



TIMELESS SOFTWARE LIMITED

天時軟件有限公司

(incorporated in Hong Kong with limited liability)

(Stock code: 8028)

RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2017

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

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

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

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This announcement, for which the directors (the “Directors” or individually a “Director”) of TIMELESS SOFTWARE LIMITED (the “Company”) collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the GEM of the Stock Exchange (the “GEM Listing Rules”) for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this announcement 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 announcement misleading.

This announcement 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.

The board of Directors (“Board”) of the Company is pleased to announce the unaudited consolidated results of the Company and its subsidiaries (collectively, the “Group”) for the six months ended 30 September 2017 together with the comparative unaudited figures for the corresponding period in 2016 as follows:

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the three months and six months ended 30 September 2017

| | | (Unaudited) | | | | |
|-------|--|--------------------|-----------------|------------------|-----------------|-----------------|
| | | Three months ended | | Six months ended | | |
| | | 30 September | | 30 September | | |
| | | 2017 | 2016 | 2017 | 2016 | |
| Notes | | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | |
| | Revenue | 3 | 50,533 | 15,809 | 70,167 | 16,059 |
| | Other income and gains | | 275 | 109 | 874 | 1,067 |
| | Purchase and production costs | | (39,259) | (13,219) | (53,542) | (13,259) |
| | Staff costs | | (2,669) | (2,337) | (5,300) | (13,112) |
| | Depreciation and amortisation | | (716) | (796) | (1,421) | (1,682) |
| | Other expenses | | (5,722) | (1,399) | (8,729) | (2,626) |
| | Net gains on investments held for trading | | - | - | - | 488 |
| | Loss on disposal/written off of property, plant and equipment | | - | - | - | (939) |
| | Gain on disposal of subsidiaries | | - | 1 | - | 1 |
| | Gain on disposal of an associate | 16 | 3,057 | - | 3,057 | - |
| | Finance costs | 4 | (81) | (197) | (203) | (428) |
| | Share of losses of associates | | (285) | (36) | (1,802) | (60) |
| | Profit/(loss) before tax | | 5,133 | (2,065) | 3,101 | (14,491) |
| | Income tax expense | 5 | (2,134) | (654) | (1,603) | (1,250) |
| | Profit/(loss) for the period | | 2,999 | (2,719) | 1,498 | (15,741) |
| | 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 | | 6,952 | (1,251) | 11,986 | (8,815) |
| | Reclassification adjustment on reserves released upon disposal of an associate | | (1,535) | - | (1,535) | - |
| | Share of other comprehensive income/(expense) of associates | | (715) | 25 | (1,581) | (300) |
| | Other comprehensive income/(expense) for the period, net of income tax | | 4,702 | (1,226) | 8,870 | (9,115) |
| | Total comprehensive income/(expense) for the period | | 7,701 | (3,945) | 10,368 | (24,856) |
| | Profit/(loss) attributable to: | | | | | |
| | Owners of the Company | | 1,525 | (2,395) | (1,046) | (13,673) |
| | Non-controlling interests | | 1,474 | (324) | 2,544 | (2,068) |
| | | | 2,999 | (2,719) | 1,498 | (15,741) |
| | Total comprehensive income/(expense) attributable to: | | | | | |
| | Owners of the Company | | 1,276 | (2,798) | (860) | (16,351) |
| | Non-controlling interests | | 6,425 | (1,147) | 11,228 | (8,505) |
| | | | 7,701 | (3,945) | 10,368 | (24,856) |
| | | | <i>HK cents</i> | <i>HK cents</i> | <i>HK cents</i> | <i>HK cents</i> |
| | Earning/(loss) per share | | | | | |
| | - Basic and diluted | 7 | 0.054 | (0.100) | (0.037) | (0.573) |

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 September 2017

| | | (Unaudited) 30 September 2017 HK\$'000 | (Audited) 31 March 2017 HK\$'000 |
|--|----|---|---|
| Non-current assets | | | |
| Property, plant and equipment | 8 | 37,813 | 38,235 |
| Investment properties | 8 | 8,992 | 8,992 |
| Other intangible assets | 8 | 186,004 | 195,364 |
| Interests in associates | | 666 | 8,974 |
| Prepaid lease payments | | 6,704 | 6,606 |
| Deposits | | 26,579 | 25,327 |
| Land rehabilitation costs | | 3,911 | 4,118 |
| | | 270,669 | 287,616 |
| Current assets | | | |
| Inventories | | 39,462 | 22,414 |
| Prepaid lease payments | | 232 | 223 |
| Trade and other receivables | 9 | 35,009 | 14,820 |
| Bank balances and cash | | 88,307 | 102,086 |
| | | 163,010 | 139,543 |
| Current liabilities | | | |
| Trade and other payables | 10 | 27,944 | 13,272 |
| Dividends payable to non-controlling interests | | 9,216 | 5,532 |
| Promissory note | 11 | 10,116 | 10,565 |
| Obligations under a finance lease | | 250 | – |
| Current tax liabilities | | 2,206 | – |
| | | 49,732 | 29,369 |
| Net current assets | | 113,278 | 110,174 |
| Total assets less current liabilities | | 383,947 | 397,790 |
| Non-current liabilities | | | |
| Promissory note | 11 | – | 9,967 |
| Provision for land rehabilitation | | 9,284 | 8,917 |
| Obligations under a finance lease | | 399 | – |
| Deferred tax liabilities | 12 | 29,607 | 29,521 |
| | | 39,290 | 48,405 |
| Net assets | | 344,657 | 349,385 |
| Capital and reserves | | | |
| Share capital | 13 | 906,074 | 906,074 |
| Reserves | | (774,799) | (773,939) |
| Equity attributable to owners of the Company | | 131,275 | 132,135 |
| Non-controlling interests | | 213,382 | 217,250 |
| Total equity | | 344,657 | 349,385 |

