29,962	43,239	86,725	82,631
Individually immaterial subsidiaries with non-controlling interests						575	(136)
						<u>87,300</u>	<u>82,495</u>

Summarised financial information in respect of the Group's subsidiary that has material non-controlling interests is set out below. The summarised financial information below represents amounts before intragroup eliminations.

# Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 March 2022

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

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

#### Xinjiang Tianmu

	2022 HK\$'000	2021 HK\$'000
Current assets	116,563	136,072
Non-current assets	20,146	7,678
Current liabilities	(11,447)	(25,699)
Non-current liabilities	(8,050)	(6,965)
<b>Net assets</b>	<b>117,212</b>	<b>111,086</b>
Equity attributable to owners of the Company	30,487	28,893
Non-controlling interests of Xinjiang Tianmu	86,725	82,193
<b>Total equity</b>	<b>117,212</b>	<b>111,086</b>
Revenue	79,766	189,018
Other income and gains	3,481	1,417
Expenses	(42,753)	(131,996)
<b>Profit for the year</b>	<b>40,494</b>	<b>58,439</b>
Profit for the year attributable to owners of the Company	10,532	15,200
Profit for the year attributable to the non-controlling interests	29,962	43,239
<b>Profit for the year</b>	<b>40,494</b>	<b>58,439</b>
Other comprehensive income attributable to owners of the Company	1,324	2,200
Other comprehensive income attributable to non-controlling interests	3,766	6,258
Other comprehensive income for the year	5,090	8,458
Total comprehensive income attributable to owners of the Company	11,856	17,400
Total comprehensive income attributable to non-controlling interests	33,728	49,497
Total comprehensive income for the year	45,584	66,897
<b>Dividends paid to non-controlling interests of Xinjiang Tianmu</b>	<b>19,334</b>	<b>13,037</b>
Net cash inflow from operating activities	62,095	91,391
Net cash outflow from investing activities	(10,654)	(10,969)
Net cash outflow from financing activities	(39,458)	(26,784)
Effect of foreign exchange rate changes	4,803	6,173
<b>Net increase in cash and cash equivalents</b>	<b>16,786</b>	<b>59,811</b>

# Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 March 2022

## 34. Financial Instruments

### (a) Categories of financial instruments

	2022 HK\$'000	2021 HK\$'000
<b>Financial assets</b>		
Financial assets at FVTPL	9,009	22,925
Financial assets at amortised cost	137,132	144,728
<b>Financial liabilities</b>		
Amortised cost	22,618	39,888

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

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

#### Market risk

##### Foreign currency risk management

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

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

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

	2022 HK\$'000	2021 HK\$'000
<b>Monetary assets</b>		
United States Dollars ("US\$")	251	123
RMB	10,940	15,659

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

## 34. Financial Instruments (Continued)

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

#### Market risk (Continued)

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

##### Sensitivity analysis

The following table details the Group's sensitivity to a 5% (2021: 5%) increase and decrease in HK\$ against RMB. 5% (2021: 5%) is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the end of the reporting period for a 5% (2021: 5%) change in foreign currency rates. A positive number below indicates an increase in profit where HK\$ weakens against RMB. For a 5% weakening of RMB against HK\$, there would be an equal and opposite impact on profit or loss.

	2022 HK\$'000	2021 HK\$'000
RMB	547	783

##### Interest rate risk management

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

##### Other price risk

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

##### Sensitivity analysis

The sensitivity analyses have been determined based on the exposure to other price risk in respect of the listed debt securities at the reporting date. If the prices of the respective instruments had been 10% increased higher/lower, the profit before tax for the year would increase/decrease by approximately HK\$172,000 (2021: HK\$286,000) as a result of the changes in fair value of investments at FVTPL.

## 34. Financial Instruments (Continued)

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

#### Credit risk and impairment assessment

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

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

#### *Trade receivables arising from contracts with customers*

The Group has concentration of credit risk as 100% of the total trade receivables was due from the Group's five largest customers. In order to minimise the credit risk, the management of the Group has delegated a team responsible for determination of credit limits and credit approvals.

For trade receivables, the Group has applied the simplified approach in HKFRS 9 to measure the loss allowance at lifetime ECL. The estimated loss rates are estimated based on historical observed default rates over the expected life of the debtors and are adjusted for forward-looking macroeconomic information that is available without undue cost or effort. As at 31 March 2022, no impairment allowance on trade receivables is provided based on individual assessment as the amounts involved are immaterial (2021: nil).

#### *Bank balances and cash*

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

#### *Amount due from an associate*

The Group assessed the loss allowance for amount due from an associate on 12m ECL basis. In determining the ECL, the Group has taken into account the historical default experience and forward-looking macroeconomic information as appropriate. For the year ended 31 March 2022, no impairment allowance was made.

# Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 March 2022

## 34. Financial Instruments (Continued)

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

#### Credit risk and impairment assessment (Continued)

##### *Deposits and other receivables*

For deposits and other receivables, the management makes periodic individual assessment on the recoverability of deposits and other receivables based on historical settlement records, past experience, and also quantitative and qualitative information that is reasonable and supportive forward-looking information. The management believes that there is no significant increase in credit risk of these amounts since initial recognition and the Group provided impairment based on 12m ECL. For the year ended 31 March 2022, the Group recognised ECL for deposits and other receivables of approximately HK\$557,000 in the consolidated statement of profit or loss and other comprehensive income (2021: nil).

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

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

# Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 March 2022

## 34. Financial Instruments (Continued)

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

#### Credit risk and impairment assessment (Continued)

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

	Notes	External credit rating	Internal credit rating	12m or lifetime ECL	Gross carrying amounts	
					2022 HK\$'000	2021 HK\$'000
Trade receivables	22	N/A	Low risk	Lifetime ECL	5	3,621
Bank balances and cash	24	A1 to Aa3	Low risk	12m ECL	127,065	116,072
Amount due from an associate	18	N/A	Low risk	12m ECL	53	53
Deposits and other receivables	23	N/A	Low risk	12m ECL	10,566	24,982
					<b>137,689</b>	<b>144,728</b>

The following tables show reconciliation of loss allowances that had been recognised for amount due from an associate.

	Lifetime ECL HK\$'000
At 1 April 2020	752
Eliminated on capitalisation	(752)
At 31 March 2021 and 31 March 2022	<b>–</b>

The following table shows the movement in 12m ECL that has been recognised for deposit and other receivables.

	12m ECL HK\$'000
At 1 April 2020 and 2021	–
Impairment loss recognised	557
<b>At 31 March 2022</b>	<b>557</b>

# Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 March 2022

## 34. Financial Instruments (Continued)

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

#### Liquidity risk management

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

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

The table includes both interest and principal cash flows.

	Weighted average effective interest rate %	On demand or less than 1 year HK\$'000	Over 1 year HK\$'000	Total undiscounted cash flows HK\$'000	Carrying amounts at 31 March HK\$'000
<b>2022</b>					
Trade and other payables	N/A	11,418	–	11,418	11,418
Loan from a related company	4.5	11,200	–	11,200	11,200
		<u>22,618</u>	<u>–</u>	<u>22,618</u>	<u>22,618</u>
<b>2021</b>					
Trade and other payables	N/A	16,068	–	16,068	16,068
Dividends payable to a non-controlling shareholder	N/A	8,820	–	8,820	8,820
Loan from related companies	4.5	15,000	–	15,000	15,000
		<u>39,888</u>	<u>–</u>	<u>39,888</u>	<u>39,888</u>

# Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 March 2022

## 34. Financial Instruments (Continued)

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

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

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

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

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

*Fair value hierarchy as at 31 March 2022*

	Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000	Total HK\$'000
<b>Financial assets at FVTPL</b>				
Listed securities	1,719	–	–	1,719
Unlisted equity investments	–	–	7,290	7,290
	<u>1,719</u>	<u>–</u>	<u>7,290</u>	<u>9,009</u>

*Fair value hierarchy as at 31 March 2021*

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

# Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 March 2022

## 34. Financial Instruments (Continued)

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

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

Financial assets	Fair value as at 31 March 2022	Fair value as at 31 March 2021	Fair value hierarchy	Valuation techniques and key inputs	Significant unobservable inputs
Listed debt securities	HK\$1,719,000	HK\$2,858,000	Level 1	Quoted bid prices in an active market.	Not applicable
Convertible loan	–	HK\$933,000	Level 3	Goldman Sachs' Model – based on the credit adjusted discount rate and volatility of the price of the underlying asset	Volatility of 66% (note 1)
Unlisted equity investments	HK\$7,290,000	HK\$9,992,000	Level 3	Income approach – in this approach, the discounted cash flow method was used to capture the present value of the expected future economic benefits to be derived from the ownership of this investee, based on an appropriate discount rate	Discount rate of 15% (2021: 16%), taking into account weighted average cost of capital (WACC) determined using a Capital Asset Pricing Model (note 2)
				Market approach – it values a business entity by comparison of the prices at which other similar business, companies or interests changed hands in arm's length transaction	Enterprise value to sales ratio of 4.2 (2021: not applicable) (note 3)
				Option pricing model – based on volatilities of market comparable companies and value of the unlisted equity investment	2021: Volatility of 45% (note 4)
CGA Profit Guarantee	–	HK\$9,142,000	Level 3	Probabilistic flow method in which the cash flows for each year represent the difference between the guaranteed profits and the projected net profits	Expected loss rate of 0.2% (note 5)

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

Note 2: An increase in the discount rate used in isolation would result in a decrease in the fair value measurement of the unlisted equity investments, and vice versa. A 5% increase/decrease in the discount rate holding all other variables constant would decrease/increase the carrying amount of the unlisted equity investments by HK\$466,000 (2021: HK\$128,000) and HK\$529,000 (2021: HK\$127,000) respectively.

