



TIMELESS SOFTWARE LIMITED

天時軟件有限公司

(incorporated in Hong Kong with limited liability)

(Stock Code: 8028)

Interim Report

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2020



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

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

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

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

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

Condensed Consolidated Statement of Comprehensive Income

For the three months and six months ended 30 September 2020

| | Notes | (Unaudited) | | | |
|--|-------|------------------------------------|------------------|----------------------------------|------------------|
| | | Three months ended 30 September | | Six months ended 30 September | |
| | | 2020 HK\$'000 | 2019 HK\$'000 | 2020 HK\$'000 | 2019 HK\$'000 |
| Revenue | | 30,057 | 52,871 | 66,936 | 68,626 |
| Other income and gains | | 1,011 | 881 | 1,965 | 1,059 |
| Purchase and production costs | | (12,168) | (31,685) | (31,297) | (50,783) |
| Staff costs | | (2,316) | (2,369) | (4,843) | (5,176) |
| Depreciation and amortisation | | (207) | (319) | (565) | (637) |
| Other operating expenses | | (3,463) | (5,059) | (7,456) | (6,841) |
| Loss on written-off of property, plant and equipment | | (116) | – | (116) | – |
| Fair value changes on financial assets at fair value through profit or loss | | (4) | (58) | 143 | (118) |
| Gain on disposal of intangible assets | | – | – | – | 1,716 |
| Gain on partial disposal of interest in an associate | | – | – | 407 | – |
| Finance costs | | (172) | (171) | (342) | (342) |
| Share of loss of associates | | (13) | (954) | (37) | (2,790) |
| Impairment loss on amount due from an associate | | (1) | (1) | (3) | (3) |
| Profit before tax | 5 | 12,608 | 13,136 | 24,792 | 4,711 |
| Income tax expense | 6 | (3,353) | (4,288) | (6,601) | (3,884) |
| Profit for the period | | 9,255 | 8,848 | 18,191 | 827 |
| Other comprehensive income/ (expense), net of income tax | | | | | |
| <i>Items that may be reclassified subsequently to profit or loss:</i> | | | | | |
| Exchange differences on translating foreign operations | | 2,682 | (5,419) | 3,007 | (9,762) |
| Other comprehensive income/ (expense) for the period, net of income tax | | 2,682 | (5,419) | 3,007 | (9,762) |
| Total comprehensive income/ (expense) for the period | | 11,937 | 3,429 | 21,198 | (8,935) |
| Profit/(loss) attributable to: | | | | | |
| Owners of the Company | | 1,361 | 450 | 3,143 | (4,442) |
| Non-controlling interests | | 7,894 | 8,396 | 15,048 | 5,269 |
| | | 9,255 | 8,846 | 18,191 | 827 |
| Total comprehensive income/ (expense) attributable to: | | | | | |
| Owners of the Company | | 2,059 | (958) | 3,926 | (6,981) |
| Non-controlling interests | | 9,878 | 4,387 | 17,272 | (1,954) |
| | | 11,937 | 3,429 | 21,198 | (8,935) |
| | | HK cents | HK cents | HK cents | HK cents |
| Earnings/(loss) per share | | | | | |
| – Basic and diluted | 8 | 0.05 | 0.02 | 0.11 | (0.16) |

Condensed Consolidated Statement of Financial Position

At 30 September 2020

| | Notes | (Unaudited) 30 September 2020 HK\$'000 | (Audited) 31 March 2020 HK\$'000 |
|---|-------|---|---|
| Non-current assets | | | |
| Property, plant and equipment | 9 | 3,997 | 4,411 |
| Right-of-use assets | 9 | 6,214 | 6,149 |
| Investment properties | 9 | 10,840 | 10,840 |
| Other intangible assets | 9 | 38,937 | 12,730 |
| Interests in associates | | 157 | 197 |
| Financial assets at fair value through profit or loss | 11 | 19,173 | 19,173 |
| Deposits | | 23,098 | 22,157 |
| Land rehabilitation costs | | 262 | 279 |
| | | 102,678 | 75,936 |
| Current assets | | | |
| Inventories | | 29,791 | 8,649 |
| Trade and other receivables | 10 | 27,651 | 2,398 |
| Financial assets at fair value through profit or loss | 11 | 2,769 | 2,626 |
| Bank balances and cash | | 51,342 | 47,912 |
| | | 111,553 | 61,585 |
| Current liabilities | | | |
| Trade and other payables | 12 | 62,150 | 10,782 |
| Contract liabilities | | 75 | 72 |
| Provision for land rehabilitation | | 2,286 | 2,193 |
| Lease liabilities | | 173 | 159 |
| Loan from related companies | 13 | 15,000 | 15,000 |
| Current tax liabilities | | 3,707 | – |
| | | 83,391 | 28,206 |
| Net current assets | | 28,162 | 33,379 |
| Total assets less current liabilities | | 130,840 | 109,315 |
| Non-current liabilities | | | |
| Provision for land rehabilitation | | 6,692 | 6,420 |
| Lease liabilities | | – | 3 |
| Deferred tax liabilities | | 4,445 | 4,387 |
| | | 11,137 | 10,810 |
| Net assets | | 119,703 | 98,505 |
| Capital and reserves | | | |
| Share capital | 14 | 906,074 | 906,074 |
| Reserves | | (859,540) | (863,337) |
| Equity attributable to owners of the Company | | 46,534 | 42,737 |
| Non-controlling interests | | 73,169 | 55,768 |
| Total equity | | 119,703 | 98,505 |