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 September 2017

| | Share capital | Share options reserve | General reserve | Investment revaluation reserve | Property revaluation reserve | Translation reserve | Accumulated deficit | Attributable to owners of the Company | Non- controlling interests | Total |
|--|------------------|-----------------------------|--------------------|--------------------------------------|------------------------------------|------------------------|------------------------|--|----------------------------------|-----------------|
| | <i>HK\$'000</i> | <i>HK\$'000</i> | <i>HK\$'000</i> | <i>HK\$'000</i> | <i>HK\$'000</i> | <i>HK\$'000</i> | <i>HK\$'000</i> | <i>HK\$'000</i> | <i>HK\$'000</i> | <i>HK\$'000</i> |
| Balance at 1 April 2016 | 866,564 | 1,809 | - | 1,793 | - | (1,213) | (757,400) | 111,553 | 250,441 | 361,994 |
| Loss for the period | - | - | - | - | - | - | (13,673) | (13,673) | (2,068) | (15,741) |
| Other comprehensive expense for the period | - | - | - | (300) | - | (2,378) | - | (2,678) | (6,437) | (9,115) |
| Total comprehensive expense for the period | - | - | - | (300) | - | (2,378) | (13,673) | (16,351) | (8,505) | (24,856) |
| Transfer to general reserve | - | - | 666 | - | - | - | (666) | - | - | - |
| Release of reserve upon lapse of share options | - | (244) | - | - | - | - | 244 | - | - | - |
| Balance at 30 September 2016 | <u>866,564</u> | <u>1,565</u> | <u>666</u> | <u>1,493</u> | <u>-</u> | <u>(3,591)</u> | <u>(771,495)</u> | <u>95,202</u> | <u>241,936</u> | <u>337,138</u> |
| Balance at 1 April 2017 | <u>906,074</u> | <u>2,778</u> | <u>647</u> | <u>1,631</u> | <u>964</u> | <u>(6,119)</u> | <u>(773,840)</u> | <u>132,135</u> | <u>217,250</u> | <u>349,385</u> |
| Profit/(loss) for the period | - | - | - | - | - | - | (1,046) | (1,046) | 2,544 | 1,498 |
| Other comprehensive income/ (expense) for the period | - | - | - | (1,631) | - | 1,817 | - | 186 | 8,684 | 8,870 |
| Total comprehensive income/ (expense) for the period | - | - | - | (1,631) | - | 1,817 | (1,046) | (860) | 11,228 | 10,368 |
| Dividend paid to non-controlling interests | - | - | - | - | - | - | - | - | (15,096) | (15,096) |
| Balance at 30 September 2017 | <u>906,074</u> | <u>2,778</u> | <u>647</u> | <u>-</u> | <u>964</u> | <u>(4,302)</u> | <u>(774,886)</u> | <u>131,275</u> | <u>213,382</u> | <u>344,657</u> |

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 September 2017

| | (Unaudited) | |
|--|-------------------------------|-----------------|
| | Six months ended 30 September | |
| | 2017 | 2016 |
| | <i>HK\$'000</i> | <i>HK\$'000</i> |
| Cash flows from operating activities | | |
| – Cash receipts from customers | 70,167 | 16,059 |
| – Purchase and production costs | (53,542) | (13,259) |
| – Other operating cash flows | (15,650) | (21,635) |
| | <u>975</u> | <u>(18,835)</u> |
| Net cash generated by/(used in) operating activities | | |
| Cash flows from investing activities | | |
| – Acquisition of property, plant and equipment | (340) | (175) |
| – Proceeds from disposal of an associate | 6,718 | – |
| – Net proceeds from sales of investment held for trading | – | 1,660 |
| – Other investing cash flows | 401 | 147 |
| | <u>6,779</u> | <u>1,632</u> |
| Net cash generated by investing activities | | |
| Cash flows from financing activities | | |
| – Repayment of promissory note | (10,600) | (10,902) |
| – Dividend paid to non-controlling interests | (11,640) | – |
| – Other financing cash flows | (137) | (404) |
| | <u>(22,377)</u> | <u>(11,306)</u> |
| Net cash used in financing activities | | |
| Net decrease in cash and cash equivalents | (14,623) | (28,509) |
| Cash and cash equivalents at the beginning of period | 102,086 | 101,802 |
| Effect of foreign exchange rate changes | 844 | (1,597) |
| | <u>88,307</u> | <u>71,696</u> |
| Cash and cash equivalents at the end of period | | |
| Analysis of the balances of cash and cash equivalents | | |
| Bank balances and cash | <u>88,307</u> | <u>71,696</u> |

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the three months and six months ended 30 September 2017

1. GENERAL INFORMATION

The Company is a limited liability company incorporated in Hong Kong and its shares are listed on the 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 Group engage in (i) the provision of consultancy and software maintenance services, software development, sales of computer hardware and software and e-Commerce services (“Software Business”); and (ii) the exploration and exploitation of mines (“Mining 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 on 8 November 2017.

