

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 Listed Company Information” 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 Profit or Loss and Other Comprehensive Income

For the nine months ended 31 December 2021

	Notes	(Unaudited)			
		Three months ended		Nine months ended	
		31 December 2021	2020	31 December 2021	2020
		HK\$'000	HK\$'000	HK\$'000	HK\$'000
Revenue	4	1,663	51,609	80,916	118,545
Other income and gains	5	1,670	1,502	3,884	3,467
Production costs		(201)	(31,810)	(18,315)	(63,107)
Staff costs		(2,317)	(2,862)	(9,566)	(7,705)
Depreciation and amortisation		(329)	(302)	(1,888)	(867)
Gain/(loss) on disposal/written off of property, plant and equipment		3	(59)	146	(175)
(Loss)/gain on fair value changes of financial assets at fair value through profit or loss		(157)	120	(1,093)	263
Loss on derecognition of a financial asset at fair value through profit or loss		(155)	–	(155)	–
Gain on partial disposal of interest in an associate		7,271	–	7,271	407
Other operating expenses		(1,771)	(5,245)	(10,369)	(12,701)
Reversal of impairment on amount due from an associate		–	18	–	15
Share of profit of associates		267	1,309	365	1,272
Finance costs		(170)	(171)	(509)	(513)
Profit before tax		5,774	14,109	50,687	38,901
Income tax credit/(expense)	6	3,148	(3,835)	(8,109)	(10,436)
Profit for the period	7	8,922	10,274	42,578	28,465
Other comprehensive income					
<i>Items that may be reclassified subsequently to profit or loss:</i>					
Exchange differences on translating foreign operations		2,356	3,551	4,131	6,558
Total comprehensive income for the period		11,278	13,825	46,709	35,023
Profit attributable to:					
Owners of the Company		6,568	2,489	12,646	5,632
Non-controlling interests		2,354	7,785	29,932	22,833
		8,922	10,274	42,578	28,465
Total comprehensive income attributable to:					
Owners of the Company		7,181	3,412	13,720	7,338
Non-controlling interests		4,097	10,413	32,989	27,685
		11,278	13,825	46,709	35,023
		HK cents	HK cents	HK cents	HK cents
Earnings per share					
– Basic and diluted	9	0.23	0.09	0.45	0.20

Condensed Consolidated Statement of Changes in Equity

For the nine months ended 31 December 2021

	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 2020 (Audited)	906,074	2,024	1,590	964	(6,082)	(861,833)	42,737	55,768	98,505
Profit for the period	-	-	-	-	-	5,632	5,632	22,833	28,465
Other comprehensive income for the period	-	-	-	-	1,706	-	1,706	4,852	6,558
Total comprehensive income for the period	-	-	-	-	1,706	5,632	7,338	27,685	35,023
Transfer to reserve	-	-	620	-	-	(620)	-	-	-
Dividend paid to non-controlling interests	-	-	-	-	-	-	-	(13,130)	(13,130)
Acquisition of non-controlling interests	-	-	-	-	-	(129)	(129)	129	-
Balance at 31 December 2020 (Unaudited)	906,074	2,024	2,210	964	(4,376)	(856,950)	49,946	70,452	120,398
Balance at 1 April 2021 (Audited)	906,074	1,986	2,205	964	(3,882)	(854,563)	52,784	82,495	135,279
Profit for the period	-	-	-	-	-	12,646	12,646	29,932	42,578
Other comprehensive income for the period	-	-	-	-	1,074	-	1,074	3,057	4,131
Total comprehensive income for the period	-	-	-	-	1,074	12,646	13,720	32,989	46,709
Lapse of share options	-	(239)	-	-	-	239	-	-	-
Dividend paid to non-controlling interests	-	-	-	-	-	-	-	(19,278)	(19,278)
Balance at 31 December 2021 (Unaudited)	906,074	1,747	2,205	964	(2,808)	(841,678)	66,504	96,206	162,710

Notes to the Condensed Consolidated Financial Statements

For the nine months ended 31 December 2021

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 (collectively referred to as 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 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 through its associates.

