



QUARTERLY REPORT

for the quarter ended
30 June 2014

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 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 and no assurance is given that there will be a liquid market in the securities traded on GEM.

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the three months ended 30 June 2014

	Notes	(Unaudited)	
		Three months ended 30 June	
		2014	2013
		HK\$'000	HK\$'000
Turnover		22,264	22,025
Other income and gains		194	686
Purchase and production costs		(16,316)	(15,964)
Staff costs		(6,913)	(7,211)
Depreciation and amortisation		(997)	(2,418)
Other expenses		(2,669)	(3,963)
Net gains/(losses) on investments held for trading		2	(1,411)
Finance costs		(1,293)	(561)
Share of losses of associates		(19)	(29)
Loss before tax		(5,747)	(8,846)
Income tax expense	2	(536)	(2,270)
Loss for the period		(6,283)	(11,116)
Other comprehensive income/(loss), net of income tax			
<i>Items that may be reclassified subsequently to profit or loss:</i>			
Exchange differences on translating foreign operations		740	4,813
Share of other comprehensive loss of associates		(527)	(252)
Other comprehensive income for the period, net of income tax		213	4,561
Total comprehensive loss for the period		(6,070)	(6,555)
Profit/(loss) attributable to:			
Owners of the Company		(6,307)	(10,937)
Non-controlling interests		24	(179)
		(6,283)	(11,116)
Total comprehensive income/(loss) attributable to:			
Owners of the Company		(6,647)	(9,937)
Non-controlling interests		577	3,382
		(6,070)	(6,555)
		HK cents	HK cents
Loss per share			
– Basic and diluted	4	(0.388)	(0.691)

Condensed Consolidated Statement of Changes in Equity

For the three months ended 30 June 2014

	Share capital (unaudited) HK\$'000	Share premium (unaudited) HK\$'000	Share options reserve (unaudited) HK\$'000	Investment revaluation reserve (unaudited) HK\$'000	Translation reserve (unaudited) HK\$'000	Accumulated deficit (unaudited) HK\$'000	Attributable to owners of the Company (unaudited) HK\$'000	Non- controlling interests (unaudited) HK\$'000	Total (unaudited) HK\$'000
Balance at 1 April 2013	79,013	685,806	4,161	2,527	9,581	(647,864)	133,224	294,090	427,314
Loss for the period	-	-	-	-	-	(10,937)	(10,937)	(179)	(11,116)
Other comprehensive income/(loss) for the period	-	-	-	(348)	1,348	-	1,000	3,561	4,561
Total comprehensive income/(loss) for the period	-	-	-	(348)	1,348	(10,937)	(9,937)	3,382	(6,555)
Issue of ordinary shares under employee share option plan	190	621	(230)	-	-	-	581	-	581
Transactions costs attributable to issue of new ordinary shares	-	(5)	-	-	-	-	(5)	-	(5)
Balance at 30 June 2013	<u>79,203</u>	<u>686,422</u>	<u>3,931</u>	<u>2,179</u>	<u>10,929</u>	<u>(658,801)</u>	<u>123,863</u>	<u>297,472</u>	<u>421,335</u>
Balance at 1 April 2014	<u>773,715</u>	-	<u>5,760</u>	<u>1,914</u>	<u>9,178</u>	<u>(704,549)</u>	<u>86,018</u>	<u>254,574</u>	<u>340,592</u>
Loss for the period	-	-	-	-	-	(6,307)	(6,307)	24	(6,283)
Other comprehensive income/(loss) for the period	-	-	-	(542)	202	-	(340)	553	213
Total comprehensive income/(loss) for the period	-	-	-	(542)	202	(6,307)	(6,647)	577	(6,070)
Issue of ordinary shares under employee share option plan	61	-	(23)	-	-	-	38	-	38
Transactions costs attributable to issue of new ordinary shares	(5)	-	-	-	-	-	(5)	-	(5)
Balance at 30 June 2014	<u>773,771</u>	<u>-</u>	<u>5,737</u>	<u>1,372</u>	<u>9,380</u>	<u>(710,856)</u>	<u>(79,404)</u>	<u>255,151</u>	<u>334,555</u>

Notes to the Condensed Consolidated Financial Statements

For the three months ended 30 June 2014

1. Basis of Preparation and Accounting Policies

The condensed consolidated financial statements have been prepared to comply with the disclosure requirements of the Rules Governing the Listing of Securities on the Growth Enterprise Market (the "GEM Listing Rules") of The Stock Exchange of Hong Kong Limited.

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 2014. The Group has adopted new or revised standards, amendments to standards and interpretations of Hong Kong Financial Reporting Standards which are effective for accounting periods commencing on or after 1 April 2014. 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.

2. Income Tax Expense

	(Unaudited)	
	Three months ended 30 June	
	2014	2013
	HK\$'000	HK\$'000
Current tax:		
– People's Republic of China ("PRC") Enterprise Income Tax	659	2,444
Deferred tax	(123)	(174)
Total income tax recognised in profit or loss	<u>536</u>	<u>2,270</u>

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profits 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. No provision for Hong Kong Profits Tax has been made in the condensed consolidated financial statements as the Group had no assessable profits arising in or derived from Hong Kong for both periods.