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 September 2020

| | 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 |
|--|---------------------------|-----------------------------------|-----------------------------|--|---------------------------------|---------------------------------|---|---------------------------------------|-------------------|
| Balance at 1 April 2019 | 906,074 | 2,024 | 1,150 | 964 | (3,683) | (799,372) | 107,157 | 125,776 | 232,933 |
| Profit/(loss) for the period | - | - | - | - | - | (4,442) | (4,442) | 5,269 | 827 |
| Other comprehensive expense for the period | - | - | - | - | (2,539) | - | (2,539) | (7,223) | (9,762) |
| Total comprehensive expense for the period | - | - | - | - | (2,539) | (4,442) | (6,981) | (1,954) | (8,935) |
| Transfer to reserve | - | - | 441 | - | - | (441) | - | - | - |
| Balance at 30 September 2019 | 906,074 | 2,024 | 1,591 | 964 | (6,222) | (804,255) | 100,176 | 123,822 | 223,998 |
| Balance at 1 April 2020 | 906,074 | 2,024 | 1,590 | 964 | (6,082) | (861,833) | 42,737 | 55,768 | 98,505 |
| Profit for the period | - | - | - | - | - | 3,143 | 3,143 | 15,048 | 18,191 |
| Other comprehensive income for the period | - | - | - | - | 783 | - | 783 | 2,224 | 3,007 |
| Total comprehensive income for the period | - | - | - | - | 783 | 3,143 | 3,926 | 17,272 | 21,198 |
| Transfer to reserve | - | - | 591 | - | - | (591) | - | - | - |
| Acquisition of non-controlling interests | - | - | - | - | - | (129) | (129) | 129 | - |
| Balance at 30 September 2020 | 906,074 | 2,024 | 2,181 | 964 | (5,299) | (859,410) | 46,534 | 73,169 | 119,703 |

Condensed Consolidated Statement of Cash Flows

For the six months ended 30 September 2020

| | (Unaudited) | |
|--|-------------------------------|----------------------|
| | Six months ended 30 September | |
| | 2020 | 2019 |
| | HK\$'000 | HK\$'000 |
| Cash flows from operating activities | | |
| – Cash receipts from customers | 51,471 | 68,626 |
| – Purchase and production costs | (29,446) | (50,616) |
| – Income tax paid | (3,015) | – |
| – Other operating cash flows | (17,503) | (19,674) |
| Net cash generated by/(used in) operating activities | <u>1,507</u> | <u>(1,664)</u> |
| Cash flows from investing activities | | |
| – Dividend income from unlisted investments | – | 750 |
| – Proceeds from partial disposal of an associate | 407 | – |
| – Other investing cash flows | 227 | 1,569 |
| Net cash generated by investing activities | <u>634</u> | <u>2,319</u> |
| Cash flows from financing activities | | |
| – Dividend paid to non-controlling interests | – | (4,410) |
| – Other financing cash flows | (338) | (476) |
| Net cash used in financing activities | <u>(338)</u> | <u>(4,886)</u> |
| Net increase/(decrease) in cash and cash equivalents | 1,803 | (4,231) |
| Cash and cash equivalents at the beginning of period | 47,912 | 41,579 |
| Effect of foreign exchange rate changes | 1,627 | (2,762) |
| Cash and cash equivalents at the end of period | <u>51,342</u> | <u>34,586</u> |
| Analysis of the balances of cash and cash equivalents | | |
| Bank balances and cash | <u>51,342</u> | <u>34,586</u> |

Notes to the Condensed Consolidated Financial Statements

For the three months and six months ended 30 September 2020

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, development and sale agency of bio and nano materials products as well as various investments in startup fund, software maintenance and development services (“Other Business”). In addition to these operating segments, the Group has investments in various projects including e-sports tournament services, nano applications as well as smart farming solutions and services.

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 11 November 2020.

2. Basis of Preparation

These condensed consolidated financial statements have been prepared in accordance with Hong Kong Accounting Standard (HKAS) 34, *Interim financial reporting*, issued by the Hong Kong Institute of Certified Public Accountants (HKICPA) and the applicable disclosure requirements of the GEM Listing Rules.

These condensed consolidated financial statements do not include all information and disclosures required in a full set of financial statements prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”), and should be read in conjunction with the Group’s annual financial statements for the year ended 31 March 2020.

The preparation of these condensed 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.

The financial information relating to the year ended 31 March 2020 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 2020 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 2020. 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 six months ended 30 September 2020

3. Significant Accounting Policies

The accounting policies and method of computation used in the preparation of these financial statements are consistent with those used in annual financial statements for the year ended 31 March 2020, which have been prepared in accordance with HKFRSs, except for those related to new or revised HKFRSs effective for the first time for the periods beginning on or after 1 January 2020. 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 Group has not early adopted any new and revised HKFRSs that has been issued but not yet effective in the current accounting period.

In addition, the Group has applied the following accounting policies which became relevant to the Group in the current interim period.

Government grants

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

4. Revenue and Segment Information

The Group's operating segments are determined based on information reported to the chief operating decision maker (the "CODM"), being the board of directors, for the purpose of resources allocation and performance assessment. The Group commences business in development of bio and nano materials and sale agency. However, these operations are still in the development stage and not yet met the quantitative thresholds for the reportable segment. Software business, after reengineering, is in the process of exploring new development opportunities and was unable to meet the quantitative thresholds for the reportable segments. Accordingly, these were grouped under "Other Business" segment.

The Group's reportable segments are (i) Mining Business; and (ii) Other Business.

Notes to the Condensed Consolidated Financial Statements (Continued)

For the three months and six months ended 30 September 2020

4. Revenue and Segment Information (Continued)

Segment revenues and results

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

| | (Unaudited) | |
|---|-------------------------------|---------------|
| | Six months ended 30 September | |
| | 2020 | 2019 |
| | HK\$'000 | HK\$'000 |
| Segment revenue | | |
| Mining Business | 66,928 | 68,626 |
| Other Business | 8 | – |
| | <u>66,936</u> | <u>68,626</u> |
| Segment results | | |
| Mining Business | 26,785 | 11,062 |
| Other Business | 291 | (56) |
| | <u>27,076</u> | 11,006 |
| Interest income | 227 | 281 |
| Unallocated other income and gains | 1,325 | 778 |
| Unallocated corporate expenses | (3,888) | (4,101) |
| Loss on written-off of property, plant and equipment | (116) | – |
| Fair value changes on financial assets at fair value through profit or loss | 143 | (118) |
| Gain on partial disposal of interest in an associate | 407 | – |
| Finance costs | (342) | (342) |
| Share of loss of associates | (37) | (2,790) |
| Impairment loss on amount due from an associate | (3) | (3) |
| | <u>24,792</u> | <u>4,711</u> |
| Profit before tax | | |

Segment revenue reported above represents revenue generated from external customers. There were no inter-segment sales in the current period (2019: nil).