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES

These condensed consolidated interim financial information have been prepared in accordance with the Hong Kong Accounting Standard (“HKAS”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”) as well as with the applicable disclosure requirements of Chapter 18 of the GEM Listing Rules.

The accounting policies and method of computation used in the preparation of these results are consistent with those used in annual financial statements for the year ended 31 March 2017, which have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”). The condensed consolidated interim financial information should be read in conjunction with the annual financial statements for the year ended 31 March 2017. The Group has adopted new or revised standards, amendments to standards and interpretations of HKFRSs which are effective for accounting periods commencing on or after 1 April 2017. 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.

In addition, the preparation of interim 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 interim financial statements, the significant judgements made by management in applying the Group’s accounting policies and the key sources of estimation uncertainty were the same as those that applied to the annual financial statements for the year ended 31 March 2017.

The financial information relating to the year ended 31 March 2017 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 2017 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 2017. 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).

3. SEGMENT INFORMATION

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

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 | |
| | 2017 | 2016 |
| | HK\$'000 | HK\$'000 |
| Segment revenue | | |
| Software Business | – | 250 |
| Mining Business | <u>70,167</u> | <u>15,809</u> |
| | <u>70,167</u> | <u>16,059</u> |
| Segment results | | |
| Software Business | (543) | (8,897) |
| Mining Business | <u>4,461</u> | <u>(2,451)</u> |
| | 3,918 | (11,348) |
| Interest income | 610 | 147 |
| Other income and gains | 265 | 920 |
| Unallocated corporate expenses | (2,744) | (3,272) |
| Net gains on investments held for trading | – | 488 |
| Loss on disposal/written off of property, plant and equipment | – | (939) |
| Gain on disposal of subsidiaries | – | 1 |
| Gain on disposal of an associate | 3,057 | – |
| Finance costs | (203) | (428) |
| Share of losses of associates | <u>(1,802)</u> | <u>(60)</u> |
| Profit/(loss) before tax | <u>3,101</u> | <u>(14,491)</u> |

Segment revenue reported above represents revenue generated from external customers. There were no inter-segment sales in the current period (2016: nil).

Segment results represent the profit/(loss) from each segment without allocation of interest income, other income and gains, unallocated corporate expenses, net gains on investments held for trading, loss on disposal/written off of property, plant and equipment, gain on disposal of subsidiaries, gain of disposal of an associate, finance costs and share of result of associates. This is the measure reported to the CODM for the purposes of resource allocation and performance assessment.

Segment assets and liabilities

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

| | (Unaudited) 30 September 2017 HK\$'000 | (Audited) 31 March 2017 HK\$'000 |
|---------------------------|---|---|
| Segment assets | | |
| Software Business | – | – |
| Mining Business | <u>334,906</u> | <u>306,892</u> |
| Total segment assets | 334,906 | 306,892 |
| Unallocated | <u>98,773</u> | <u>120,267</u> |
| Consolidated assets | <u>433,679</u> | <u>427,159</u> |
| Segment liabilities | | |
| Software Business | – | – |
| Mining Business | <u>77,581</u> | <u>55,740</u> |
| Total segment liabilities | 77,581 | 55,740 |
| Unallocated | <u>11,441</u> | <u>22,034</u> |
| Consolidated liabilities | <u>89,022</u> | <u>77,774</u> |

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

- all assets are allocated to reportable segments other than investment properties, interests in associates, bank balances and cash and unallocated assets; and
- all liabilities are allocated to reportable segments other than obligations under a finance lease, promissory note and unallocated liabilities.

4. FINANCE COSTS

| | (Unaudited) | | | |
|---|------------------------------------|-------------------|----------------------------------|-------------------|
| | Three months ended 30 September | | Six months ended 30 September | |
| | 2017 | 2016 | 2017 | 2016 |
| | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 |
| Interest on bank borrowing | – | 47 | – | 95 |
| Interest on obligation under finance lease | 6 | – | 19 | – |
| Effective interest on promissory note | <u>75</u> | <u>150</u> | <u>184</u> | <u>333</u> |
| Total | <u>81</u> | <u>197</u> | <u>203</u> | <u>428</u> |

5. INCOME TAX EXPENSE

| | (Unaudited) | | | |
|---|--------------------|-----------------|------------------|-----------------|
| | Three months ended | | Six months ended | |
| | 30 September | | 30 September | |
| | 2017 | 2016 | 2017 | 2016 |
| | <i>HK\$'000</i> | <i>HK\$'000</i> | <i>HK\$'000</i> | <i>HK\$'000</i> |
| Current tax | | | | |
| PRC Enterprise Income Tax | | | | |
| – charge for the period | 2,206 | – | 2,206 | – |
| – under provision in respect of prior years | – | 165 | – | 175 |
| Deferred tax (<i>note 12</i>) | (72) | 489 | (603) | 1,075 |
| | <u>2,134</u> | <u>654</u> | <u>1,603</u> | <u>1,250</u> |
| Total income tax charged in profit or loss | <u>2,134</u> | <u>654</u> | <u>1,603</u> | <u>1,250</u> |

Hong Kong profits tax is calculated at the rate of 16.5% (2016: 16.5%) of the estimated assessable profit. No provision for Hong Kong profits tax has been made as the Group had no assessable profit arising in or derived from Hong Kong for both periods.

PRC subsidiaries are subject to PRC Enterprise Income Tax at 25% (2016: 25%).

6. INTERIM DIVIDEND

The Directors do not recommend the payment of an interim dividend for the six months ended 30 September 2017 (2016: nil).

