



TIMELESS SOFTWARE LIMITED

天時軟件有限公司

(incorporated in Hong Kong with limited liability)

(Stock Code: 8028)

for the quarter ended 30 June 2016

QUARTERLY REPORT

Characteristics of The Growth Enterprise Market (“GEM”) of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”)

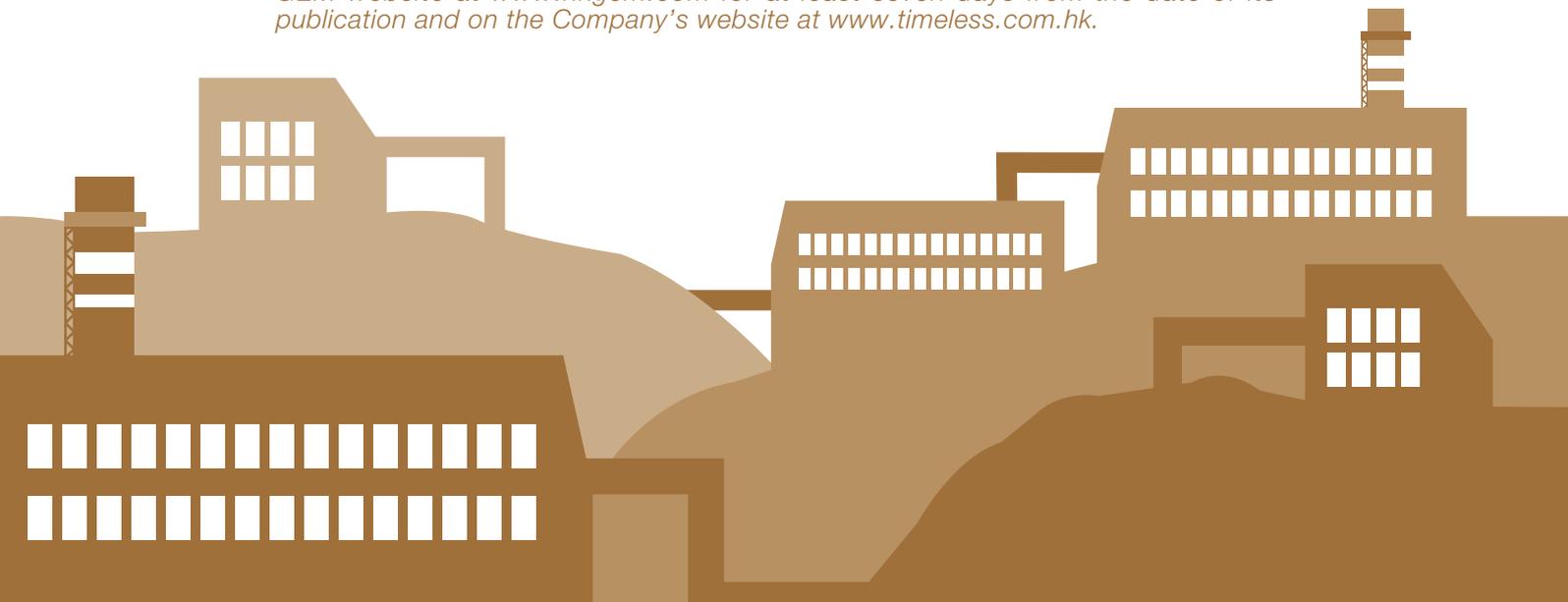
GEM has been positioned as a market designed to accommodate companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.

Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board of the Stock Exchange and no assurance is given that there will be a liquid market in the securities traded on GEM.

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

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



Condensed Consolidated Statement of Comprehensive Income

For the three months ended 30 June 2016

| | Notes | (Unaudited) Three months ended 30 June | |
|---|-------|--|------------------------|
| | | 2016 HK\$'000 | 2015 HK\$'000 |
| Turnover | | 250 | 25,117 |
| Other income and gains | | 958 | 173 |
| Purchase and production costs | | (40) | (9,256) |
| Staff costs | | (10,775) | (6,554) |
| Depreciation and amortisation | | (886) | (6,255) |
| Other expenses | | (1,227) | (4,282) |
| Net gains on investments held for trading | | 488 | – |
| Loss on disposal/written off of property, plant and equipment | | (939) | – |
| Finance costs | | (231) | (309) |
| Share of losses of associates | | (24) | (60) |
| Loss before tax | | (12,426) | (1,426) |
| Income tax expense | 2 | (596) | (2,622) |
| Loss for the period | | (13,022) | (4,048) |
| Other comprehensive income/(loss), net of income tax | | | |
| <i>Items that may be reclassified subsequently to profit or loss:</i> | | | |
| Exchange differences on translating foreign operations | | (7,564) | – |
| Share of other comprehensive income/(loss) of associates | | (325) | 4,085 |
| Other comprehensive income/(loss) for the period, net of income tax | | (7,889) | 4,085 |
| Total comprehensive income/(loss) for the period | | (20,911) | 37 |
| Loss attributable to: | | | |
| Owners of the Company | | (11,278) | (5,393) |
| Non-controlling interests | | (1,744) | 1,345 |
| | | (13,022) | (4,048) |
| Total comprehensive income/(loss) attributable to: | | | |
| Owners of the Company | | (13,553) | (1,308) |
| Non-controlling interests | | (7,358) | 1,345 |
| | | (20,911) | 37 |
| | | HK cents | HK cents (Restated) |
| Loss per share | | | |
| – Basic and diluted | 4 | (0.472) | (0.265) |