Notes to the Condensed Consolidated Financial Statements (Continued)

For the three months and six months ended 30 September 2020

4. Revenue and Segment Information (Continued)

Segment assets and liabilities

The following is an analysis of the Group's assets and liabilities by reportable segments:

| | (Unaudited) 30 September 2020 HK\$'000 | (Audited) 31 March 2020 HK\$'000 |
|---------------------------------|---|---|
| Segment assets | | |
| Mining Business | 128,605 | 55,277 |
| Other Business | 32 | – |
| Total segment assets | 128,637 | 55,277 |
| Interests in associates | 157 | 197 |
| Unallocated | 85,437 | 82,047 |
| Consolidated assets | 214,231 | 137,521 |
| Segment liabilities | | |
| Mining Business | 78,547 | 22,972 |
| Other Business | 4 | 4 |
| Total segment liabilities | 78,551 | 22,976 |
| Unallocated | 15,977 | 16,040 |
| Consolidated liabilities | 94,528 | 39,016 |

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

- all assets are allocated to reportable segments other than investment properties, financial assets at fair value through profit or loss ("FVTPL"), interests in associates, bank balances and cash, and head office and corporate assets; and
- all liabilities are allocated to reportable segments other than loan from related companies and head office and unallocated liabilities.

Notes to the Condensed Consolidated Financial Statements (Continued)

For the three months and six months ended 30 September 2020

4. Revenue and Segment Information (Continued)

Geographical information

The following is an analysis of the Group's revenue by geographical segments:

| | (Unaudited) | |
|-----------|--------------------------------------|-----------------|
| | Six months ended 30 September | |
| | 2020 | 2019 |
| | HK\$'000 | HK\$'000 |
| Hong Kong | 8 | – |
| PRC | 66,928 | 68,626 |
| | 66,936 | 68,626 |

Disaggregation of revenue by major products or service lines is as follows:

| | (Unaudited) | |
|--------------------------------------|--------------------------------------|-----------------|
| | Six months ended 30 September | |
| | 2020 | 2019 |
| | HK\$'000 | HK\$'000 |
| Types of goods or services | | |
| Sales of nickel-copper ores | 36,466 | 23,135 |
| Sales of nickel concentrates | 21,191 | 34,248 |
| Sales of copper concentrates | 9,271 | 11,243 |
| Agency fee income | 8 | – |
| | 66,936 | 68,626 |
| Timing of revenue recognition | | |
| At a point of time | 66,936 | 68,626 |

Notes to the Condensed Consolidated Financial Statements (Continued)

For the three months and six months ended 30 September 2020

5. Profit before Tax

Profit before tax is arrived at after charging/(crediting):

(a) Finance costs

| | (Unaudited) | | | |
|---|--------------------|------------|------------------|------------|
| | Three months ended | | Six months ended | |
| | 30 September | | 30 September | |
| | 2020 | 2019 | 2020 | 2019 |
| | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 |
| Interest on loan from related companies | 170 | 169 | 338 | 338 |
| Interest on finance leases | – | 2 | – | 4 |
| Interest on lease liabilities | 2 | – | 4 | – |
| Total finance costs | <u>172</u> | <u>171</u> | <u>342</u> | <u>342</u> |

(b) Other items

| | (Unaudited) | | | |
|--|--------------------|----------|------------------|----------|
| | Three months ended | | Six months ended | |
| | 30 September | | 30 September | |
| | 2020 | 2019 | 2020 | 2019 |
| | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 |
| Depreciation and amortisation (included in the production costs line item) | 2,247 | 1,651 | 3,514 | 5,360 |
| Depreciation and amortisation (included in the depreciation and amortisation line item) | 207 | 319 | 565 | 637 |
| Expense relating to short-item leases not included in the measurement of lease liabilities | 893 | 712 | 1,709 | 1,470 |
| Dividend income | (750) | (750) | (750) | (750) |
| Government grants | (27) | – | (633) | – |
| Interest income | (67) | (110) | (227) | (281) |

Notes to the Condensed Consolidated Financial Statements (Continued)

For the three months and six months ended 30 September 2020

6. Income Tax Expense

| | (Unaudited) | | | |
|---|--------------------|----------|------------------|----------|
| | Three months ended | | Six months ended | |
| | 30 September | | 30 September | |
| | 2020 | 2019 | 2020 | 2019 |
| | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 |
| Current tax | | | | |
| PRC Enterprise Income Tax | | | | |
| – charge for the period | 3,268 | 5,030 | 6,721 | 5,030 |
| – under provision in respect of prior years | 1 | – | 8 | – |
| Deferred tax | 84 | (742) | (128) | (1,146) |
| Total income tax expense recognised in profit or loss | 3,353 | 4,288 | 6,601 | 3,884 |

Hong Kong profits tax is calculated at the rate of 16.5% (2019: 16.5%) on the estimated assessable profits for the period, except for the first HK\$2,000,000 of a qualified entity's assessable profit which is calculated at 8.25%, in accordance with the new two-tiered tax rate regime. 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% (2019: 25%).

7. Interim Dividend

The Directors do not recommend the payment of an interim dividend for the six months ended 30 September 2020 (2019: nil).

8. Earnings/(Loss) per Share

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

| | (Unaudited) | | | |
|---|----------------------|---------------|----------------------|-----------------|
| | Three months ended | | Six months ended | |
| | 30 September | | 30 September | |
| | 2020 | 2019 | 2020 | 2019 |
| Profit/(loss): | | | | |
| Profit/(loss) for the period attributable to owners of the Company for the purpose of basic and diluted earnings/(loss) per share | HK\$1,361,000 | HK\$450,000 | HK\$3,143,000 | (HK\$4,442,000) |
| Number of ordinary shares: | | | | |
| Weighted average number of ordinary shares for the purpose of basic and diluted earnings/(loss) per share | 2,812,881,803 | 2,812,881,803 | 2,812,881,803 | 2,812,881,803 |

Notes to the Condensed Consolidated Financial Statements (Continued)

For the three months and six months ended 30 September 2020

8. Earnings/(Loss) per Share (Continued)

The computation of diluted earnings per share did not assume the exercise of the Company's outstanding share options during the three months and six months ended 30 September 2020 and during the three months ended 30 September 2019 since their exercise price is higher than the average market price of the shares for the period.