7. EARNING/(LOSS) PER SHARE

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

| | (Unaudited) | | | |
|---|----------------------|----------------------|------------------------|-------------------------|
| | Three months ended | | Six months ended | |
| | 30 September | | 30 September | |
| | 2017 | 2016 | 2017 | 2016 |
| Earning/(loss): | | | | |
| Earning/(loss) for the period attributable to owners of the Company for the purpose of basic and diluted earning/(loss) per share | <u>HK\$1,525,000</u> | <u>HK\$2,395,000</u> | <u>(HK\$1,046,000)</u> | <u>(HK\$13,673,000)</u> |
| Number of ordinary shares: | | | | |
| Weighted average number of ordinary shares for the purpose of basic and diluted earning/(loss) per share | <u>2,812,881,803</u> | <u>2,387,881,803</u> | <u>2,812,881,803</u> | <u>2,387,881,803</u> |

The computation of diluted earning/(loss) per share did not assume the exercise of the Company's outstanding share options existed during the three months and six months ended 30 September 2017 and 2016 since their exercise would result in decrease in earning/(loss) per share.

8. PROPERTY, PLANT AND EQUIPMENT, INVESTMENT PROPERTIES AND OTHER INTANGIBLE ASSETS

During the six months ended 30 September 2017, the Group purchased property, plant and equipment with a cost of approximately HK\$1,106,000 (2016: approximately HK\$175,000) and there is no addition of investment properties and other intangible assets (2016: nil).

During the six months ended 30 September 2017, depreciation for property, plant and equipment was approximately HK\$3,103,000 (2016: HK\$3,419,000). There is no change in the fair value of the investment properties. Amortisation for other intangible assets was approximately HK\$17,407,000 (2016: HK\$1,020,000). Amongst the above, approximately HK\$19,089,000 was included in the cost of inventories (2016: HK\$2,757,000). The remaining expenses were charged to the condensed consolidated statement of comprehensive income.

9. TRADE AND OTHER RECEIVABLES

At 30 September 2017, approximately HK\$29,808,000 trade receivables was included in the Group's trade and other receivables (31 March 2017: HK\$9,331,000).

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

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 2017 HK\$'000 | (Audited) 31 March 2017 HK\$'000 |
|---------------|---|---|
| 0 to 30 days | 7,603 | – |
| 31 to 60 days | 22,205 | – |
| 61 to 90 days | – | 9,331 |
| | <u>29,808</u> | <u>9,331</u> |

10. TRADE AND OTHER PAYABLES

At 30 September 2017, included in the Group's trade and other payables are trade payables of approximately HK\$7,756,000 (31 March 2017: approximately HK\$2,933,000).

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

| | (Unaudited) 30 September 2017 HK\$'000 | (Audited) 31 March 2017 HK\$'000 |
|-------------------|---|---|
| 0 to 30 days | 4,807 | 2,082 |
| 31 to 60 days | 1,715 | 27 |
| 61 to 90 days | 797 | 320 |
| More than 90 days | 437 | 504 |
| | <u>7,756</u> | <u>2,933</u> |

11. PROMISSORY NOTE

On 11 May 2012, the Group issued promissory note to Starmax Holdings Limited (“Starmax”) as part of the purchase consideration of a 51% equity interest of Goffers Management Limited in the principal amount of HK\$63,000,000 (the “Promissory Note”). The outstanding aggregate principal amount of the Promissory Note is repayable by instalments in accordance with the terms of the Promissory Note and bears interest at 3% per annum payable on each anniversary date of issue. It is secured by a charge over a 51% of the issued share capital of Goffers Management Limited, a non-wholly owned subsidiary of the Company. As at 30 September 2017, the outstanding aggregate principal amount of the Promissory Note amounting to HK\$10,000,000 (31 March 2017: HK\$20,000,000).

Imputed interest expenses of approximately HK\$75,000 (for the three months ended 30 September 2016: approximately HK\$150,000) and HK\$184,000 (for the six months ended 30 September 2016: approximately HK\$333,000) respectively have been recognised in the condensed consolidated statement of comprehensive income for the three months and six months ended 30 September 2017.

12. DEFERRED TAX LIABILITIES

Deferred tax credit of approximately HK\$72,000 for the three months ended 30 September 2017 (2016: deferred tax expense of approximately HK\$489,000) and HK\$603,000 for the six months ended 30 September 2017 (2016: deferred tax expense of approximately HK\$1,075,000) have been respectively recognised in income tax expense of the condensed consolidated statement of comprehensive income (note 5).

13. SHARE CAPITAL

| | Number of Shares | Share Capital <i>HK\$'000</i> |
|--|----------------------|----------------------------------|
| Issued and fully paid: | | |
| At 31 March 2017 and 30 September 2017 | <u>2,812,881,803</u> | <u>906,074</u> |

14. 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.

The Directors consider that the carrying amount of the Promissory Note approximated to its fair value as at 30 September 2017. The carrying amount of the Promissory Note as at 31 March 2017 amounted to approximately HK\$20,532,000, whereas its fair value amounted to approximately HK\$20,408,000. The fair value of the Promissory Note has been arrived using the effective interest method by discounting future estimated repayments at discount rate of 4.22% (31 March 2017: 4.05%) with reference to the United States Treasury Bonds yields and credit spreads of comparable financial instruments with similar characteristics.