Condensed Consolidated Statement of Changes in Equity

For the three months ended 30 June 2016

| | (Unaudited) | | | | | | | | |
|---|---------------------------|--------------------------------------|--------------------------------|--|------------------------------------|------------------------------------|--|--|-------------------|
| | Share capital HK\$'000 | Share options reserve HK\$'000 | General reserve HK\$'000 | Investment revaluation reserve HK\$'000 | Translation reserve HK\$'000 | Accumulated deficit HK\$'000 | Attributable to owners of the Company HK\$'000 | Non- controlling interests HK\$'000 | Total HK\$'000 |
| Balance at 1 April 2015 | 806,049 | 4,110 | - | 2,612 | 10,850 | (737,580) | 86,041 | 250,520 | 336,561 |
| Loss for the period | - | - | - | - | - | (5,393) | (5,393) | 1,345 | (4,048) |
| Other comprehensive income for the period | - | - | - | 4,085 | - | - | 4,085 | - | 4,085 |
| Total comprehensive income/(loss) for the period | - | - | - | 4,085 | - | (5,393) | (1,308) | 1,345 | 37 |
| Issue of ordinary shares by way of placing | 18,125 | - | - | - | - | - | 18,125 | - | 18,125 |
| Issue of ordinary shares under employee share option plan | 1,051 | (384) | - | - | - | - | 667 | - | 667 |
| Transaction costs attributable to issue of new ordinary shares | (442) | - | - | - | - | - | (442) | - | (442) |
| Release of reserve upon share options lapsed | - | (211) | - | - | - | 211 | - | - | - |
| Capital injection from non-controlling interests | - | - | - | - | - | - | - | 1,249 | 1,249 |
| Balance at 30 June 2015 | 824,783 | 3,515 | - | 6,697 | 10,850 | (742,762) | 103,083 | 253,114 | 356,197 |
| Balance at 1 April 2016 | 866,564 | 1,809 | - | 1,793 | (1,213) | (757,400) | 111,553 | 250,441 | 361,994 |
| Loss for the period | - | - | - | - | - | (11,278) | (11,278) | (1,744) | (13,022) |
| Other comprehensive loss for the period | - | - | - | (325) | (1,950) | - | (2,275) | (5,614) | (7,889) |
| Total comprehensive loss for the period | - | - | - | (325) | (1,950) | (11,278) | (13,553) | (7,358) | (20,911) |
| Transfer to general reserve | - | - | 672 | - | - | (672) | - | - | - |
| Release of reserve upon lapse of share options | - | (158) | - | - | - | 158 | - | - | - |
| Balance at 30 June 2016 | 866,564 | 1,651 | 672 | 1,468 | (3,163) | (769,192) | 98,000 | 243,083 | 341,083 |



Notes to the Condensed Consolidated Financial Statements

For the three months ended 30 June 2016

1. Basis of Preparation and Accounting Policies

This condensed consolidated financial information has been prepared to comply with the applicable disclosure requirements of the GEM Listing Rules.

The accounting policies and method of computation used in the preparation of these results are consistent with those used in annual financial statements for the year ended 31 March 2016, which have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”). The condensed consolidated financial information should be read in conjunction with the annual financial statements for the year ended 31 March 2016. The Group has adopted new or revised standards, amendments to standards and interpretations of HKFRSs which are effective for accounting periods commencing on or after 1 April 2016. The adoption of such new or revised standards, amendments to standards and interpretations does not have material impact on the condensed consolidated financial statements and does not result in substantial changes to the Group’s accounting policies.