These unaudited condensed consolidated financial statements are presented in Hong Kong dollars (“HK\$”), which is the same as the functional currency of the Company. These unaudited condensed consolidated financial statements have been reviewed by the audit committee of the Company and were approved for issue by the board of Directors (the “Board”) on 27 January 2022.

2. Basis of Preparation

These unaudited condensed consolidated financial statements for the nine months ended 31 December 2021 have been prepared in accordance with the applicable disclosure requirements of the GEM Listing Rules. These unaudited 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 2021.

The unaudited condensed consolidated financial statements have been prepared on the historical cost basis, except for an investment property and certain financial instruments that are measured at fair values at the end of the reporting period.

The preparation of these unaudited 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 2021 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 2021 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 2021. 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 nine months ended 31 December 2021

3. Significant Accounting Policies

The accounting policies and method of computation used in these unaudited condensed consolidated financial statements for the nine months ended 31 December 2021 are the same as those followed in the Group's audited consolidated financial statements for the year ended 31 March 2021, except for those related to new or revised HKFRSs effective for the first time for the periods beginning on or after 1 April 2021. The adoption of such new or revised HKFRSs during the nine months ended 31 December 2021 has had no material impact on the Group's financial performance and positions for the nine months ended 31 December 2021 and 2020 and/or on the disclosures set out in these unaudited condensed consolidated financial statements.

The Group has not early adopted any new and revised HKFRSs that has been issued but not yet effective in the current accounting period.

4. Revenue and Segment Information

Information reported to the Board, being the chief operating decision maker ("CODM"), for the purposes of resource allocation and assessment of segment performance focuses on types of goods or services delivered or provided. These operating divisions are the basis upon which the information that is regularly reviewed by the CODM is prepared and are analysed under HKFRS8 *Operating Segments*.

Specifically, the Group's reportable segments under HKFRS 8 are (i) Mining Business; and (ii) Other Business.

Segment revenues and results

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

For the nine months ended 31 December 2021 (Unaudited)

	Mining Business HK\$'000	Other Business HK\$'000	Total HK\$'000
Segment revenue			
External sales	<u>80,553</u>	<u>363</u>	<u>80,916</u>
Segment profit	<u>45,398</u>	<u>199</u>	<u>45,597</u>
Interest income			2,695
Unallocated other income and gains			896
Unallocated corporate expenses			(4,526)
Gain on disposal of property, plant and equipment			146
Loss on fair value changes of financial assets at fair value through profit or loss			(1,093)
Loss on derecognition of a financial asset at fair value through profit or loss			(155)
Gain on partial disposal of interest in an associate			7,271
Share of profit of associates			365
Finance costs			(509)
Profit before tax			<u>50,687</u>

Notes to the Condensed Consolidated Financial Statements (Continued)

For the nine months ended 31 December 2021

4. Revenue and Segment Information (Continued)

Segment revenues and results (Continued)

For the nine months ended 31 December 2020 (Unaudited)

	Mining Business HK\$'000	Other Business HK\$'000	Total HK\$'000
Segment revenue			
External sales	118,234	311	118,545
Segment profit	40,612	566	41,178
Interest income			843
Unallocated other income and gains			1,687
Unallocated corporate expenses			(6,076)
Loss on written off of property, plant and equipment			(175)
Gain on fair value changes of financial assets at fair value through profit or loss			263
Gain on partial disposal of interest in an associate			407
Reversal of impairment on amount due from an associate			15
Share of profit of associates			1,272
Finance costs			(513)
Profit before tax			38,901

Disaggregation of revenue from contracts with customers

	(Unaudited) Nine months ended 31 December	
	2021 HK\$'000	2020 HK\$'000
Type of goods or services		
Sales of high-grade nickel-copper ores	80,553	59,099
Sales of nickel concentrates	–	49,418
Sales of copper concentrates	–	9,717
Service fee income	338	295
Sales of water soluble bags	25	16
	<u>80,916</u>	<u>118,545</u>

Notes to the Condensed Consolidated Financial Statements (Continued)

For the nine months ended 31 December 2021

4. Revenue and Segment Information (Continued)

Disaggregation of revenue from contracts with customers (Continued)

