



**TIMELESS** SOFTWARE LIMITED  
天時軟件有限公司

(incorporated in Hong Kong with limited liability)

(Stock Code: 8028)

# QUARTERLY REPORT

For the nine months ended 31 December 2019



# Characteristics of GEM of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”)

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

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

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

*This report shall remain on the “Latest Company Announcements” page of the GEM website at [www.hkgem.com](http://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](http://www.timeless.com.hk).*

# Condensed Consolidated Statement of Comprehensive Income

For the three months and nine months ended 31 December 2019

	Notes	(Unaudited)			
		Three months ended		Nine months ended	
		31 December		31 December	
		2019	2018	2019	2018
		HK\$'000	HK\$'000	HK\$'000	HK\$'000
Revenue		44,759	43,889	113,385	76,331
Other income and gains		366	456	1,425	2,646
Purchase and production costs		(34,703)	(32,708)	(85,486)	(57,182)
Staff costs		(3,118)	(2,829)	(8,294)	(8,139)
Depreciation and amortisation		(290)	(729)	(927)	(2,177)
Other expenses		(4,284)	(3,461)	(11,125)	(11,232)
Gain on disposal of property, plant and equipment		20	–	20	–
Loss arising on change in fair value of held-for-trading investments		–	(72)	–	(200)
Fair value changes on financial assets at fair value through profit or loss		34	–	(84)	–
Gain on disposal of intangible assets		–	–	1,716	–
Finance costs		(170)	(175)	(512)	(333)
Share of loss of associates		(2,773)	(1,997)	(5,563)	(1,152)
Impairment loss on amount due from an associate		(6)	–	(9)	–
Profit/(loss) before tax		(165)	2,374	4,546	(1,438)
Income tax expense	4	(2,493)	(2,733)	(6,377)	(5,222)
Loss for the period		(2,658)	(359)	(1,831)	(6,660)
<b>Other comprehensive income/ (expense), net of income tax</b>					
<i>Items that may be reclassified subsequently to profit or loss:</i>					
Exchange differences on translating foreign operations		2,373	(118)	(7,389)	(20,390)
Other comprehensive income/(expense) for the period, net of income tax		2,373	(118)	(7,389)	(20,390)
<b>Total comprehensive expense for the period</b>		<b>(285)</b>	<b>(477)</b>	<b>(9,220)</b>	<b>(27,050)</b>
Profit/(loss) attributable to:					
Owners of the Company		(4,423)	(3,213)	(8,865)	(6,853)
Non-controlling interests		1,765	2,854	7,034	193
		(2,658)	(359)	(1,831)	(6,660)
Total comprehensive income/(expense) attributable to:					
Owners of the Company		(3,806)	(3,258)	(10,787)	(12,156)
Non-controlling interests		3,521	2,781	1,567	(14,894)
		(285)	(477)	(9,220)	(27,050)
<b>Loss per share</b>		<b>HK cents</b>	<b>HK cents</b>	<b>HK cents</b>	<b>HK cents</b>
– Basic and diluted	6	(0.16)	(0.11)	(0.32)	(0.24)

# Condensed Consolidated Statement of Changes in Equity

For the nine months ended 31 December 2019

	(Unaudited)						Attributable to owners of the Company HK\$'000	Non-controlling interests HK\$'000	Total HK\$'000
	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			
Balance at 1 April 2018	906,074	2,068	647	964	107	(771,128)	138,732	200,850	339,582
(Loss)/profit for the period	-	-	-	-	-	(6,853)	(6,853)	193	(6,660)
Other comprehensive expense for the period	-	-	-	-	(5,303)	-	(5,303)	(15,087)	(20,390)
Total comprehensive expense for the period	-	-	-	-	(5,303)	(6,853)	(12,156)	(14,894)	(27,050)
Release of reserve upon share option cancelled	-	(44)	-	-	-	44	-	-	-
Transfer to reserve	-	-	489	-	-	(489)	-	-	-
Capital injection from non-controlling interest	-	-	-	-	-	-	-	2	2
Dividend paid to non-controlling interests	-	-	-	-	-	-	-	(20,650)	(20,650)
Balance at 31 December 2018	906,074	2,024	1,136	964	(5,196)	(778,426)	126,576	165,308	291,884
<b>Balance at 1 April 2019</b>	<b>906,074</b>	<b>2,024</b>	<b>1,150</b>	<b>964</b>	<b>(3,683)</b>	<b>(799,372)</b>	<b>107,157</b>	<b>125,776</b>	<b>232,933</b>
(Loss)/profit for the period	-	-	-	-	-	(8,865)	(8,865)	7,034	(1,831)
Other comprehensive expense for the period	-	-	-	-	(1,922)	-	(1,922)	(5,467)	(7,389)
Total comprehensive income/(expense) for the period	-	-	-	-	(1,922)	(8,865)	(10,787)	1,567	(9,220)
Transfer to reserve	-	-	450	-	-	(450)	-	-	-
Dividend paid to non-controlling interests	-	-	-	-	-	-	-	(9,530)	(9,530)
Balance at 31 December 2019	906,074	2,024	1,600	964	(5,605)	(808,687)	96,370	117,813	214,183