The preparation of financial statements requires management to make judgements, estimates and assumptions. Although these estimates are based on management’s best knowledge and judgment of current events and actions, actual results may differ from these estimates. In preparing these condensed consolidated financial statements, the significant judgements made by management in applying the Group’s accounting policies and the key sources of estimation uncertainty were the same as those that applied to the annual financial statements for the year ended 31 March 2016.

These condensed consolidated financial statements have not been audited but have been reviewed by the audit committee of the Company and were approved for issue by the Board of the Company on 12 August 2016.

2. Income Tax Expense

| | (Unaudited) Three months ended 30 June | |
|--|--|----------|
| | 2016 | 2015 |
| | HK\$’000 | HK\$’000 |
| Current tax | | |
| People’s Republic of China (“PRC”) Enterprise Income Tax | | |
| Under-provision for last year | 10 | – |
| Charged for current period | – | 2,721 |
| Deferred tax | 586 | (99) |
| Total income tax charged in profit or loss | 596 | 2,622 |

Hong Kong profits tax is calculated at the rate of 16.5% (2015: 16.5%) of the estimated assessable profit. No provision for Hong Kong profits tax has been made as the Group had no assessable profit arising in or derived from Hong Kong for both periods.

PRC subsidiary is subject to PRC Enterprise Income Tax at 25% (2015: 25%).

Notes to the Condensed Consolidated Financial Statements (Continued)

For the three months ended 30 June 2016

3. Interim Dividend

The Directors do not recommend the payment of an interim dividend for the period (2015: nil).

4. Loss per Share

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

| | (Unaudited) Three months ended 30 June | |
|---|---|---------------------------|
| | 2016 | 2015 (Restated) |
| Loss: | | |
| Loss for the period attributable to owners of the Company for the purpose of basic and diluted loss per share | <u>HK\$11,278,000</u> | <u>HK\$5,393,000</u> |
| Number of ordinary shares: | | |
| Weighted average number of ordinary shares for the purpose of basic and diluted loss per share | <u>2,387,881,803</u> | <u>2,036,337,683</u> |

The computation of diluted loss per share did not assume the exercise of the Company's outstanding share options during the three months ended 30 June 2016 and 2015 since their exercise would result in decrease in loss per share.

The weighted average number of ordinary shares adopted in the calculation of the basic and diluted loss per share during the period ended 30 June 2015 has been adjusted to reflect the bonus element of the open offer completed during the year ended 31 March 2016.



Notes to the Condensed Consolidated Financial Statements (Continued)

For the three months ended 30 June 2016

5. Related Party Transactions

Save as disclosed elsewhere in these condensed consolidated financial statements, the Group had the following significant related party transactions during the period:

| | (Unaudited) | |
|--|-------------------------------|----------|
| | Three months ended 30 June | |
| | 2016 | 2015 |
| | HK\$'000 | HK\$'000 |
| Rental expenses paid to related companies (note a) | 48 | – |
| Interest expenses paid to a related company (note b) | 183 | 258 |
| Service income from a related company (note c) | – | 10 |

Notes:

- Rental expenses in respect of the leasing of an office premise were paid to a related company which is beneficially owned as to 67.15% by Mr. Felipe Tan, a Director and beneficial shareholder of the Company, at normal commercial terms mutually agreed by both parties.
- Effective interest expenses on Promissory Note is charged at 2.99% (2015: 2.99%) per annum and payable to a related company which is beneficially owned as to 100% by Mr. Felipe Tan, a Director and beneficial shareholder of the Company, at terms mutually agreed by both parties.
- Service income in respect of the provision of trading platform design and building services were received from a related company which is beneficially owned as to 25.72% by Mr. Felipe Tan, a Director and beneficial shareholder of the Company, at normal commercial terms mutually agreed by both parties.

6. Events After the Reporting Period

Disposal of subsidiaries of the Software Business

On 28 July 2016, the Group disposed of the entire equity interest of Three Principles Computer Service Company Limited, Encore Trading Limited and Corp-Vision Publishing Limited at a total cash consideration of HK\$155,000. The consideration was approximate to the net asset value of the disposed companies as at 28 July 2016.

Management Discussion and Analysis

About the Group

The Group is principally engaged in two business lines, namely (i) the provision of computer consultancy and software maintenance services, software development, sales of computer hardware and software and e-Commerce services (hereinafter collectively referred to as the “Software Business”); and (ii) the exploration and exploitation of mines (hereinafter collectively referred to as the “Mining Business”).

Business Review and Outlook

Software Business

Revenue of the Software Business mainly sourced from the development of software products and/or services for clients plus computer related hardware trading, especially on the three application areas, which are enterprise collaboration, elderly care and Fintech. During the period under review, in order to control future operating expense, the Group had consolidated the operation scale of the Software Business. In this connection, the Group recorded a loss on disposal and written off of property, plant and equipment of HK\$939,000. As the turnover of the Software Business was insufficient to cover the staff cost, overhead cost, and additional cost associated with the consolidation of the Software Business, this segment results in operating losses for the period of approximately HK\$9,598,000.