	(Unaudited)	
	Nine months ended 31 December	
	2021	2020
	HK\$'000	HK\$'000
Timing of revenue recognition		
At a point in time	80,791	118,545
Over time	125	–
	80,916	118,545

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

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

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

5. Other Income and Gains

	(Unaudited)			
	Three months ended 31 December		Nine months ended 31 December	
	2021	2020	2021	2020
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Government grants	–	316	–	949
Dividend income	–	–	750	750
Interest income	1,316	616	2,695	843
Rental income	48	48	144	158
Exchange gain	141	97	119	111
Other income	165	425	176	656
Total other income and gains	1,670	1,502	3,884	3,467

Notes to the Condensed Consolidated Financial Statements (Continued)

For the nine months ended 31 December 2021

6. Income Tax (Credit)/Expense

	(Unaudited)			
	Three months ended		Nine months ended	
	31 December		31 December	
	2021	2020	2021	2020
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Current tax				
PRC Enterprise Income Tax				
– charge for the period	–	6,019	7,000	12,740
– (over)/under provision in respect of prior periods	(3,682)	–	27	8
– PRC withholding tax	–	–	1,062	750
Deferred tax	534	(2,184)	20	(3,062)
	(3,148)	3,835	8,109	10,436

No provision for Hong Kong profits tax has been made in the unaudited condensed consolidated financial statements as the Group had no assessable profit arising in or derived from Hong Kong for both periods.

Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the jurisdictions in which the Group operates. Under the Law of the PRC on Enterprise Income Tax (the “EIT Law”) and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% for both periods.

Notes to the Condensed Consolidated Financial Statements (Continued)

For the nine months ended 31 December 2021

7. Profit for the Period

Profit for the period has been arrived at after charging/(crediting):

	(Unaudited)			
	Three months ended 31 December 2021 HK\$'000		Nine months ended 31 December 2021 HK\$'000	
		2020 HK\$'000		2020 HK\$'000
Employee benefits expense (including Directors' and chief executive's emoluments)	2,323	6,558	9,843	15,257
Amount included in the production costs line item	(6)	(3,696)	(277)	(7,552)
Amount included in the staff costs line item	2,317	2,862	9,566	7,705
Depreciation of property, plant and equipment	–	64	322	396
Amortisation of intangible assets	–	12,474	3,699	18,070
Depreciation and amortisation (included in the production costs line item)	–	12,538	4,021	18,466
Depreciation of property, plant and equipment	66	173	1,056	513
Depreciation of right-of-use assets	258	112	581	308
Amortisation of land rehabilitation costs	5	17	251	46
Depreciation and amortisation (included in the depreciation and amortisation line item)	329	302	1,888	867
Gross rental income arising from an investment property	(48)	(48)	(144)	(158)
Less: direct operating expenses incurred for an investment property that generate rental income during the period	22	20	62	55
Net rental income	(26)	(28)	(82)	(103)
Cost of inventories recognised as an expense	164	31,810	16,352	63,107
Provision for inventories (included in the production costs line item)	–	–	1,823	–
Expense relating to short-term leases not included in the measurement of lease liabilities	159	932	411	2,641

Notes to the Condensed Consolidated Financial Statements (Continued)

For the nine months ended 31 December 2021

8. Interim dividend

The Directors do not recommend the payment of an interim dividend for the nine months ended 31 December 2021 (nine months ended 31 December 2020: nil).

9. Earnings per Share

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

	(Unaudited)			
	Three months ended		Nine months ended	
	31 December		31 December	
	2021	2020	2021	2020
Profit:				
Profit for the period attributable to owners of the Company for the purpose of basic and diluted earnings per share	<u>HK\$6,568,000</u>	<u>HK\$2,489,000</u>	<u>HK\$12,646,000</u>	<u>HK\$5,632,000</u>
Number of ordinary shares:				
Weighted average number of ordinary shares for the purpose of basic and diluted earnings per share	<u>2,812,881,803</u>	<u>2,812,881,803</u>	<u>2,812,881,803</u>	<u>2,812,881,803</u>

The computation of diluted earnings per share did not assume the exercise of the Company's outstanding share options since the exercise prices of those options were higher than the average market price of the shares for the three months and the nine months ended 31 December 2021 and 2020.