The computation of diluted loss per share did not assume the exercise of the Company's outstanding share options during the six months ended 30 September 2019 since they have anti-dilutive effect on the loss per share calculation.

9. Property, Plant and Equipment, Right-of-Use Assets, Investment Properties and Other Intangible Assets

During the six months ended 30 September 2020, there was no addition of property, plant and equipment (2019: nil), right-of-use assets (2019: reclassified from prepaid lease payments of HK\$6,051,000) and investment properties (2019: nil) while there was addition of other intangible assets of HK\$38,560,000 (2019: nil) which represented the mining royalties of Baishiquan Nickel-copper Mine payable to the Department of Land and Resources of Xinjiang. In addition, loss on written-off of property, plant and equipment of approximately HK\$116,000 (2019: nil) was recognized for the six months ended 30 September 2020 which solely represented the written-off of property, plant and equipment with net book value of approximately HK\$116,000 (2019: nil).

During the six months ended 30 September 2020, depreciation for property, plant and equipment was approximately HK\$464,000 (2019: HK\$1,283,000) and depreciation of right-of-use assets was approximately HK\$196,000 (2019: HK\$110,000). There was no change in the fair value of the investment properties (2019: nil). Amortisation for other intangible assets was approximately HK\$12,893,000 (2019: HK\$10,587,000).

10. Trade and Other Receivables

At 30 September 2020, approximately HK\$24,158,000 trade receivables were included in the Group's trade and other receivables (31 March 2020: nil).

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

The following is an analysis of trade receivables by age, presented based on the invoice date and net of allowance for doubtful debts:

| | (Unaudited) 30 September 2020 HK\$'000 | (Audited) 31 March 2020 HK\$'000 |
|----------------|---|---|
| 0 to 90 days | 24,157 | — |
| 91 to 180 days | 1 | — |
| | <u>24,158</u> | <u>—</u> |

Notes to the Condensed Consolidated Financial Statements (Continued)

For the three months and six months ended 30 September 2020

11. Financial Assets at Fair Value through Profit or Loss

| | (Unaudited) 30 September 2020 HK\$'000 | (Audited) 31 March 2020 HK\$'000 |
|-------------------------------------|---|---|
| Financial assets measured at FVTPL: | | |
| – Listed debt securities | 2,769 | 2,626 |
| – Unlisted equity investments | 11,295 | 11,295 |
| – Convertible loan (note i) | 632 | 632 |
| – CGA Profit Guarantee (note ii) | 7,246 | 7,246 |
| | 21,942 | 21,799 |
| Analysed for reporting purposes: | | |
| – Current assets | 2,769 | 2,626 |
| – Non-current assets | 19,173 | 19,173 |
| | 21,942 | 21,799 |

Notes:

- (i) The convertible loan in the principal sum of 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 the equity shares of the borrower according to the terms and conditions of the convertible loan agreement entered into between the Group and the borrower.
- (ii) Pursuant to the subscription agreement dated 16 May 2018, the then major beneficial shareholders of Cyber Games Arena Limited jointly and severally guaranteed to the Group that the net profit after tax of CGA Holdings Limited and its subsidiaries as shown in the audited consolidated financial statements of CGA Holdings Limited for the years ending 31 March 2020 and 31 March 2021 (excluding the one-off, non-operational in nature and items not incurred in the ordinary and usual course of business) shall not be in aggregate less than HK\$32,000,000.

12. Trade and Other Payables

At 30 September 2020, included in the Group's trade and other payables were trade payables of approximately HK\$8,501,000 (31 March 2020: HK\$10,782,000).

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

| | (Unaudited) 30 September 2020 HK\$'000 | (Audited) 31 March 2020 HK\$'000 |
|-------------------|---|---|
| 0 to 30 days | 6,526 | 183 |
| 31 to 60 days | 700 | – |
| 61 to 90 days | 589 | 1,377 |
| More than 90 days | 686 | 1,020 |
| | 8,501 | 2,580 |

Notes to the Condensed Consolidated Financial Statements (Continued)

For the three months and six months ended 30 September 2020

13. Loan from Related Companies

In 2018, the Group entered into loan agreements to borrow HK\$15,000,000 from related companies which are beneficially owned by Mr. Felipe Tan, a substantial shareholder holding more than 20% equity interest of the Company. The loans are unsecured, repayable on demand and bear interest at 4.5% per annum.

14. Share Capital

| | Number of Shares | Share Capital HK\$'000 |
|--|----------------------|------------------------------|
| Issued and fully paid: At 31 March 2020 and 30 September 2020 | <u>2,812,881,803</u> | <u>906,074</u> |

15. Fair Value Measurements of Financial Instruments

The fair values of financial instruments traded in active markets are determined with reference to quoted market bid prices.

Fair value hierarchy

| | Level 1 HK\$'000 | Level 2 HK\$'000 | Level 3 HK\$'000 | Total HK\$'000 |
|---|---------------------|---------------------|---------------------|-------------------|
| As at 30 September 2020 | | | | |
| Financial assets | | | | |
| Financial assets designated as at fair value through profit or loss | <u>2,769</u> | <u>–</u> | <u>19,173</u> | <u>21,942</u> |
| Total | <u>2,769</u> | <u>–</u> | <u>19,173</u> | <u>21,942</u> |
| As at 31 March 2020 | | | | |
| Financial assets | | | | |
| Financial assets designated as at fair value through profit or loss | <u>2,626</u> | <u>–</u> | <u>19,173</u> | <u>21,799</u> |
| Total | <u>2,626</u> | <u>–</u> | <u>19,173</u> | <u>21,799</u> |

During the six months ended 30 September 2020, there were no transfer between Level 1 and Level 2, or transfer into or out of Level 3.