Note 3: An increase in the enterprise value to sales ratio used in isolation would result in an increase in the fair value measurement of the unlisted equity investment, and vice versa. A 10% increase/decrease in the enterprise value to sales ratio holding all other variables constant would increase/decrease the carrying amount of the unlisted equity investments by HK\$23,000 (2021: not applicable) and HK\$23,000 (2021: not applicable) respectively.

Note 4: An increase in the volatility used in isolation would result in an increase in the fair value measurement of the unlisted equity investments, and vice versa. A 10% increase/decrease in the volatility holding all other variables constant would not result in any significant potential impact.

Note 5: An increase in expected loss rate used in isolation would result in a decrease in the fair value measurement of the CGA Profit Guarantee, and vice versa. No sensitivity analysis for the input is presented as a reasonably possible change in expected loss rate would not result in any significant potential financial impact.

There were no transfers between Level 1, 2 and 3 during the year (2021: nil).

# Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 March 2022

## 34. Financial Instruments (Continued)

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

#### Reconciliation of level 3 fair value measurement

	2022 HK\$'000	2021 HK\$'000
At 1 April 2021/2020	20,067	19,173
(Loss)/gain on fair value changes recognised in profit or loss	(755)	894
Gain on partial disposal of interest in an associate	7,272	–
Loss on derecognition of financial asset at FVTPL	(2,258)	–
Settlement	(17,036)	–
<b>At 31 March</b>	<b>7,290</b>	<b>20,067</b>

The net loss on fair value change of level 3 financial assets recognised in profit or loss amounting to approximately HK\$755,000 (2021: gain of HK\$894,000) within the line item “gain on fair value changes on financial assets at fair value through profit or loss” in the consolidated profit or loss and other comprehensive income for the year ended 31 March 2022.

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

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

## 35. Capital Risk Management

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

The capital structure of the Group consists of debts (which includes loans from related companies and an amount due to a non-controlling shareholder) and equity attributable to owners of the Company (comprising issued share capital and reserves).

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

#### Gearing ratio

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

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

	2022 HK\$'000	2021 HK\$'000
Debts	11,200	15,000
Equity attributable to owners of the Company	61,056	52,784
Gearing ratio	18.34%	28.42%

## Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 March 2022

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

#### Major non-cash transaction

On 22 November 2021, the Group converted the convertible loan (note 19) into 104 ordinary shares, representing 2.3% of the total issued shares. Upon conversion, the Group recorded a loss on conversion of approximately HK\$155,000.

#### Reconciliation of liabilities arising from financing activities

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

	Loan from related companies HK\$'000	Lease liabilities HK\$'000	Dividend payable to a non- controlling shareholder HK\$'000	Total HK\$'000
At 1 April 2020	15,000	162	–	15,162
Changes from financing cash flows	(675)	(170)	(13,037)	(13,882)
Dividend payable to non-controlling interests	–	–	21,857	21,857
Interest expenses	675	4	–	679
Exchange adjustments	–	4	–	4
<b>At 31 March 2021</b>	<b>15,000</b>	<b>–</b>	<b>8,820</b>	<b>23,820</b>
Changes from financing cash flows	(4,457)	–	(37,465)	(41,922)
Dividend payable to non-controlling interests	–	–	28,645	28,645
Interest expenses	657	–	–	657
<b>At 31 March 2022</b>	<b>11,200</b>	<b>–</b>	<b>–</b>	<b>11,200</b>

### 37. Operating Lease Arrangements

#### The Group as lessor

All of the properties held by the Group for rental purposes have lease term of 2 years.

Undiscounted lease payments receivable on leases are as follows:

	2022 HK\$'000	2021 HK\$'000
Within one year	–	192
In the second year	–	72
	–	264

# Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 March 2022

## 38. Related Party Transactions

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

	2022 HK\$'000	2021 HK\$'000
Rental and share of office expenses paid to related companies (note i)	694	785
Purchase of goods from a related company (note ii)	–	14
Loan interest paid to related companies (note iii)	657	675
Management fee income from an associate (note iv)	125	300
Recharge of consultancy fee to an associate (note iv)	–	20
Exploration expenses paid to a related company (note v)	1,648	–

Notes:

- i. Rental and share of office expenses in respect of the leasing of office premises were paid to related companies which are beneficially owned by Mr. Felipe Tan, an executive director of the Company, at terms mutually agreed by both parties.
- ii. Goods were purchased from a related company, in which Mr. Felipe Tan had significant influence in the prior year, at terms mutually agreed by both parties.
- iii. Interest expenses in respect of loans with interest rate at 4.5% per annum were paid to related companies which are beneficially owned by Mr. Felipe Tan.
- iv. Management fee income and recharge of consultancy fee were received from an associate in which the Company owned a 22.53% equity interest, at terms mutually agreed by both parties.
- v. Exploration expenses were paid to a related company, which is the non-controlling shareholder of a subsidiary of the Company, at terms mutually agreed by both parties.