# Notes to the Condensed Consolidated Financial Statements

For the three months and nine months ended 31 December 2019

## 1. General Information

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.

The Company acts as an investment holding company. The Company and its subsidiaries (the “Group”) are principally engaged in (i) the exploration and exploitation of mines (“Mining Business”); and (ii) research and development of bio and nano new materials as well as various investments in IT and innovation projects, including e-Sport tournament services, nano applications, IT startup fund, smart farming solution and services, provision of consultancy and software maintenance and development, and e-commerce services (“Other Business”).

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 Directors (the “Board”) on 13 February 2020.

## 2. Basis of Preparation and Accounting Policies

These condensed consolidated financial statements have been prepared in accordance with the applicable disclosure requirements of the GEM Listing Rules.

The accounting policies and method of computation used in the preparation of these condensed consolidated financial statements are consistent with those used in annual financial statements for the year ended 31 March 2019, which have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”). The condensed consolidated financial statements should be read in conjunction with the annual financial statements for the year ended 31 March 2019.

In addition, the preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In the preparation of these condensed consolidated financial statements, the significant judgements made by the 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 2019.

The financial information relating to the year ended 31 March 2019 included in these financial statements as comparative information does not constitute the Company’s statutory annual consolidated financial statements for that financial year but is derived from those financial statements. Further information relating to these statutory financial statements required to be disclosed in accordance with section 436 of the Companies Ordinance (Cap. 622, Laws of Hong Kong) is as follows:

The Company has delivered the financial statements for the year ended 31 March 2019 to the Registrar of Companies in accordance with section 662(3) of, and Part 3 of Schedule 6 to, the Companies Ordinance (Cap. 622, Laws of Hong Kong).

The Company’s auditor has reported on the financial statements for the year ended 31 March 2019. The auditor’s report was unqualified; did not include a reference to any matter to which the auditor drew attention by way of emphasis without qualifying its report; and did not contain a statement under section 406(2), 407(2) or (3) of the Companies Ordinance (Cap. 622, Laws of Hong Kong).

# Notes to the Condensed Consolidated Financial Statements (Continued)

For the three months and nine months ended 31 December 2019

## 3. Changes in Accounting Policies

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 January 2019. Save for the impact of the adoption of HKFRS 16 Leases as described below, 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.

### Adoption of HKFRS 16

HKFRS 16 replaces HKAS 17 Leases, HK(IFRIC)-Int 4 Determining whether an Arrangement contains a Lease, HK(SIC)-Int 15 Operating Leases-Incentives and HK(SIC)-Int 27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. From a lessee's perspective, almost all leases are recognised in the statement of financial position as a right-of-use assets representing its right to use the underlying lease asset and a lease liabilities representing its obligation to make lease payments, with the narrow exception to this principle for leases which the underlying assets are of low-value or are determined as short-term leases. A lessee recognises depreciation (and, if applicable, impairment loss) of the right-of-use asset and interest on the lease liability, and also classifies cash repayments of the lease liability into a principal portion and interest portion. From a lessor's perspective, the accounting treatment is substantially unchanged from HKAS 17.

The Group adopted HKFRS 16 using the modified retrospective method of adoption with the date of initial application of 1 April 2019. Under this method, the standard is applied retrospectively with the cumulative effect of initial adoption as an adjustment to the opening balance of retained earnings at 1 April 2019, and the comparative information at 31 March 2019 was not restated and continues to be reported under HKAS 17.

### New definition of a lease

Under HKFRS 16, a lease is defined as a contract, or part of a contract, that conveys the right to use an asset (the underlying asset) for a period of time in exchange for consideration. A contract conveys the right to control the use of an identified assets for a period of time when the customer, throughout the period of use, has both: (a) the right to obtain substantially all of the economic benefits from use of the identified assets and (b) the right to direct the use of the identified asset.