Notes to the Condensed Consolidated Financial Statements (Continued)

For the three months and six months ended 30 September 2020

16. Share-Based Payment Arrangement

On 25 September 2013, an ordinary resolution approving the adoption of a new share option scheme was passed by shareholders of the annual general meeting of the Company (“2013 Share Option Scheme”). 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.

During the six months ended 30 September 2020, no share option was granted to employees (2019: nil).

17. Related Party Transactions

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

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

| | (Unaudited) | |
|--|--------------------------------------|-----------------|
| | Six months ended 30 September | |
| | 2020 | 2019 |
| | HK\$’000 | HK\$’000 |
| Rental and share of office expenses paid to related companies (Note i) | 329 | 118 |
| Loan interest paid to related companies (Note ii) | 338 | 338 |
| Management fee income from an associate (Note iii) | 150 | – |
| Recharge of consultancy fee to an associate (Note iii) | 20 | – |

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 (“Mr. F Tan”), a substantial shareholder holding more than 20% equity interest in the Company and director of subsidiaries of the Company, at terms mutually agreed by both parties.
- (ii) 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. F Tan.
- (iii) 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.

Notes to the Condensed Consolidated Financial Statements (Continued)

For the three months and six months ended 30 September 2020

17. Related Party Transactions (Continued)

Compensation of key management personnel

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

| | (Unaudited) | |
|------------------------------|-------------------------------|--------------|
| | Six months ended 30 September | |
| | 2020 | 2019 |
| | HK\$'000 | HK\$'000 |
| Short-term employee benefits | 1,179 | 1,274 |
| Post-employment benefits | 36 | 19 |
| | <u>1,215</u> | <u>1,293</u> |

18. Impacts of COVID-19 Pandemic

The COVID-19 pandemic since early 2020 has brought about additional uncertainties in the Group's operating environment and has impacted the Group's operations and financial position. The impact will largely depend on duration of the outbreak and implementation of regulatory policies thereafter.

The Group has been closely monitoring the impact of the developments on the Group's business and will further enhance contingency measures, keep tracking on the nickel and copper price, strive to ensure steady production and operation, and minimize the negative impact of COVID-19.

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 six months ended 30 September 2020, high grade nickel-copper ores, nickel concentrate and copper concentrate were the products sold under the Mining Business.

Attributable to the anti-pandemic measures implemented in Xinjiang to fight against the new outbreak of COVID-19 in July 2020, the normal operations of the Baishiquan Nickel-copper Mine and the processing plant were under great pressure. The lockdown of the whole mining area derailed the supply of daily necessities and production materials. Unstable employment triggered by COVID-19 pandemic led to shortage of workforce, especially frontline employees. Affected by the inter-provincial transportation, sales of high grade ores and concentrates to customers located outside Xinjiang were temporarily suspended. Since mid-August 2020, supply of nickel concentrates to one of our largest customers was suspended at its request. Till 1 September 2020, operations of the mine site and the plant were back to normal, so as inter-provincial transportation.

For the six months ended 30 September 2020, approximately 103,618 tonnes of nickel-copper ores were extracted (2019: 89,155 tonnes) and 71,317 tonnes were processed (2019: 81,487 tonnes). The increase in nickel-copper ores extracted was mainly due to the earlier commencement of ores extraction in March 2020 compared to last year which began in late April 2019. The decrease in nickel-copper ores processed was mainly caused by the decrease in demand of nickel concentrate explained above. Turnover comprised of sales of 12,861 tonnes of high grade ores of approximately HK\$36.5 million (2019: 8,524 tonnes of HK\$23.1 million), 5,129 tonnes of nickel concentrate of approximately HK\$21.2 million (2019: 7,966 tonnes of HK\$34.2 million) and 806 tonnes of copper concentrate of approximately HK\$9.3 million (2019: 1,042 tonnes of HK\$11.2 million).

Owing to the increase in sales volume of high grade ores by 51% and increase in average grading of nickel, the Mining Business provided a better segment profit of HK\$26.8 million (2019: HK\$11.1 million).

Management Discussion and Analysis (Continued)

Business Review (Continued)

Mining Business (Continued)

Exploration, Development and Mining Production Activities

The exploration, development and mining production activities of the project of the Group for the six months ended 30 September 2020 are summarised below:

| Mine | Activity | | |
|-------------------------------|-------------------------|--|--------------------------------|
| | Exploration | Development | Mining |
| Baishiquan Nickel-copper Mine | No material exploration | Completed drift construction of approximately 1,629 meters | Ores extracted: 103,618 tonnes |

For the six months ended 30 September 2020, both the extraction of nickel-copper ores and sales of nickel-copper products increased. The production schedule resumed normally with the extraction in March 2020 and processing activities in May 2020. Approximately 103,618 tonnes of nickel-copper ores were extracted during the period (2019: 89,155 tonnes).

Management Discussion and Analysis (Continued)

Business Review (Continued)

Mining Business (Continued)

Expenditure Incurred

During the six months ended 30 September 2020, the Group has incurred expenditure of approximately HK\$47 million on exploration, development, mining and processing activities, details of which are set out below:

| | Total HK\$'000 |
|--|--------------------------|
| 1. Capital Expenditure | |
| 1.1 Exploration activities | |
| Drilling and analysis | — |
| <i>Subtotal</i> | — |
| 1.2 Development activities (including mine construction) | |
| Addition of property, plant and equipment | — |
| Construction of tunnels | 5,513 |
| <i>Subtotal</i> | 5,513 |
| Total Capital Expenditure | 5,513 |
| 2. Operating Expenditures for Mining Activities | |
| Staff cost | 1,064 |
| Consumables | 1,085 |
| Fuel, electricity, water and other services | 1,655 |
| Non-income taxes, royalties and other government charges | 1,120 |
| Sub-contracting charges | 6,968 |
| Transportation | 6,633 |
| Depreciation and amortization | 12,985 |
| Others | 421 |
| Total Operating Expenditure | 31,931 |
| Total Capital and Operating Expenditure | 37,444 |
| 3. Processing Expenditure | |
| Staff cost | 2,793 |
| Consumables | 2,953 |
| Fuel, electricity, water and other services | 2,211 |
| Rental | 1,529 |
| Depreciation and amortization | 33 |
| Others | 67 |
| Total Processing Expenditures | 9,586 |
| Total Expenditures | 47,030 |