Fair value hierarchy

| | Level 1 HK\$'000 | Level 2 HK\$'000 | Level 3 HK\$'000 | Total HK\$'000 |
|--------------------------------|---------------------|---------------------|---------------------|-------------------|
| As at 30 September 2017 | | | | |
| Financial liabilities | | | | |
| Promissory Note | – | 10,044 | – | 10,044 |
| As at 31 March 2017 | | | | |
| Financial liabilities | | | | |
| Promissory Note | – | 20,408 | – | 20,408 |

During the six months ended 30 September 2017, there were no transfer between Level 1 and Level 2, or transfer into or out of Level 3 (for the six months ended 30 September 2016: nil).

15. 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 2017, no share option was granted to employees (2016: nil).

16. DISPOSAL OF AN ASSOCIATE

On 29 September 2017, the Group disposed of the 25.04% equity interest of Ningxia Educational Information & Technology Co., Ltd. (寧夏教育信息技術股份有限公司) at a total consideration of RMB5,752,500 (equivalent to approximately HK\$6,718,000).

Gain on disposal

| | HK\$'000 |
|-----------------------------------|--------------|
| Consideration | 6,718 |
| Net assets disposed of | (5,196) |
| Release of reserves upon disposal | 1,535 |
| | <u>3,057</u> |

17. RELATED PARTY TRANSACTIONS

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

Save 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 | |
| | 2017 | 2016 |
| | HK\$'000 | HK\$'000 |
| Interest expenses paid to a related company (<i>note i</i>) | 184 | 333 |
| Office rental and other related expenses charged to the Group (<i>note ii</i>) | 114 | 96 |
| Donation by the Group (<i>note iii</i>) | 100 | – |
| Rental income received from an associate (<i>note iv</i>) | 180 | – |
| | <u>184</u> | <u>333</u> |

Notes:

- (i) Effective interest expenses on Promissory Note is charged at 2.99% (2016: 2.99%) per annum and payable to a related company which is beneficially owned by Mr. Felipe Tan (“Mr. Tan”), a director and shareholder of the Company, at terms mutually agreed by both parties. Further details of the Promissory Note are set out in note 11.
- (ii) Office rental and other related expenses in respect of the leasing of an office premise were paid to a related company, which is beneficially owned by Mr. Tan, at terms mutually agreed by both parties.
- (iii) Donation was made to a charitable company, which is exempt from tax under section 88 of the Inland Revenue Ordinance, in which Mr. Tan acts as one of the founder members and directors.
- (iv) Rental income in respect of the leasing of an office premise was received from an associate, in which the Group owned 48% equity interest, at terms mutually agreed by both parties.

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 | |
| | 2017 | 2016 |
| | HK\$'000 | HK\$'000 |
| Short-term employee benefits | 1,212 | 2,308 |
| Retirement benefits scheme contributions | 21 | 31 |
| | <u>1,233</u> | <u>2,339</u> |

MANAGEMENT DISCUSSION AND ANALYSIS

About the Group

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

Business Review and Outlook

Software Business

Software Business included the development of software products, consultancy services and computer related hardware trading. There is no revenue from Software Business for the six months ended 30 September 2017 (2016: approximately HK\$250,000).

For the six months ended 30 September 2017, the segment result was improved that the operating losses was reduced to approximately HK\$543,000, representing a decrease of 94% as compared with last year (2016: approximately HK\$8,897,000).

Mining Business

The Mining Business mainly includes the exploration and exploitation of mines and the processing and sale of outputs from the mines in the PRC. For the six months ended 30 September 2017, gold dores, nickel-copper ores, nickel concentrate and copper concentrate were the products sold under the Mining Business.

After a basing period for several years, gold price has been pushed by a confluence of factors to be higher over during the three months ended 30 September 2017. The Gold Mining Business achieved a little turnaround as compared to last quarter. However, as the Hongshannan Gold Mine has come to exhaustion, its outputs and sales both sharply decreased as compared to the corresponding period last year. Sales of processed gold dores were approximately 33 kg for the six months ended 30 September 2017 (2016: approximately 48 kg gold dores), representing a decrease of 31% as compared to the corresponding period of 2016.

In July 2017, Xinjiang Tianmu Mineral Resources Development Co. Ltd. (“Xinjiang Tianmu”), a PRC subsidiary of the Company, received a notice from a regulatory authority, according to which Xinjiang Tianmu was ordered to terminate its mining, exploration and development activities of the Tuchushan Iron Mine which is located in Xinjiang Lop Nur Wild Camel National Grade Natural Reserve. As Tuchushan Iron Mine has no operating activities for years, the shut-down has no material financial impact on the Group. The deposit paid secured at specific bank as requested by Ministry of Land and Resources of approximately HK\$1,442,000 would be used for the related rehabilitation work.

During the six months ended 30 September 2017, the Group resumed nickel-copper mining activities and recorded a turnover of approximately HK\$59,334,000 (2016: nil) representing the sales of approximately 15,000 tonnes of nickel-copper ores, 7,300 tonnes of nickel concentrate and 800 tonnes of copper concentrate.