For a contract that contains a lease component and one or more additional lease or non-lease components, a lessee shall allocate the consideration in the contract to each lease component on the basis of the relative standalone price of the lease component and the aggregate stand-alone price of the non-lease components, unless the lessee apply the practical expedient which allows the lessee to elect, by class of underlying asset, not to separate non-lease components from lease components, and instead account for each lease component and any associated non-lease components as a single lease component.

The Group has elected not to separate non-lease components and account for all each lease component and any associated non-lease components as a single lease component for all leases in which the Group is a lessee.

The Group has reviewed the impact of HKFRS 16 on all its contracts that are, or that contain, leases with effect from 1 April 2019. Based on the practical expedients under HKFRS 16, the Group has elected not to apply the requirements of HKFRS 16 in respect of the recognition of lease liability and right-of-use asset to lease for which the lease term ends within twelve months at the date of initial application. The Group has recognised the lease payments as an expense on a straight-line basis over the lease term.

## Notes to the Condensed Consolidated Financial Statements (Continued)

For the three months and nine months ended 31 December 2019

### 3. Changes in Accounting Policies (Continued)

#### Impacts of adoption of HKFRS 16

The impacts arising from the adoption of HKFRS 16 were as follows:

	<b>(Unaudited)</b> <b>Increase/ (decrease)</b> HK\$'000
Right-of-use assets	6,546
Prepaid lease payments	<u>(6,546)</u>
Total assets as at 1 April 2019	<u><u>—</u></u>

The lease liabilities as at 1 April 2019 reconciled to the operating lease commitments as at 31 March 2019 are as follows:

	<b>(Unaudited)</b> HK\$'000
Operating lease commitments as at 31 March 2019	3,058
Less: Commitments relating to short-term leases and those leases with a remaining lease term ending on or before 31 March 2019	<u>(3,058)</u>
Lease liabilities as at 1 April 2019	<u><u>—</u></u>

The right-of-use asset should be recognised at cost and would comprise: (i) the amount of the initial measurement of the lease liability; (ii) any lease payments made at or before the commencement date, less any lease incentives received; (iii) any initial direct costs incurred by the lessee; and (iv) an estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset to the condition required by the terms and conditions of the lease, unless those costs are incurred to produce inventories. The Group measures the right-of-use assets applying a cost model. Under the cost model, the Group measures the right-of-use asset at cost, less any accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liability.

#### Summary of new accounting policies

The accounting policy for leases as disclosed in the annual financial statements for the year ended 31 March 2019 was replaced with the following new accounting policies upon adoption of HKFRS 16 from 1 April 2019:

## Notes to the Condensed Consolidated Financial Statements (Continued)

For the three months and nine months ended 31 December 2019

### 3. Changes in Accounting Policies (Continued)

#### Right-of-use assets

Right-of-use assets are recognised at the commencement date of the lease. Right-of-use assets are measured at cost, less any accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Unless the Group is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognised right-of-use assets are depreciated on a straight-line basis over the shorter of the estimated useful life and the lease term.

### 4. Income Tax Expense

	(Unaudited)			
	Three months ended		Nine months ended	
	31 December		31 December	
	2019	2018	2019	2018
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Current tax				
PRC Enterprise Income Tax				
– charge for the period	<b>4,263</b>	3,525	<b>9,293</b>	6,743
– (over)/under provision in respect of prior years	<b>(108)</b>	–	<b>(108)</b>	59
PRC withholding tax	–	592	–	592
Deferred tax	<b>(1,662)</b>	(1,384)	<b>(2,808)</b>	(2,172)
Total income tax charged in profit or loss	<b>2,493</b>	2,733	<b>6,377</b>	5,222

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 gazetted on the following day. Under the two-tiered profit tax rates regime, the first HK\$2 million of profits of the qualifying group entity will be taxed at 8.25%, and profits above HK\$2 million will be taxed at 16.5%. The profits of the group entities not qualifying for the two-tiered profits tax rates regime will continue to be taxed at a flat rate of 16.5%. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the jurisdictions in which the Group operates. No provision for Hong Kong profits tax has been made as the Group had no assessable profit arising in or derived from Hong Kong for both periods.

PRC subsidiaries are subject to PRC Enterprise Income Tax at 25% (2018: 25%).

### 5. Interim Dividend

The Directors do not recommend the payment of an interim dividend for the nine months ended 31 December 2019 (2018: nil).