Management Discussion and Analysis (Continued)

Business Review (Continued)

Mining Business (Continued)

Processing Activities

For the six months ended 30 September 2020, the main products of the Mining Business were high grade nickel-copper ores, nickel concentrate and copper concentrate. The processing proficiency was impacted by the unconformity of head ores. To cope with such, the processing plant performed rational ore blending scheme by utilising the mineral resources in a reasonable manner and ensure stable output of ores processed. For the six months ended 30 September 2020, the nickel-copper ores processed by the processing plant was approximately 71,317 tonnes (2019: 81,487 tonnes).

Infrastructure projects and subcontracting arrangements

There were new contracts entered into during the six months ended 30 September 2020 related to mining activities and transportation of nickel-copper ores. As at 30 September 2020, there was no outstanding commitments (2019: HK\$3.9 million) in relation to these contracts for the Group.

Other Business

For the six months ended 30 September 2020, the Group entered into a sale agency agreement for sales of nanofibers related products. Since the Group just started such business and currently the operation scale is relatively limited, it is grouped under "Other Business".

Other Business comprised of research, development and sale agency of bio and nano materials products as well as various investments in startup fund, software maintenance and development services. There was approximately HK\$8,000 (2019: nil) turnover from Other Business during the six months ended 30 September 2020 and the segment profit was approximately HK\$0.3 million (2019: loss of HK\$56,000). The segment revenue was generated from the sales commission from the sales of nanofibers related products while the segment profit was contributed by the government rebate of research and development expenses of HK\$0.3 million from the Innovation and Technology Fund.

Management Discussion and Analysis (Continued)

Business Review (Continued)

Interest in Associates

As at 30 September 2020, the Group owned 29.97% indirect equity interest in CGA Group, which operates an e-sports gaming platform that provides various gaming and marketing services to e-sports enthusiasts and enterprise promoters. Since the outbreak of the third wave of COVID-19 in Hong Kong in mid-July, social distancing and gathering restriction measures were enforced. The business of CGA Group therefore suffered material loss, especially its e-sports stadium in Mong Kok, which was shut down for several months in accordance with the ban imposed by the government. The unprecedented crisis has also forced CGA Group to scale down its offline gaming activities. During the six months ended 30 September 2020, there was no further share of loss of CGA Group being recognised as its carrying value has been fully impaired in the year ended 31 March 2020 (2019: share of loss of HK\$1.8 million).

The Group owned 22.53% indirect equity interest in Nano Bubble Limited which is mainly engaged in hygienic, sanitisation products and related solutions research and development based on nano-ozone technology. It has completed the first-edition prototype of the nano bubble water machine, which generates ozone nano bubble water to remove bacteria on the surface of fruits, vegetables, furniture and floors as replacement of chemical sanitising agent. As public awareness of sanitation and environmental issues has been on the rise rapidly and globally, the Group expects such products to have good potential demand in the market.

The Company also owned 27.03% indirect equity interest in Nano Energy Limited which is engaged in the research and development of nano-power generation products using different nanomaterials and related technologies. As affected by the COVID-19, the development schedule and the progress of such project were postponed.

For the six months ended 30 September 2020, the Group recorded share of loss of associates and impairment loss on amount due from an associate of approximately HK\$40,000 (2019: HK\$2.8 million).

Management Discussion and Analysis (Continued)

Business Review (Continued)

Outlook

Benefited from the orders obtained at the beginning of 2020 and the production we managed to maintain during the pandemic, the Mining Business recorded a positive performance for the six months ended 30 September 2020. However, the current mining zone was facing exhaustion of resources after exploitation for years and has entered into its final mining stage. Our application for extending the mining licence has been approved. A renewed mining licence with an effective period till September 2022 has been issued.

As at the reporting date, we have paid the first installment of the mining royalties of the Baishiquan Nickel-copper Mine of RMB10.2 million (equivalent to HK\$11.6 million). The estimated remaining royalties of RMB23.7 million (equivalent to HK\$27.0 million) will be settled in accordance with the requirements of Xinjiang Government. The mining royalties will have negative impact on the future cost of sales.

To cope with the shortage of skilled workers in the processing plant due to the COVID-19 pandemic, we will carry out an appropriate annual leave and holiday scheme and put in place bonus measures to redeploy and retain workers.

After the two-month ban on gaming bars imposed under social-distancing rules, the e-sports stadium of CGA Group reopened on 11 September 2020. The stadium offered pricing incentives and giveaways to stimulate gamers spending. Nevertheless, the continuing depression of economy and ongoing uncertainty of the COVID-19 crisis have led to grim business and outlook of the stadium. Up to now, its customer flow has not been recovered to the previous level in July 2020. In this regard, the stadium had to streamline its business through sub-leasing part of its area to interested parties. Further, major yearly gaming and related events had to be cancelled due to the pandemic preventive measures, affecting the CGA Group's events business. Despite the government's special financial aids to SME's for the pandemic, CGA Group expects to continue with the current business plight until the pandemic is completely over, and unless the government extends the abovementioned financial support to businesses.

As the COVID-19 pandemic prevails, sanitisation has become an essential part of life for the public, resulting in an immense demand for cleaning and hygienic products globally. Nano Bubble Limited expected that its sanitisation machine will have several growth opportunities as a result. However, the pandemic also delayed the development progress of the product. Nano Bubble Limited is in progress of finalising the prototype of its sanitisation machine. There will be a fresh schedule to push and accelerate production once the production version of the machine is ready.