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 2017 are summarised below:

| Mine | Activity | | |
|-------------------------------|--|--|-------------------------------|
| | Exploration | Development | Mining |
| Hongshannan Gold Mine | No material exploration | Completed drift construction of approximately 1,477 meters | Ores extracted: 22,332 tonnes |
| Tuchushan Iron Mine | No activity during the period under review | | |
| Baishiquan Nickel-copper Mine | No material exploration | Completed drift construction of approximately 1,539 meters | Ores extracted: 94,636 tonnes |
| South Hami Gold Project | No activity during the period under review | | |

Processing Activity

For the six months ended 30 September 2017, the total quantity of gold ores extracted from the mines and processed by the processing plant were approximately 22,332 tonnes and 27,634 tonnes respectively. The gold ores extracted increased by 14% while gold processing quantity increased by 40% as compared to the corresponding period of last year. The increased gold ores extracted was mainly the low grade gold ores from the Hongshannan Gold Mine. As opposed to delayed resumption of mining work and late production in 2016, the Group has strived to increase the gold ores extracted and processed from Hongshannan Gold Mine so as to maximize the value of the remaining resources up to exhaustion. The gold processing quantity was increased as the process plant was running at full capacity during the period under review.

For the six months ended 30 September 2017, the nickel-copper ores extracted from the mines and processed by the processing plant were approximately 94,636 tonnes and 79,997 tonnes respectively. Due to the increase in nickel and copper price and the growing demand from nickel and copper product, the Group resumed the extraction and processing of nickel-copper ores in April 2017 and nickel-copper ores and nickel and copper concentrate become the main products of the mining business.

Expenditure Incurred

During the six months ended 30 September 2017, the Group has incurred expenditure of approximately HK\$64.6 million on exploration, development, mining and processing activities, details of which are set out below:

| | Hongshannan Gold Mine <i>HK\$'000</i> | Baishiquan Nickel-copper Mine <i>HK\$'000</i> | South Hami Gold Project <i>HK\$'000</i> | Total <i>HK\$'000</i> |
|--|---|--|---|--------------------------|
| 1. Capital Expenditure | | | | |
| 1.1 Exploration activities | | | | |
| Drilling and analysis | – | – | – | – |
| <i>Subtotal</i> | – | – | – | – |
| 1.2 Development activities (including mine construction) | | | | |
| Addition of intangible assets, property, plant and equipment | – | 133 | – | 133 |
| Construction of tunnels and sub-contracting charges | – | 5,060 | – | 5,060 |
| <i>Subtotal</i> | – | 5,193 | – | 5,193 |
| Total Capital Expenditure | – | 5,193 | – | 5,193 |
| 2. Operating Expenditures for Mining Activities | | | | |
| Staff cost | 463 | 902 | – | 1,365 |
| Consumables | 77 | 76 | – | 153 |
| Fuel, electricity, water and other services | 595 | 928 | – | 1,523 |
| Non-income taxes, royalties and other government charges | 339 | 1,044 | – | 1,383 |
| Sub-contracting charges | 11,244 | 7,228 | – | 18,472 |
| Transportation | 1,694 | 3,696 | – | 5,390 |
| Depreciation and amortization | 1,509 | 17,693 | – | 19,202 |
| Others | 222 | 96 | – | 318 |
| Total Operating Expenditure | 16,143 | 31,663 | – | 47,806 |
| Total Capital and Operating Expenditure | 16,143 | 36,856 | – | 52,999 |

| | Hongshannan Gold Mine HK\$'000 | Baishiquan Nickel-copper Mine HK\$'000 | South Hami Gold Project HK\$'000 | Total HK\$'000 |
|---|--------------------------------------|---|--|-------------------|
| 3. Processing Expenditure | | | | |
| Staff cost | | | | 4,248 |
| Consumables | | | | 3,907 |
| Fuel, electricity, water and other services | | | | 2,848 |
| Depreciation and amortization | | | | 434 |
| Transportation | | | | 1 |
| Others | | | | 202 |
| Total Processing Expenditures | | | | 11,640 |
| Total Expenditures | | | | 64,639 |

Infrastructure Projects, Subcontracting Arrangements and Purchases of Equipment

There were new contracts entered into during the six months ended 30 September 2017 which related to exploration work and transportation of gold ores and nickel-copper ores. As at 30 September 2017, there was no outstanding commitments in relation to these contracts for the Group.

Outlook

After restructuring the operation of the Software Business, the Group is proceeding with the potential investment in various projects in the PRC under such business segment. In the meantime, we are also exploring the possibility of developing management software which could be applied in various industries. While taking positive steps to optimise the business under the Software Business, the Group will strive to build sustainable business operations in order to generate more returns to the shareholders.

During this quarter, the gold market price rose from US\$1,242 per ounce on 30 June 2017 to US\$1,280 per ounce on 30 September 2017. As Hongshannan Gold Mine has come to exhaustion, the Group will continue to process the remaining gold ores extracted. The gold operation is expected to be ended during the fourth quarter of the year.

For the three months ended 30 September 2017, nickel price kept swelling during the first half of this quarter and peaked at US\$12,250 per tonne, then ended at US\$10,500 per tonne on 30 September 2017. Although demand from China and the recovery of the electric car battery market have encouraged a price boost during this quarter, the requirement of nickel element in lithium battery has boosted the demand of such metal and nickel is in its way of recovery.

Financial Performance Review

For the six months ended 30 September 2017, the Group recorded turnover of approximately HK\$70,167,000 (2016: approximately HK\$16,059,000), representing an increase of 3.4 times compared to the corresponding period in 2016. Profit for the period under review was approximately HK\$1,498,000 (2016: loss of approximately HK\$15,741,000), representing an increase of 1.1 times as compared to the corresponding period in 2016.

For the period under review, there is no turnover from Software Business (2016: approximately HK\$250,000), representing a decrease of 100% against the corresponding period in 2016. The segmental loss was approximately HK\$543,000 (2016: approximately HK\$8,897,000), representing a decrease of 94% as compared with corresponding period last year.