## Notes to the Condensed Consolidated Financial Statements (Continued)

For the three months and nine months ended 31 December 2019

### 6. Loss per Share

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

	(Unaudited)			
	Three months ended 31 December 2019		Nine months ended 31 December 2019	
	2019	2018	2019	2018
Loss:				
Loss for the period attributable to owners of the Company for the purpose of basic and diluted loss per share	<u>(HK\$4,423,000)</u>	<u>(HK\$3,213,000)</u>	<u>(HK\$8,865,000)</u>	<u>(HK\$6,853,000)</u>
Number of ordinary shares:				
Weighted average number of ordinary shares for the purpose of basic and diluted loss per share	<u>2,812,881,803</u>	<u>2,812,881,803</u>	<u>2,812,881,803</u>	<u>2,812,881,803</u>

The computation of diluted loss per share for the three months and nine months ended 31 December 2019 and 2018 did not assume the exercise of the Company's outstanding share options since their exercise would result in decrease in loss per share.

## Notes to the Condensed Consolidated Financial Statements (Continued)

For the three months and nine months ended 31 December 2019

### 7. 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		Nine months ended	
	31 December		31 December	
	2019	2018	2019	2018
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Interest expenses paid to a related company (Note a)	–	–	–	34
Loan interest paid to related companies (Note b)	–	170	<b>338</b>	283
Rental and share of office expenses paid to a related company (Note c)	–	231	<b>118</b>	344
Rental income received from an associate (Note d)	–	–	–	180

Notes:

- a. Effective interest expenses on the promissory note (the “Promissory Note”) issued by the Group on 11 May 2012 was charged at 2.99% per annum and paid to a related company which is beneficially owned by Mr. Felipe Tan (“Mr. Tan”), a substantial shareholder and the then Director of the Company, at terms mutually agreed by both parties. Mr. Tan resigned as chairman and executive Director of the Company with effect from 12 September 2019. The Promissory Note was fully repaid in 2018.
- b. Interest expenses in respect of loan with interest rate of 4.5% per annum were paid to related companies, which are beneficially owned by Mr. Tan, at terms mutually agreed by both parties.
- c. Office rental and other related expenses in respect of the leasing of office premises were paid to a related company, in which Mr. Tan is a shareholder and director, at terms mutually agreed by both parties.
- d. Rental income in respect of the leasing of office premises were received from an associate, in which the Company owned a 48% equity interest, at terms mutually agreed by both parties. The associate was disposed on 30 September 2018.

## Notes to the Condensed Consolidated Financial Statements (Continued)

For the three months and nine months ended 31 December 2019

### 7. Related Party Transactions (Continued)

#### Compensation of key management personnel

The key management personnel are the Directors of the Company. Details of their remuneration are set out as follows:

	(Unaudited)			
	Three months ended		Nine months ended	
	31 December		31 December	
	2019	2018	2019	2018
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Short-term employee benefits	412	353	1,686	1,654
Post-employment benefits	20	11	39	32
	<u>432</u>	<u>364</u>	<u>1,725</u>	<u>1,686</u>

# Management Discussion and Analysis

## About the Group

The Group is principally engaged in two business lines, namely (i) the Mining Business; and (ii) the Other Business.

## Business Review

### Mining Business

The Mining Business primarily comprises of exploration and exploitation of a nickel-copper mine in the PRC. For the nine months ended 31 December 2019, nickel-copper ores, nickel concentrate and copper concentrate were the products sold under the Mining Business.

During the three months ended 31 December 2019, the global nickel price saw an obvious drop-down after its jump in the summer driven by Indonesia's export ban news. Besides, same as last year, the rough weather in the winter exerted more pressure on our mining production. Severe freezing not only made the mine shaft a harsh environment to operate in, but also caused malfunction of certain mining equipment and supporting facilities, which had an adverse impact on the production efficiency. During the period under review, the Group organized certain training courses for our staff of the processing plant to help them improve their professional knowledge and processing technique, for the purpose of solving the production problem caused by uneven grading of head ores. In addition, the processing plant also enhanced communication with the government authorities to get a good knowledge of security policies. Employees also participated in work safety lectures to increase their safety awareness.

In the last corresponding period, due to the pressure from the dumping of nickel-copper ores from Russia to the PRC market, our production plan was adjusted to delay resumption of ore extraction to May 2018 and processing of ores to July 2018. The production plan was impacted by the loss of 40 working days in total in the last corresponding period. In the current period, the production schedule resumed normally with the extraction resumed in April 2019 and processing activities resumed in May 2019. The security check and practice remains a concern to our production schedule but to a lesser extent.