Notes to the Condensed Consolidated Financial Statements (Continued)

For the nine months ended 31 December 2021

10. Related Party Transactions

Other than disclosed elsewhere in these unaudited condensed consolidated financial statements, the Group had the following significant transactions with related parties:

	(Unaudited) Three months ended 31 December		(Unaudited) Nine months ended 31 December	
	2021 HK\$'000	2020 HK\$'000	2021 HK\$'000	2020 HK\$'000
Rental and share of office expenses paid to related companies (Note i)	186	306	487	635
Loan interest paid to related companies (Note ii)	171	171	509	509
Purchase of goods from a related company (Note iii)	–	14	–	14
Management fee income from an associate (Note iv)	–	75	125	225
Recharge of consultancy fee to an associate (Note iv)	–	–	–	20
Exploration expenses paid to a related company (Note v)	1,644	–	1,644	–

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. Tan”), an executive Director 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. Tan.
- (iii) In prior period, goods were purchased from a related company, in which Mr. Tan had equity interest more than 20%, at terms mutually agreed by both parties.
- (iv) Management fee income and recharge of consultancy fee were received from an associate, in which the Company owned a 22.53% equity interest, at terms mutually agreed by both parties.
- (v) Exploration expenses were paid to a related company, which is the non-controlling shareholder of a subsidiary of the Company, at terms mutually agreed by both parties.

Compensation of key management personnel

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

	(Unaudited) Three months ended 31 December		(Unaudited) Nine months ended 31 December	
	2021 HK\$'000	2020 HK\$'000	2021 HK\$'000	2020 HK\$'000
Short-term employee benefits	325	656	1,485	1,835
Post-employment benefits	1	17	19	53
	326	673	1,504	1,888

Management Discussion and Analysis

About the Group

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

Business Review

Mining Business

The Mining Business primarily comprises of exploration, development and exploitation of a nickel-copper mine in the PRC. For the nine months ended 31 December 2021, the Group sold high grade nickel-copper ores as its major products under the Mining Business.

The Group recorded an increase in gross profit for the nine months ended 31 December 2021 due to the rising trend of nickel market price and the increase in average grading of high grade nickel-copper ores which lowered the processing cost. As the mineral resources of phase one of the Baishiquan Nickel-copper Mine was exhausted and all the remaining inventory had been sold in August 2021, there was no revenue from the Mining Business subsequently. The Group continued with the preparation work for the renewal of the mining license which will be expired in September 2022. For the phase two mining zone of the Baishiquan Nickel-copper Mine, we have engaged qualified professionals to prepare the supplementary detailed report with exploration work began in October 2021. For the nine months ended 31 December 2021, we have incurred approximately HK\$1.6 million (nine months ended 31 December 2020: nil) for drilling 8 surface holes of approximately 2,342 meters. In addition, the Group also paid mining royalties of approximately HK\$12.3 million for the Baishiquan Nickel-copper Mine.

For the nine months ended 31 December 2021, turnover from the sales of high-grade nickel-copper ores amounted to approximately HK\$80.6 million (nine months ended 31 December 2020: HK\$59.1 million), representing the sales of 18,046 tonnes (nine months ended 31 December 2020: 18,736 tonnes) of high-grade nickel-copper ores. For the nine months ended 31 December 2020, the Group also sold 10,661 tonnes and 806 tonnes of nickel concentrates and copper concentrates, generating revenue of approximately HK\$49.4 million and HK\$9.7 million, respectively.

In consideration of the nature and future use, obsolete items of inventories with an aggregate carrying amount of HK\$1.8 million were written off for the nine months ended 31 December 2021.

Other Business

Other Business comprised of research, development and sale agency of bio and nano materials products as well as investments in startup fund, software maintenance and development services. For the nine months ended 31 December 2021, there was segment revenue of approximately HK\$0.4 million (nine months ended 31 December 2020: HK\$0.3 million) from Other Business and the segment profit was approximately HK\$0.2 million (nine months ended 31 December 2020: HK\$0.6 million). The segment profit was mainly contributed by the service fee income of HK\$0.2 million from the provision of sales agency services for bio and nano materials products.