Management Discussion and Analysis (Continued)

Business Review (Continued)

Other Investment

As at 30 September 2020, the Group owned 600,000 ordinary shares in Dragon Silver Holdings Limited (“Dragon Silver”), representing approximately its 8.86% equity interest, at an investment cost of HK\$7,800,000. Dragon Silver is a company incorporated in Hong Kong principally engaged in trading, production, processing and investment in precious metals and non-ferrous metals and related products. As at 30 September 2020, the fair value of the investment in Dragon Silver was HK\$11,295,000, representing approximately 5% of the total assets of the Group.

Pursuant to the subscription agreement dated 29 December 2017 (as amended and supplemented by the supplemental agreement dated 24 April 2020), the major shareholder of Dragon Silver (the “Guarantor”) has irrevocably warranted and guaranteed to the Group that the amount of dividends declared and paid by Dragon Silver during each of the financial years ending from 30 June 2018 to 2022 (the “Relevant Years”) shall not be less than HK\$1.25 per share (“Guaranteed Dividends”). If the dividend per share declared and paid by Dragon Silver for the Relevant Year is less than the Guaranteed Dividend, the Guarantor shall compensate the Group the sum being calculated as the shortfall (“Dividend Compensation Amount”). As at 30 September 2020, Dragon Silver has not declared and paid any dividend to the Group. On 9 October 2020, the Guarantor paid to the Group the Dividend Compensation Amount for the financial year ended 30 June 2020 (“FY2020”) of HK\$750,000. As such, the Board (including the independent non-executive Directors) considers that the obligation of the Guarantor in respect of the Guaranteed Dividend for FY2020 has been fulfilled.

Global tin supply concerns had been sparked last year and became more serious after Indonesia tightened export regulations. COVID-19 lockdowns and ongoing US-China trade tensions further added to supply pressures. Dragon Silver is expected to be confronted with more uncertainties triggered by such dilemma in the next financial year.

Financial Performance Review

For the six months ended 30 September 2020, the Group recorded turnover of approximately HK\$66.9 million (2019: HK\$68.6 million), representing a decrease of 2% compared with the same period in 2019. Other income and gains of approximately HK\$2.0 million for the period under review (2019: HK\$1.1 million) mainly represented dividend income, interest income, rental income, subsidy from Employment Support Scheme and government rebate of research and development expenses. Profit for the period was approximately HK\$18.2 million (2019: HK\$0.8 million), representing an increase of 21 times as compared to the corresponding period in 2019. The increase in profit was mainly due to the increase in ores grading of nickel-copper ores sold during the period which contributed to the significant increase in segment profit generated by the Mining Business.

For the period under review, the Mining Business recorded turnover of approximately HK\$66.9 million (2019: HK\$68.6 million). The segmental profit before taxation was approximately HK\$26.8 million, representing an increase of 1.4 times as compared with the corresponding period in 2019 (2019: HK\$11.1 million).

For the period under review, there was approximately HK\$8,000 turnover from the Other Business (2019: nil). The segmental profit was approximately HK\$0.3 million, representing an increase of 6.2 times as compared with the corresponding period in 2019 (2019: loss of HK\$56,000). The improvement in the operating result of Other Business was mainly contributed by the government rebate of research and development expenses recognised in prior years.

For the six months ended 30 September 2020, the Group recorded share of losses of associates of approximately HK\$37,000 (2019: HK\$2.8 million). Profit attributable to owners of the Company was approximately HK\$3.0 million, as compared to loss of approximately HK\$4.4 million for the same period in 2019.

Management Discussion and Analysis (Continued)

Liquidity and Financial Resources

As at 30 September 2020, the Group had bank balances and cash of approximately HK\$51.3 million (31 March 2020: HK\$47.9 million) and net current assets approximately of HK\$28.2 million (31 March 2020: HK\$33.4 million) respectively. Out of the Group's bank balances and cash, about 10% was denominated in Hong Kong dollars (31 March 2020: 20%), 89% was denominated in Chinese Renminbi (31 March 2020: 79%) and 1% was denominated in United States dollars (31 March 2020: 1%). As at 30 September 2020, the Group's current ratio was 1.34 (31 March 2020: 2.18). The decreased in current ratio was mainly due to the accrual of mining royalties of Baishiquan Nickel-copper Mine of approximately RMB33.9 million (equivalent to HK\$38.6 million).

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

As at 30 September 2020, the Group had outstanding borrowings of approximately HK\$15.2 million (31 March 2020: HK\$15.2 million), which mainly represented amount due to related companies.

Capital Commitments

The Group has no significant capital commitment as at 30 September 2020.

Gearing Ratio

As at 30 September 2020, the Group's gearing ratio was approximately 32.61% (31 March 2020: 35.48%), based on total borrowings of approximately HK\$15.2 million (31 March 2020: HK\$15.2 million) and equity attributable to owners of the Company of approximately HK\$46.5 million (31 March 2020: HK\$42.7 million).

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 30 September 2020.

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 period under review.

Segmental information

The Group is currently organised into two operating segments – (i) the Mining Business; and (ii) the Other Business. During the period under review, the Mining Business accounted for 99.99% (2019: 100%) and the Other Business accounted for 0.01% (2019: nil) of the revenue.

Management Discussion and Analysis (Continued)

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, the exposure to foreign exchange rate fluctuations is not significant.

Contingent liabilities

As at 30 September 2020, there were no material contingent liabilities incurred by the Group.

Employee information

As at 30 September 2020, the Group employed a total staff of 127. Staff remuneration is reviewed by the Group from time to time and increases are granted normally annually or by special adjustment depending on length of service and performance when warranted. In addition to salaries, the Group provides staff benefits including medical insurance and provident fund. Share options and bonuses are also available to employees of the Group at the discretion of the Directors and depending upon the financial performance of the Group.