For the period under review, the Mining Business recorded turnover of approximately HK\$70,167,000 (2016: approximately HK\$15,809,000), representing an increase of 3.4 times against the corresponding period in 2016. The segmental profit was approximately HK\$4,461,000 (2016: loss of approximately HK\$2,451,000), representing an increase of 2.8 times as compared with the corresponding period in 2016.

Under the period under review, the Group realised its investment by disposing of its entire equity interest in an associate. The Group recognised a gain of approximately HK\$3.1 million as a result of the disposal.

Loss attributable to owners of the Company was approximately HK\$1,046,000, as compared to approximately HK\$13,673,000 for the same period in 2016.

Capital Structure, Liquidity and Financial Resources

As at 30 September 2017, the Group had bank balances and cash and net current assets amounted to approximately HK\$88.3 million and HK\$113.3 million (31 March 2017: HK\$102.1 million and HK\$110.2 million) respectively. Out of the Group's bank balances and cash, about 55% and 45% (31 March 2017: 62% and 38%) were denominated in Hong Kong dollars and Chinese Renminbi respectively. As at 30 September 2017, the Group's current ratio was 3.28 (31 March 2017: 4.75).

The Group generally financed its operations and investing activities primarily with internally generated cash flow as well as the proceeds from fund raising activities and from the exercising by grantees of the share options granted under the share option scheme.

As at 30 September 2017, the Group had outstanding borrowings of approximately HK\$10.1 million (31 March 2017: HK\$20.5 million), for which primarily represents the Hong Kong dollar denominated Promissory Note accounted for at amortised cost using the effective interest method and a secure bank loan.

The Board believes that the Group has an adequate capital structure and the Group's existing financial resources are sufficient to fulfill its commitments and working capital requirements.

Gearing Ratio

As at 30 September 2017, the Group's gearing ratio was approximately 8% (31 March 2017: 16%), based on total borrowings of approximately HK\$10.1 million (31 March 2017: HK\$20.5 million) and equity attributable to owners of the Company of approximately HK\$131.3 million (31 March 2017: HK\$132.1 million). The decrease in the ratio was mainly due to the repayment of HK\$10 million Promissory Note during the period ended 30 September 2017.

Charge on the Group's Assets

As at 30 September 2017, 102 shares of Goffers Management Limited (representing 51% of the issued share capital), an indirect wholly-owned subsidiary of the Company, was pledged to the noteholder in order to secure the payment obligations of the Group under the Promissory Note.

In addition, the Group's obligations under finance leases are secured by the Group's charge over the leased assets. As at 30 September 2017, the carrying amount of the Group's property, plant and equipment included an amount of approximately HK\$720,000 (31 March 2017: nil) in respect of assets held under finance leases.

Order Book and Prospects for New Business

There was no order book on hand as at 30 September 2017.

Significant Investments, Material Acquisitions and Disposals of Subsidiaries and Affiliated Companies

On 29 September 2017, the Group completed the disposal of 25.04% of the issued share capital in Ningxia Educational Information & Technology Co., Ltd. ("Ningxia") at a total consideration of RMB5,752,500 (equivalent to approximately HK\$6,718,000). After the disposal, Ningxia ceased to be an associate of the Company. The consideration was approximate to the net asset value of Ningxia.

Save as above, there was no material disposal or acquisition of subsidiaries and affiliated companies for the period under review.

Segmental Information

The Group is currently organised into two operating segments – (i) the Software Business; and (ii) the Mining Business. During the period under review, there is no revenue generated by the Group's Software Business (2016: 1.56%) and Mining Business accounted for all (2016: 98.44%) of the revenue.

Future Plans for Material Investments

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

Exposure to Exchange Risks

The Group is not exposed to significant foreign currency risk as majority of its transactions are denominated in the respective functional currencies of the Group's major operating subsidiaries (i.e. Hong Kong dollars and Renminbi).

Contingent Liabilities

As at 30 September 2017, there were no material contingent liabilities incurred by the Group.

Employee Information

As at 30 September 2017, the Group employed a total staff of 169. 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 2017, 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 | | |
| Executive Director | | | | |
| Felipe Tan | 158,128,000 | 678,074,400* | 836,202,400 | 29.73% |
| Independent Non-Executive Directors | | | | |
| Chan Choi Ling | 1,200,000 | – | 1,200,000 | 0.04% |
| Chan Mei Ying Spencer | 1,800,000 | – | 1,800,000 | 0.06% |
| Lam Kwai Yan | 1,200,000 | – | 1,200,000 | 0.04% |

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

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

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

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

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

| Name of Director | Name of associated corporation | Capacity | Amount of debentures |
|------------------|--------------------------------|------------------------------------|----------------------|
| Felipe Tan | Time Kingdom Limited | Interest of controlled corporation | HK\$10,000,000* |