Management Discussion and Analysis (Continued)

Business Review (Continued)

Interest in Associates

On 18 October 2021, an independent third party (“the Subscriber”) subscribed for 12,470 shares of CGA Holdings Limited (“CGA Holdings”) with the subscription price payable in cash to provide funding for the proposed listing of CGA Holdings on an overseas stock exchange (the “Subscription”). Immediately after the Subscription, the issued shares of CGA Holdings increased from 12,980 shares to 25,450 shares, among which 12,470 shares are owned by the Subscriber, 9,090 shares are owned by Bloom Explorer, and 3,890 shares are owned by the Group, representing approximately 49.00%, 35.72% and 15.28% of the issued shares of CGA Holdings respectively. Accordingly, CGA Holdings ceased to be an associate of the Group and was accounted for as financial assets at fair value through profit or loss. The Group recorded a gain on partial disposal of an associate of approximately HK\$7.3 million upon completion of the Subscription. In the event that the listing shall be unsuccessful for any reason whatsoever by 18 April 2023, the Subscriber shall transfer all its shareholding in CGA Holdings to Bloom Explorer and the Group at a consideration of HK\$1 so as CGA Holdings shall be owned as to approximately 70.03% by Bloom Explorer and as to approximately 29.97% by the Group. Further details of the Subscription are set out in the Company’s announcement dated 18 October 2021.

Pursuant to the subscription agreement dated 16 May 2018, the three founders of CGA Holdings (the “CGA Guarantors”) guaranteed to the Group that the net profit after tax of CGA Group as shown in the audited consolidated financial statements of CGA Holdings for the years ended 31 March 2020 and 31 March 2021 shall not be in aggregate less than HK\$32,000,000 (the “Guaranteed Profit”). As the Guaranteed Profit are not fulfilled, the CGA Guarantors are required to pay to the Group a compensation of HK\$9,142,400 (“Profit Guarantee Compensation”). On 30 June 2021, the Group and the CGA Guarantors entered into a deed of settlement (“Deed of Settlement”) in relation to the Profit Guarantee Compensation. The CGA Guarantors jointly and severally undertake to pay to the Group (a) HK\$1,000,000 upon the execution of the Deed of Settlement; (b) HK\$8,142,400 on or before 30 June 2023 or such earlier date as may be requested by the Group; and (c) a further sum accruing at the rate of 5% per annum on the outstanding amount payable by the CGA Guarantors under (b) above, calculated on the actual number of days elapsed from the date of the Deed of Settlement and up to the date of payment of such outstanding amount on the basis of a 365 day year, on the date of payment of such outstanding amount. As security for the due and punctual performance of the obligations of the CGA Guarantors under the Deed of Settlement, Bloom Explorer Limited (“Bloom Explorer”) which is wholly owned by the CGA Guarantors executed in favour of the Group a share charge in respect of 9,090 shares of CGA Holdings owned by it.

As at 31 December 2021, the Group owned 22.53% equity interests in Nano Bubble Limited which is mainly engaged in research and development for hygienic and sanitisation products, and the related solutions using the nano-ozone technology. The hydroponic machine is used for aquaculture and agriculture to enrich oxygen level in fish and vegetable cultivation media. Both the industrial hydroponic machine and nano bubble generator for domestic use are under fine tuning and expected to be released in 2022.

For the nine months ended 31 December 2021, the Group recorded share of profit of associates of approximately HK\$0.4 million (nine months ended 31 December 2020: HK\$1.3 million) which mainly derived from cash rebate of HK\$0.6 million and HK\$0.9 million received by Nano Bubble Limited and Nano Energy Limited, respectively from the Innovation and Technology Commission. Share of profit of associates in the prior period mainly derived from the CGA Group’s profit arising from its disposal gain of subsidiaries related to the e-sports stadium.

Management Discussion and Analysis (Continued)

Business Review (Continued)

Outlook

In view of the rapidly worsening global epidemic situation due to the Omicron variant, 2022 continued to be year of challenge.