For the nine months ended 31 December 2019, approximately 120,045 tonnes of nickel-copper ores were extracted (2018: 109,108 tonnes) and 125,785 tonnes were processed (2018: 79,969 tonnes). The Group sold approximately 10,500 tonnes of nickel-copper ores, 13,700 tonnes of nickel concentrate and 1,800 tonnes of copper concentrate which contributed approximately HK\$113.4 million of turnover to the Group (2018: 13,100 tonnes of nickel-copper ores, 8,200 tonnes of nickel concentrate and 600 tonnes of copper concentrate with turnover of approximately HK\$76.3 million). The turnover increased by 48.6% as compared to the last corresponding period, contributed by both increase in nickel and copper prices as well as increase in the sales volume of nickel concentrate and copper concentrate resulted from the increase in quantity of ores processed in current period.

### Other Business

Other Business comprised of research and development of bio and nano new materials as well as various investments in IT and innovation projects, including e-Sport tournament services, nano applications, IT startup fund, smart farming solution and services, provision of consultancy and software maintenance and development, and e-commerce services. There is no turnover from Other Business for the nine months ended 31 December 2019 (2018: nil).

As at 31 December 2019, the Group owned 4,000 ordinary shares, representing 32.52% equity interest in CGA Holdings Limited at an investment cost of HK\$50,000,000. CGA Holdings Limited and its subsidiaries ("CGA Group") operate an e-Sport gaming platform providing various gaming and event services to e-Sport enthusiasts and promoters. The eSports Stadium and offline e-Sport activities and tournaments were impacted by the social and economic issues in Hong Kong. In face of the modest operation, CGA Group has implemented various business development plans to stimulate the growth in other aspects, such as adding claw machine area in the eSports Stadium and accelerating its steps into the Southeast Asia markets. For the nine months ended 31 December 2019, the Group recorded share of loss of CGA Group of approximately HK\$5.5 million (2018: HK\$0.7 million).

# Management Discussion and Analysis (Continued)

## Business Review (Continued)

### Other Business (Continued)

As at 31 December 2019, the Group owned 80% equity interest in SRJJ Limited which is mainly engaged in the development of PVA (Polyvinyl Alcohol) based micro-foam technology and products. It has successfully developed laboratory-scale water-soluble and bio-degradable styro-foam and is planning to put additional resources to productise into various environmentally friendly, cost effective and internationally marketable consumer/commercial items. The Group also owned 22.53% equity interest in Nano Bubble Limited which is mainly engaged in hygienic, sanitisation products and related solutions research & development based on nano-ozone technology. The company is in the progress of finalising production version of a machine for pesticide removal, surface cleaning and general sanitisation for both domestic and commercial environments. Further, the Group owned 27.03% equity interest in Nano Energy Limited which is engaged in the research and development of nano-power generation products using different nanomaterials and related technologies. This project is still in infancy stage of development. The Group recorded share of loss of associates, including the CGA Group, of approximately HK\$5.6 million (2018: HK\$1.2 million).

For the nine months ended 31 December 2019, the segment loss was approximately HK\$61,000 (2018: HK\$0.5 million), which mainly represented operating expenses incurred for the period.

## Outlook

During the nine months ended 31 December 2019, the mining production of the Baishiquan Nickel-Copper Mine has been influenced by the stringent security policy in Xinjiang. As the Group received certain rectification notices for safety production from the government authorities, we expect an increase in spending in work safety and mining cost in the future. In addition, due to the increase in costs of additional engineering works under the stringent regulations and increase in other related costs of mining, processing and transportation, adjustment on the mining and development plan are required which would impact on the volume of ores to be extracted. We will closely monitor the global and domestic nickel market and adjust our mining and development plan.

During the period under review, our investment in the e-Sport business has not received the targeted return due to downturn of the Hong Kong economy and social disturbance. In the next quarter, CGA Group will promote more activities outside Hong Kong market and seize more share in the Southeast Asia markets. The bio and nano material projects are in research and development stage. We shall keep working on finalising the design and production-ready samples. We are of the view that such new-emerging industry, together with IT investment and e-Sport business would bring return for the shareholders in the long term.

## Financial Performance Review

For the nine months ended 31 December 2019, the Group recorded turnover of approximately HK\$113.4 million (2018: HK\$76.3 million), representing an increase of 48.6% compared to the same period in 2018. Loss for the period under review was approximately HK\$1.8 million (2018: HK\$6.7 million), representing a decrease of 73.1% as compared with the corresponding period in 2018.