Other Information

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

At 30 September 2020, 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 | Total number of shares | Percentage of shareholding |
| Executive Director | | | |
| CHAN Mei Ying Spencer | 1,800,000 | 1,800,000 | 0.06% |
| Independent Non-Executive Directors | | | |
| CHAN Choi Ling | 1,200,000 | 1,200,000 | 0.04% |
| LAM Kwai Yan | 1,200,000 | 1,200,000 | 0.04% |

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 01.04.2020 | During the period | | | Outstanding at 30.09.2020 | |
| | | | | | Granted | Exercised | Cancelled | | Lapsed |
| Executive Directors | | | | | | | | | |
| CHAN Mei Ying Spencer | 02.03.2017 | 02.03.2017 – 01.03.2027 | 0.1080 | 1,000,000 | - | - | - | - | 1,000,000 |
| LAU Yun Fong Carman | 03.10.2013 | 03.10.2013 – 02.10.2023 | 0.1435 | 2,075,676 | - | - | - | - | 2,075,676 |
| | 17.02.2014 | 17.02.2014 – 16.02.2024 | 0.1329 | 415,135 | - | - | - | - | 415,135 |
| | 02.03.2017 | 02.03.2017 – 01.03.2027 | 0.1080 | 1,000,000 | - | - | - | - | 1,000,000 |
| Ronald TAN | 02.03.2017 | 02.03.2017 – 01.03.2027 | 0.1080 | 2,000,000 | - | - | - | - | 2,000,000 |
| Independent Non-Executive Directors | | | | | | | | | |
| CHAN Choi Ling | 02.03.2017 | 02.03.2017 – 01.03.2027 | 0.1080 | 1,000,000 | - | - | - | - | 1,000,000 |
| LAM Kwai Yan | 02.03.2017 | 02.03.2017 – 01.03.2027 | 0.1080 | 1,000,000 | - | - | - | - | 1,000,000 |
| TSANG Wai Chun Marianna | 02.03.2017 | 02.03.2017 – 01.03.2027 | 0.1080 | 1,000,000 | - | - | - | - | 1,000,000 |
| | | | | <u>9,490,811</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>9,490,811</u> |

Save as disclosed above, at 30 September 2020, 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 September 2020, 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 30.9.2020 |
|----------------------------------|--------------------------------------|--|---------------|-------------|--|
| | | 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\$ | Number of share options and underlying shares | | | | | |
|---------------------------------|---------------|--------------------------------|-------------------------------|---|-------------------|-----------|--------|--------------------------|-----------|
| | | | | Outstanding at 01.04.2020 | During the period | | | Outstanding at 30.9.2020 | |
| | | | | Granted | Exercised | Cancelled | Lapsed | | |
| Felipe Tan | 02.03.2017 | 02.03.2017 – 01.03.2027 | 0.1080 | 2,000,000 | – | – | – | – | 2,000,000 |

Saved as disclosed above, as at 30 September 2020, 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.

Other Information (Continued)

Share Options

A summary of the share options granted under the share option schemes is as follows:

| Type of Particulars | Date of grant | Vesting and Exercisable period | Exercise price per share HK\$ | Number of share options | |
|--|---------------|--------------------------------|----------------------------------|-------------------------|--------------------------|
| | | | | Outstanding at 1.4.2020 | Outstanding at 30.9.2020 |
| 2003 Share Option Scheme | | | | | |
| Employee | 20.11.2012 | 20.11.2012 – 19.11.2022 | 0.1281 | <u>3,113,514</u> | <u>3,113,514</u> |
| Total | | | | <u>3,113,514</u> | <u>3,113,514</u> |
| Weighted average exercise price | | | | <u>HK\$0.1281</u> | <u>HK\$0.1281</u> |
| 2013 Share Option Scheme | | | | | |
| Directors | 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 | <u>7,000,000</u> | <u>7,000,000</u> |
| | | | | <u>9,490,811</u> | <u>9,490,811</u> |
| Employees | 03.10.2013 | 03.10.2013 – 02.10.2023 | 0.1435 | 3,632,433 | 3,632,433 |
| | 17.02.2014 | 17.02.2014 – 16.02.2024 | 0.1329 | 622,703 | 622,703 |
| | 02.03.2017 | 02.03.2017 – 01.03.2027 | 0.1080 | <u>11,000,000</u> | <u>11,000,000</u> |
| | | | | <u>15,255,136</u> | <u>15,255,136</u> |
| Others | 02.03.2017 | 02.03.2017 – 01.03.2027 | 0.1080 | <u>13,000,000</u> | <u>13,000,000</u> |
| | | | | <u>13,000,000</u> | <u>13,000,000</u> |
| Total | | | | <u>37,745,947</u> | <u>37,745,947</u> |
| Weighted average exercise price | | | | <u>HK\$0.1141</u> | <u>HK\$0.1141</u> |

Notes:

1. No share option has been granted under the share option schemes during the six months ended 30 September 2020 (2019: nil).
2. No share options granted under the share option schemes were exercised, cancelled or lapsed during the six months ended 30 September 2020 (2019: nil).

Other Information (Continued)

Competing Interest

For the six months ended 30 September 2020, none of the Directors of the Company and their respective close associates (as defined under the GEM Listing Rules) were engaged in any business that competes or may compete with the business of the Group, or have or may have any other conflicts of interest with the Group.

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.

Code on Corporate Governance Practices

During the six months ended 30 September 2020, the Company had complied with all code provisions set out in the Corporate Governance Code and Corporate Governance Report contained in Appendix 15 of the GEM Listing Rules, 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. Following the step down of Mr. Felipe Tan from the office of Chairman and an executive Director of the Company on 12 September 2019, the Company has not appointed Chairman and the roles and functions of the Chairman have been performed by all the executive Directors collectively. The Company will arrange for the election of the new Chairman of the Board as soon as practicable and will make further announcement upon the appointment.

Code of Conduct Regarding Securities Transactions by Directors

The Company has adopted a code of conduct regarding 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 have complied with the required standard of dealings and the code of conduct regarding securities transactions by Directors adopted by the Company throughout the six months ended 30 September 2020.

Other Information (Continued)

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 this interim report, including the unaudited condensed consolidated financial statements for the six months ended 30 September 2020.

On behalf of the Board

Chan Mei Ying Spencer

Executive Director and Chief Executive Officer

Hong Kong, 11 November 2020