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

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

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

| Name of Directors | Date of grant | Vesting and Exercisable period | Exercised price per share HK\$ | Number of share options and number of underlying shares | | | | | |
|--|---------------|--------------------------------|-----------------------------------|---|---------------------------|----------------------------|-----------------------------|--------------------------|--------------------------|
| | | | | Outstanding at 1.4.2017 | Granted during the period | Exercise during the period | Cancelled during the period | Lapsed during the period | Outstanding at 30.9.2017 |
| Executive Directors | | | | | | | | | |
| Felipe Tan | 02.03.2017 | 02.03.2017-01.03.2027 | 0.1080 | 2,000,000 | - | - | - | - | 2,000,000 |
| Lau Yun Fong | 03.10.2013 | 03.10.2013-02.10.2023 | 0.1435 | 2,075,676 | - | - | - | - | 2,075,676 |
| Carman | 17.02.2014 | 17.02.2014-16.02.2024 | 0.1329 | 415,135 | - | - | - | - | 415,135 |
| | 02.03.2017 | 02.03.2017-01.03.2027 | 0.1080 | 1,000,000 | - | - | - | - | 1,000,000 |
| Independent Non-Executive Directors | | | | | | | | | |
| Chan Choi Ling | 02.03.2017 | 02.03.2017-01.03.2027 | 0.1080 | 1,000,000 | - | - | - | - | 1,000,000 |
| Chan Mei Ying Spencer | 02.03.2017 | 02.03.2017-01.03.2027 | 0.1080 | 1,000,000 | - | - | - | - | 1,000,000 |
| Lam Kwai Yan | 02.03.2017 | 02.03.2017-01.03.2027 | 0.1080 | 1,000,000 | - | - | - | - | 1,000,000 |
| Tsang Wai Chun Marianna | 02.03.2017 | 02.03.2017-01.03.2027 | 0.1080 | 1,000,000 | - | - | - | - | 1,000,000 |
| | | | | <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 2017, none of the Directors or chief executive or any of their respective associates had any interests or short positions in the shares, underlying shares or debentures of the Company or its associated corporations which fall to be notified to the Company and the Stock Exchange pursuant to Part XV of the SFO, or which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein or which were required to be notified to the Company and the Stock Exchange pursuant to Rule 5.46 of the GEM Listing Rules.

Substantial Shareholder's Interests and Short Positions in Shares and Underlying Shares

As at 30 September 2017, 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 shareholder had notified the Company of relevant interest in the issued share capital of the Company.

| Name of Substantial shareholder | Number of ordinary shares held | Number of share options and underlying shares held | Aggregate long position | Percentage of the issued share capital as at 30 September 2017 |
|---------------------------------|--------------------------------|--|-------------------------|--|
| Starmax Holdings Limited* | 678,074,400 | – | 678,074,400 | 24.11% |

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

Save as disclosed in the section “Directors’ and chief executive’s interests and short positions in shares and underlying shares of the Company”, the Company has not been notified of any other interests or short positions in the issued share capital as at 30 September 2017.

Share Options

A summary of the share options granted under the 2003 Share Option Scheme are as follows:

| Type of participants | Date of grant | Exercisable period | Exercise price per share HK\$ | Number of share options | | | | |
|----------------------|---------------|-----------------------|----------------------------------|---------------------------|---------------------------|-----------------------------|--------------------------|---------------------------|
| | | | | Outstanding at 01.04.2017 | Granted during the period | Exercised during the period | Lapsed during the period | Outstanding at 30.09.2017 |
| Employees | 20.11.2012 | 20.11.2012–19.11.2022 | 0.1281 | 3,113,514 | – | – | – | 3,113,514 |
| | | | | <u>3,113,514</u> | <u>–</u> | <u>–</u> | <u>–</u> | <u>3,113,514</u> |

A summary of the share options granted under the 2013 Share Option Scheme are as follows:

| Type of participants | Date of grant | Exercisable period | Exercise price per share <i>HK\$</i> | Number of share options | | | | |
|----------------------|---------------|-----------------------|---|---------------------------|---------------------------|-----------------------------|--------------------------|---------------------------|
| | | | | Outstanding at 01.04.2017 | Granted during the period | Exercised during the period | Lapsed during the period | Outstanding at 30.09.2017 |
| 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 | 7,000,000 | - | - | - | 7,000,000 |
| 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 | 12,000,000 | - | - | - | 12,000,000 |
| Others | 03.10.2013 | 03.10.2013–02.10.2023 | 0.1435 | 3,113,514 | - | - | - | 3,113,514 |
| | 02.03.2017 | 02.03.2017–01.03.2027 | 0.1080 | 25,000,000 | - | - | - | 25,000,000 |
| | | | | <u>53,859,461</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>53,859,461</u> |

Competing Interest

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 and prospecting exploration projects of gold, copper and nickel in Xinjiang, PRC. All of them are in exploration or prospecting stage and are not yet in production, whereas the mining business of the Group are in production stage. In this regard, Mr. Felipe Tan 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.

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 2017, 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. The post of Chief Executive Officer of the Company remains vacant and the role of the Chief Executive Officer has been performed by the executive directors collectively. The Board will continue to use its best endeavour in finding a suitable candidate to assume duties as Chief Executive Officer of the Company as soon as possible.

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 2017.

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, to 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 audit committee comprises four independent non-executive Directors, Ms. Tsang Wai Chun Marianna, Ms. Chan Choi Ling, Mr. Chan Mei Ying Spencer and Mr. Lam Kwai Yan. The audit committee has reviewed the unaudited interim financial results for the six months ended 30 September 2017.

On behalf of the Board
TIMELESS SOFTWARE LIMITED
Felipe Tan
Chairman

Hong Kong, 8 November 2017

Executive Directors:

Mr. Felipe Tan (*Chairman*)

Ms. Lau Yun Fong Carman

Independent non-executive Directors:

Ms. Chan Choi Ling

Mr. Chan Mei Ying Spencer

Mr. Lam Kwai Yan

Ms. Tsang Wai Chun Marianna