For the Mining Business, strong demand from both the stainless steel and battery market drove nickel price up and kept it at high level during this quarter. We are optimistic about the long-term outlook for nickel. Anticipated deficits in nickel supply and energy transition drove us to speed up the pace of the development of phase two zone of the Baishiquan Nickel-copper Mine. Our primary goal in the coming year is to complete and obtain the related government approval on our reserve report and the detailed exploration report. The Group will commence the feasibility study after the approval of the regulatory authority is obtained.

As there will be no revenue from the sale of nickel-copper products in the coming year, the Group scheduled to have metals trading in order to build a more durable source of revenue. In addition, we will further strengthen our existing business by allocating more resources to promote the sale agency and biodegradable material project as well as diversify our investment to acquire more potential projects so as to maintain a healthy financial position and financial performance.

Other Investments

The Group owned 600,000 ordinary shares of Dragon Silver, representing approximately 8.86% of its issued share capital, at an investment cost of HK\$7,800,000. Dragon Silver is a company incorporated in Hong Kong principally engaged in trading, production, processing and investment in precious metals and nonferrous metals and related products.

Pursuant to the subscription agreement dated 29 December 2017 (as amended and supplemented by the supplemental agreement dated 24 April 2020), the founder of Dragon Silver (the “DS Guarantor”) irrevocably guaranteed to the Group that the amount of dividends declared and paid by Dragon Silver for each of the financial years ending from 30 June 2018 to 2022 (the “DS Relevant Years”) shall not be less than HK\$1.25 per share (“DS Guaranteed Dividends”). If the actual dividend paid by Dragon Silver for the DS Relevant Year is less than the DS Guaranteed Dividends, the DS Guarantor shall compensate the Group for the shortfall (“DS Dividend Compensation Amount”).

The DS Guarantor also irrevocably guaranteed to the Group that the profit for each of the DS Relevant Years shall not be less than HK\$15,000,000 (“DS Profit Guarantee”). The Group and the DS Guarantor entered into a supplemental agreement on 24 April 2020 to waive the DS Profit Guarantee for the two financial years ending 30 June 2020 and 2021 and the DS Guarantor agreed to extend the DS Profit Guarantee for three additional financial years ending 30 June 2023, 2024 and 2025.

As at 30 September 2021, being the dividend payment deadline for the financial year ended 30 June 2021 (“FY2021”) of Dragon Silver, Dragon Silver has not declared and paid any dividend to the Group. On 8 October 2021, the DS Guarantor paid to the Group the DS Dividend Compensation Amount for FY2021 of HK\$750,000. As such, the Board (including the independent non-executive Directors) considered that the obligation of the DS Guarantor in respect of the DS Guaranteed Dividend for FY2021 has been fulfilled.

Management Discussion and Analysis (Continued)

Business Review (Continued)

Other Investments (Continued)

Pursuant to the put option deed dated 29 December 2017, the DS Guarantor has granted to the Group the put option to sell all the 600,000 shares to him at the consideration of HK\$7,800,000 within the period from 29 December 2021 to 28 December 2022.

Financial Performance Review

For the nine months ended 31 December 2021, the Group recorded turnover of approximately HK\$80.9 million (nine months ended 31 December 2020: HK\$118.5 million), representing a decrease of 32% as compared with the prior period. Turnover from the Mining Business and the Other Business amounted to HK\$80.6 million (nine months ended 31 December 2020: HK\$118.2 million) and HK\$0.4 million (nine months ended 31 December 2020: HK\$0.3 million), respectively. The decrease in turnover from the Mining Business was due to the decrease in sales quantity of nickel-copper products while the increase in turnover from the Other Business was attributable to the increase in sales agency services rendered during the period.

For the period under review, the Group's Mining Business and Other Business recorded segment profit of HK\$45.4 million (nine months ended 31 December 2020: HK\$40.6 million) and HK\$0.2 million (nine months ended 31 December 2020: HK\$0.6 million), respectively. The increase in segment profit for the Mining Business by 12% was due to the increase in average selling price as well increase in average grading of the high-grade nickel-copper ores which lowered the average cost while the decrease in segment profit for the Other Business by 67% was due to a one-off cash rebate for research and development of HK\$0.3 million received in the prior period.

Other income and gains of approximately HK\$3.9 million for the period under review (nine months ended 31 December 2020: HK\$3.5 million) mainly represented interest income, dividend income and rental income. The increase by 11% was due to the increase in interest income generated from the increased average cash and bank balance.