### Related party balances

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

### Compensation of key management personnel

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

# Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 March 2022

## 39. Statement of Financial Position of the Company

### Statement of financial position of the Company

	2022 HK\$'000	2021 HK\$'000
<b>Non-current assets</b>		
Property, plant and equipment	73	239
Investment property	7,900	8,600
Investments in subsidiaries	4,844	4,844
	<u>12,817</u>	<u>13,683</u>
<b>Current assets</b>		
Other receivables	197	188
Amounts due from subsidiaries	22,435	24,041
Bank balances and cash	331	347
	<u>22,963</u>	<u>24,576</u>
<b>Current liabilities</b>		
Other payables	831	799
Amounts due to subsidiaries	1,416	1,270
	<u>2,247</u>	<u>2,069</u>
<b>Net current assets</b>	<u>20,716</u>	<u>22,507</u>
<b>Net assets</b>	<u>33,533</u>	<u>36,190</u>
<b>Capital and reserves</b>		
Share capital	906,074	906,074
Reserves	(872,541)	(869,884)
<b>Total equity</b>	<u>33,533</u>	<u>36,190</u>

The statement of financial position was approved and authorised for the issue by the Board of Directors on 20 June 2022 and are signed on its behalf by:

**Felipe Tan**  
Director

**Ronald Tan**  
Director

# Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 March 2022

## 39. Statement of Financial Position of the Company (Continued)

### Movements in the Company's reserve

	Share options reserve HK\$'000	Property revaluation reserve HK\$'000	Accumulated deficit HK\$'000	Total HK\$'000
At 1 April 2020	2,024	964	(866,650)	(863,662)
Loss and total comprehensive expense for the year	–	–	(6,222)	(6,222)
Lapse of share options	(38)	–	38	–
<b>At 31 March 2021</b>	<b>1,986</b>	<b>964</b>	<b>(872,834)</b>	<b>(869,884)</b>
Loss and total comprehensive expense for the year	–	–	(2,657)	(2,657)
Lapse of share options	(239)	–	239	–
<b>At 31 March 2022</b>	<b>1,747</b>	<b>964</b>	<b>(875,252)</b>	<b>(872,541)</b>

## Major Property Information

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

Location	Existing use	Tenure	Group's interest (%)	
			2022	2021
Unit 6 on 11th Floor of Tower 2 Ever Gain Plaza No. 88 Container Port Road Kwai Chung, New Territories	Office	Medium term lease	100%	100%

## Five-Year Financial Summary

	Year ended 31 March				
	2018 HK\$'000	2019 HK\$'000	2020 HK\$'000	2021 HK\$'000	2022 HK\$'000
<b>RESULTS</b>					
Revenue	174,172	78,154	113,679	189,935	<b>80,197</b>
Profit/(loss) before tax	18,129	(70,419)	(112,294)	70,240	<b>45,073</b>
Income tax (expense)/credit	(4,111)	3,660	981	(20,067)	<b>(8,441)</b>
Profit/(loss) for the year	14,018	(66,759)	(111,313)	50,173	<b>36,632</b>
Attributable to:					
Owners of the Company	2,002	(27,785)	(61,734)	7,976	<b>6,948</b>
Non-controlling interests	12,016	(38,974)	(49,579)	42,197	<b>29,684</b>
	14,018	(66,759)	(111,313)	50,173	<b>36,632</b>
	2018 HK\$'000	2019 HK\$'000	2020 HK\$'000	2021 HK\$'000	2022 HK\$'000
<b>ASSETS AND LIABILITIES</b>					
Total assets	433,481	290,387	137,521	194,440	<b>181,298</b>
Total liabilities	(93,899)	(57,454)	(39,016)	(59,161)	<b>(32,942)</b>
	339,582	232,933	98,505	135,279	<b>148,356</b>
Attributable to:					
Owners of the Company	138,732	107,157	42,737	52,784	<b>61,056</b>
Non-controlling interests	200,850	125,776	55,768	82,495	<b>87,300</b>
	339,582	232,933	98,505	135,279	<b>148,356</b>