For the nine months ended 31 December 2019, the Mining Business recorded turnover of approximately HK\$113.4 million (2018: HK\$76.3 million), representing an increase of 48.6% compared to the corresponding period in 2018. The segmental profit before taxation was approximately HK\$15.7 million (2018: HK\$5.0 million), representing an increase of 2.1 times as compared with the corresponding period in 2018. The increase in turnover was mainly due to the increase in production volume as discussed in the Business Review above as well as price of both nickel concentrate and copper concentrate where the average nickel price for the nine months ended 31 December 2019 has been increased by 10% to USD14,415 per tonne (2018: USD13,057 per tonne).

For the period under review, there was no turnover from Other Business (2018: nil). The segmental loss was approximately HK\$61,000 (2018: HK\$0.5 million), representing a decrease of 87.8% as compared with corresponding period last year.

Loss attributable to owners of the Company was approximately HK\$8.9 million (2018: HK\$6.9 million), representing an increase of 29.0% as compared to the same period in 2018.

## Other Information

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

At 31 December 2019, 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>				
Chan Mei Ying Spencer	1,800,000	–	1,800,000	0.06%
<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%

## 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) 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	Vesting and exercisable period	Exercise price per share HK\$	Number of share options and underlying shares					Outstanding at 31.12.2019
				Outstanding at 1.4.2019	During the period				
					Granted	Exercised	Cancelled	Lapsed	
<b>Executive Directors</b>									
Chan Mei Ying Spencer	02.03.2017	02.03.2017 – 01.03.2027	0.1080	1,000,000	-	-	-	-	1,000,000
Lau Yun Fong Carman	03.10.2013	03.10.2013 – 02.10.2023	0.1435	2,075,676	-	-	-	-	2,075,676
	17.02.2014	17.02.2014 – 16.02.2024	0.1329	415,135	-	-	-	-	415,135
	02.03.2017	02.03.2017 – 01.03.2027	0.1080	1,000,000	-	-	-	-	1,000,000
Ronald Tan*	02.03.2017	02.03.2017 – 01.03.2027	0.1080	2,000,000	-	-	-	-	2,000,000
<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>9,490,811</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>9,490,811</u>

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

Save as disclosed above, at 31 December 2019, 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 31 December 2019, 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 December 2019
		Ordinary shares	Share options	Total	
Felipe Tan	Beneficial owner	158,128,000	2,000,000	160,128,000	5.69%
	Interest of a controlled corporation	678,074,400	–	678,074,400	24.11%
Starmax Holdings Limited*	Beneficial owner	678,074,400	–	678,074,400	24.11%
Wong Kei Yuen	Interest of a controlled corporation	150,100,000	–	150,100,000	5.33%
CHP 1855 Limited**	Beneficial owner	150,100,000	–	150,100,000	5.33%

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

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

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

Name of substantial shareholder	Date of grant	Vesting and exercisable period	Exercise price per share HK\$	Outstanding at 1.4.2019	Number of share options and underlying shares				Outstanding at 31.12.2019
					During the period				
					Granted	Exercised	Cancelled	Lapsed	
Felipe Tan	02.03.2017	02.03.2017 – 01.03.2027	0.1080	2,000,000	–	–	–	–	2,000,000

Save as disclosed in the section “Directors’ and chief executive’s interests and short positions in shares and underlying shares of the Company”, the Company has not been notified of any other interests or short positions in the issued share capital as at 31 December 2019.

## Other Information (Continued)

### Competing Interest

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

The abovementioned competing businesses are operated and managed by companies 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.

Mr. Felipe Tan resigned as chairman and executive Director of the Company with effect from 12 September 2019. Mr. Felipe Tan remains the substantial shareholder (as defined in the GEM Listing Rules) of the Company and directors of certain subsidiaries of the Company.

### 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 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 and other advisers as it determines is necessary and perform investigations.

The Group has designated staff with relevant experience and knowledge to oversee the internal control and internal audit function. The designated staff regularly (i) evaluates with the senior management on the risk assessment and risk mitigation measures; (ii) assesses the effectiveness of the internal control and risk management systems and ensure they are properly followed; and (iii) submits periodical reports to the audit committee for review and approval.

As at the date of the Report, the audit committee comprises three independent non-executive Directors, Ms. Tsang Wai Chun Marianna, Ms. Chan Choi Ling and Mr. Lam Kwai Yan. The audit committee has reviewed the unaudited financial results for the nine months ended 31 December 2019.

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

Hong Kong, 13 February 2020