For the nine months ended 31 December 2021, the Group reported share of profit of associates of approximately HK\$0.4 million (nine months ended 31 December 2020: HK\$1.3 million). The decrease in share of profit of associates was mainly due to the recognition of a gain on disposal of subsidiaries in the profit of CGA Group in the prior period.

For the nine months ended 31 December 2021, profit for the period was approximately HK\$42.6 million (nine months ended 31 December 2020: HK\$28.5 million), representing an increase by 49% as compared to the corresponding period in 2020. The increase in profit was mainly contributed by the increased segment profit from the Mining Business.

Other Information

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

At 31 December 2021, 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	159,128,000	678,074,400*	837,202,400	29.76%
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%

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

Other Information (Continued)

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

Long positions (Continued)

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

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

Other Information (Continued)

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

Long positions (Continued)

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

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 01.04.2021	During the period		Outstanding at 31.12.2021
					Cancelled	Lapsed	
Executive Directors							
Felipe TAN	02.03.2017	02.03.2017–01.03.2027	0.1080	2,000,000	–	–	2,000,000
LAU Yun Fong Carman*	03.10.2013	03.10.2013–02.10.2023	0.1435	2,075,676	–	(2,075,676)	–
	17.02.2014	17.02.2014–16.02.2024	0.1329	415,135	–	(415,135)	–
	02.03.2017	02.03.2017–01.03.2027	0.1080	1,000,000	–	(1,000,000)	–
Ronald TAN	02.03.2017	02.03.2017–01.03.2027	0.1080	2,000,000	–	–	2,000,000
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>10,490,811</u>	<u>–</u>	<u>(3,490,811)</u>	<u>7,000,000</u>

* Ms. Lau Yun Fong Carman resigned as an executive Director of the Company on 31 August 2021.

Notes:

- No share options have been granted under the share option schemes during the nine months ended 31 December 2021 (2020: nil).
- No share options granted under the share option schemes were exercised during the nine months ended 31 December 2021 (2020: nil).

Other Information (Continued)

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

Long positions (Continued)

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

Save as disclosed above, at 31 December 2021, none of the Directors or chief executive or any of their respective associates had any interests or short positions in the shares, underlying shares or debentures of the Company or its associated corporations which fall to be notified to the Company and the Stock Exchange pursuant to Part XV of the SFO, or which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein or which were required to be notified to the Company and the Stock Exchange pursuant to Rule 5.46 of the GEM Listing Rules.

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

As at 31 December 2021, the register maintained by the Company pursuant to Section 336 of the SFO shows that other than the interests disclosed above in respect of certain Directors and the chief executive, the following shareholders had notified the Company of relevant interest in the issued share capital of the Company.

Name of substantial shareholders	Nature of interests	Number of shares or underlying shares held			Percentage of the issued share capital as at 31 December 2021
		Ordinary shares	Share options	Total	
Starmax Holdings Limited*	Beneficial owner	678,074,400	–	678,074,400	24.11%

* Starmax is beneficially owned by Mr. Felipe Tan.

Saved as disclosed above, as at 31 December 2021, 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.

Competing Interest

Mr. Felipe Tan holds shareholding and directorship in GobiMin Inc., the shares of which are listed on the TSX Venture Exchange (symbol: GMN). Its subsidiaries are principally engaged in investment in equity, debt or other securities as well as direct ownership stakes in projects, including a gold mine in Xinjiang, PRC whereas the Mining Business of the Group involved a nickel-copper mine. In this regard, Mr. Felipe Tan is considered to have interests in business which might compete, either directly or indirectly with the businesses of the Group.

The abovementioned competing business is operated and managed by a company with independent management. In addition, the Board is independent from the board of the abovementioned company.

Accordingly, the Group is therefore capable of carrying on business independently and at arm's length from the said competing business.

Other Information (Continued)

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

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

Audit Committee

The 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 quarterly report, including the unaudited condensed consolidated financial statements for the nine months ended 31 December 2021.

On behalf of the Board

Felipe Tan

Chairman

Hong Kong, 27 January 2022