Mining Business

Review

The Mining Business primarily comprises of exploration and exploitation of mines and the processing and sale of outputs from the mines in the PRC. For the three months ended 30 June 2016, there were no turnover under the Mining Business. However, the Mining Business has recorded other income of HK\$907,000 from sale of used charcoal and steel ball for the period.

After the usual suspension of mining and processing activities in the winter of 2015, the Company delayed the production of the mining work in the Hongshannan Gold Mine till the end of May 2016 due to its extensive engineering work. Since the Hongshannan Gold Mine has come to its final stage of mining prior to exhaustion, the outputs from the mine has decreased. For the three months ended 30 June 2016, the gold ores processed during the period were approximately 5,108 tonnes, representing a decrease of approximately 75% as compared to the corresponding period of last year. The processed gold dores are expected to be sold in the second quarter of the financial year.

Due to the dumping of nickel-copper ores from Russia and the weak demand for such products, the nickel-copper mining operation of the Group was under heavy pressure. Therefore, the Group has determined to further delay the resumption of the mining activities of nickel-copper ores.



Management Discussion and Analysis (Continued)

Business Review and Outlook (Continued)

Outlook

In view of the continuous losses of the Software Business segment, the Group has implemented certain strategies to integrate the software operation segments. As at 28 July 2016, the Company had disposed the deficit subsidiaries to cut loss and is currently looking for investment opportunity to acquire promising business operations.

The gold market price showed a climbing trend since the beginning of 2016 and remained at relatively stable level around US\$1,250 per ounce during the three months ended 30 June 2016. The rally will benefit the gold mining business of the Group. Affected by the dumping of nickel-copper ores from Russia, the market price of such ores continue to search for bottom and resulted in weak demand. As the impact of Russian products on the market will not be eased in a short time, the Group continued to delay the resumption of its nickel-copper mining business. The dumping of Russian nickel ores was a result of lower oil price which led to reduced export revenue of Russia. Since oil is now gradually recovering, we expect Russia to cease its dumping activity soon. However, the impact of the activity will still affect the Chinese market through to the end of 2016. We expect the market condition to achieve a complete reverse in 2017 when the nickel metal price recovers.

Financial Performance Review

For the three months ended 30 June 2016, the Group recorded turnover of approximately HK\$250,000 (2015: approximately HK\$25,117,000), representing a decrease of 99% as compared with the same period in 2015. Loss for the period under review was approximately HK\$13,022,000 (2015: approximately HK\$4,048,000), representing an increase by 2.2 times as compared to the corresponding period in 2015.

For the period under review, the Software Business recorded turnover of approximately HK\$250,000 (2015: approximately HK\$3,034,000), representing a decrease of 92% against the corresponding period in 2015. The segmental loss was approximately HK\$9,598,000 (2015: approximately HK\$4,883,000), representing an increase of 97% as compared with the corresponding period last year.

For the period under review, the Mining Business has no turnover recorded (2015: approximately HK\$22,083,000). Other income and gains for the three months ended 30 June 2016 of approximately HK\$958,000 (2015: approximately HK\$162,000) mainly represented the sale of used charcoal and steel ball and interest income. The segmental loss was approximately HK\$2,284,000 (2015: profit of approximately HK\$3,724,000), representing a decrease of 1.6 times as compared with the corresponding period in 2015.

Loss attributable to owners of the Company was approximately HK\$11,278,000, as compared to approximately HK\$5,393,000 for the same period in 2015.

Other Information

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

At 30 June 2016, 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 | | | |
|--|---|------------------------|------------------------|----------------------------|
| | Beneficial owner | Controlled corporation | Total number of shares | Percentage of shareholding |
| Executive Directors | | | | |
| Cheng Kin Kwan** | 109,800,000 | – | 109,800,000 | 4.60% |
| Felipe Tan | 133,308,000 | 485,894,400* | 619,202,400 | 25.93% |
| Zhang Ming | 90,600,000 | – | 90,600,000 | 3.79% |
| Independent Non-Executive Directors | | | | |
| Chan Choi Ling | 1,200,000 | – | 1,200,000 | 0.05% |
| Chan Mei Ying Spencer | 1,800,000 | – | 1,800,000 | 0.08% |
| Lam Kwai Yan | 1,200,000 | – | 1,200,000 | 0.05% |

* The shares were held by Starmax Holdings Limited ("Starmax"), a company which is owned as to 100% by Mr. Felipe Tan. By virtue of the SFO, Mr. Felipe Tan is deemed to have interests in the shares held by Starmax.

** Dr. Cheng Kin Kwan retired as an executive Director, the Chairman of the Board and Chief Executive Officer of the Company with effect from 29 July 2016.



Other Information (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* | 100% |
| | Goffers Resources Limited | Interest of controlled corporation | 1,000 | 100% |
| | Kangshun HK Limited | Interest of controlled corporation | 1,000 | 100% |
| | Kangshun Investments Limited | Interest of controlled corporation | 1,000 | 100% |
| | Xinjiang Tianmu Mineral Resources Development Co. Ltd. | Interest of controlled corporation | RMB36,000,000 | 51% |

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

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

| Name of Director | Name of associated corporation | Capacity | Amount of debentures |
|------------------|--------------------------------|------------------------------------|----------------------|
| Felipe Tan | Time Kingdom Limited | Interest of controlled corporation | HK\$20,000,000* |

* The outstanding balance of the Promissory Note issued to Starmax which is owned as to 100% by Mr. Felipe Tan.

Other Information (Continued)

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

Long positions (Continued)

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

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

| Name of Directors | Date of grant | Exercisable period | Exercise price per share HK\$ | Number of share options and number of underlying shares | | | | |
|----------------------------|---------------|---------------------|----------------------------------|---|---------------------------|-----------------------------|--------------------------|---------------------------|
| | | | | Outstanding at 01.04.2016 | Granted during the period | Exercised during the period | Lapsed during the period | Outstanding at 30.06.2016 |
| Executive Directors | | | | | | | | |
| Zhang Ming | 3.10.2013 | 3.10.2013-2.10.2023 | 0.1435* | 3,113,514* | - | - | - | 3,113,514 |
| Lau Yun Fong Carman | 3.10.2013 | 3.10.2013-2.10.2023 | 0.1435* | 2,075,676* | - | - | - | 2,075,676 |
| | 17.2.2014 | 17.2.2014-16.2.2024 | 0.1329* | 415,135* | - | - | - | 415,135 |
| | | | | <u>5,604,325</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>5,604,325</u> |

* The exercise prices and number of share options have been adjusted due to the completion of open offer on 7 January 2016.

Save as disclosed above and other than nominee shares in certain wholly-owned subsidiaries held by certain Directors in trust for the Group, at 30 June 2016, 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.



Other Information (Continued)

Substantial Shareholders' Interests and Short Positions in Shares and Underlying Shares

As at 30 June 2016, the register maintained by the Company pursuant to Section 336 of the SFO shows that other than the interests disclosed above in respect of certain Directors and the chief executive, the following shareholders had notified the Company of relevant interest in the issued share capital of the Company.

| Name of substantial shareholder | Number of ordinary shares held | Number of share options and underlying shares held | Aggregate long position | Percentage of the issued share capital as at 30 June 2016 |
|---------------------------------|--------------------------------|--|-------------------------|---|
| Starmax Holdings Limited* | 485,894,400 | – | 485,894,400 | 20.35% |

* Starmax is beneficially owned as to 100% by Mr. Felipe Tan.

Save as disclosed in the section "Directors' and chief executive's interests and short positions in shares and underlying shares of the Company", the Company has not been notified of any other interests or short positions in the issued share capital as at 30 June 2016.

Competing Interest

Mr. Felipe Tan and Mr. Zhang Ming hold shareholdings and directorships in GobiMin Inc., the shares of which are listed on the TSX Venture Exchange in Canada (stock code: GMN). Its subsidiaries and associate companies are principally engaged in exploration of a gold mine and prospecting exploration projects of gold, copper and nickel in Xinjiang, PRC. All of them are in exploration or prospecting stage and are not yet in production, whereas the mining business of the Group are in production stage. In this regard, Mr. Felipe Tan and Mr. Zhang Ming are considered to have interests in businesses which might compete, either directly or indirectly with the businesses of the Group.

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

Other Information (Continued)

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

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

Audit Committee

The audit committee comprises four independent non-executive Directors, Ms. Tsang Wai Chun Marianna, Mr. Chan Mei Ying Spencer, Mr. Lam Kwai Yan and Ms. Chan Choi Ling. Ms. Chan Choi Ling was appointed as member of the audit committee with effect from 29 July 2016. The audit committee has reviewed the unaudited quarterly financial results for the three months ended 30 June 2016.

On behalf of the Board

TIMELESS SOFTWARE LIMITED

Felipe Tan

Chairman

Hong Kong, 12 August 2016