3. Interim Dividend

The directors do not recommend the payment of an interim dividend for the three months ended 30 June 2014 (2013: nil).

Notes to the Condensed Consolidated Financial Statements (Continued)

For the three months ended 30 June 2014

4. Loss Per Share

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

	(Unaudited) Three months ended 30 June	
	2014	2013
Loss:		
Loss for the period attributable to owners of the Company for the purpose of basic and diluted loss per share	<u>HK\$(6,307,000)</u>	<u>HK\$(10,937,000)</u>
Number of ordinary shares:		
Weighted average number of ordinary shares for the purpose of basic and diluted loss per share	<u>1,624,639,415</u>	<u>1,582,213,151</u>

The computation of diluted loss per share did not assume the exercise of the Company's outstanding share options existed during the three months ended 30 June 2014 and 2013 since their exercises would result in a decrease in loss per share.

5. Related Party Transactions

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

	(Unaudited) Three months ended 30 June	
	2014	2013
	HK\$'000	HK\$'000
Interest expenses paid to a related company (note (i))	<u>1,238</u>	542
Service income from a related company (note (ii))	<u>171</u>	–

Notes:

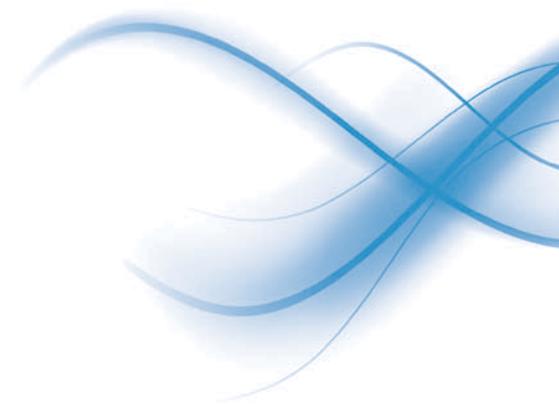
- (i) Effective interest expenses on promissory note is charged at 2.99% (2013: 3.66%) per annum and payable to a related company which is beneficially owned as to 90.01% by Mr. Felipe Tan, a director and shareholder of the Company, at terms mutually agreed by both parties.
- (ii) Service income in respect of the provision of trading platform design and building services were received from a related company which is beneficially owned as to 26.24% by Mr. Felipe Tan, a director and shareholder of the Company, at normal commercial terms mutually agreed by both parties.

6. Events after the reporting period

On 14 July 2014, the Company entered into an auction agreement (the "Auction Agreement") to hold an auction (the "Auction") for the sale of the investment property of the Company (the "Property") for an opening bid price of HK\$17,750,000. Details of such were disclosed in the announcement of the Company dated 14 July 2014.

The bidders were unable to meet the opening bid price of the Property at the auctions being held as disclosed in the announcements of the Company respectively dated 29 July 2014 and 12 August 2014.

Management Discussion and Analysis



About the Group

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

Business Review and Outlook

Computer Hardware and Software Business

Review

Looking back at the first half of 2014, we saw a modest recovery in the global economy, maintaining growth momentum. Specifically we observed: a “double differentiation” in global monetary policy followed by a “rare prosperity” in international financial market and “frequent disorder” in cross-border capital flow.

China, despite economic growth rate slowed slightly, the determination for social informatization is ever increasing. The Chinese government working report for the current year points out: its objectives are: to stabilize and improve export policies, speed up customs clearance facilitation reforms, expand cross-border e-commerce, promote information consumption and the in depth integration between information technology and industrialization and so on.

In view of China’s favorable business environment, the Group shall persist on our clear and firm policy – continue on with research and development at the technology forefront whereas stay alert to general market needs with special attention to niche ones, enabling the Group to establish a stable basis for sustainable growth.

Outlook

Looking ahead, though the global economic trends are bettering, we should stay vigilant to guard against various risks such as: policy risks in advanced economies, risk in structural reforms and transformation of major economies, financial markets risks arising from low volatility and finally geopolitical risks.

As for Timeless, the Group insists on software development as our core competence, continue on with software development as the lead to explore and gain partners from various industries to establish foothold. Given the uncertainties and challenges faced by the world’s major economies, as well as slowing Chinese economy, coupled with the foreseeable credit crunch and inflationary pressures, the Group will continue to prudently manage its business, implementing stricter financial control, streamlining structure and expenditure austerity. The Group will be cautiously assessing any business opportunities to ensure a bright future for our shareholders.

Management Discussion and Analysis (Continued)

Business Review and Outlook (Continued)

Mining Business

Review

The Mining Business mainly includes the exploration, mining, processing and sale of gold dores in the PRC. For the three months ended 30 June 2014, gold dores were the only product of the Mining Business.

For the three months ended 30 June 2014, the Mining Business had gold dores sale of approximately 45.9 kg, representing an increase of approximately 1.5% when compared to the correspondence period in 2013. The average gold market price decreased by approximately 9% from approximately US\$1,417 per ounce for three months ended 28 June 2013 (last trading date of June 2013) to US\$1,290 per ounce for the three months ended 30 June 2014. The turnover from gold sale for the 3 months ended 30 June 2014 therefore has recorded a decrease of approximately 2.45% as compared to last year.

The gold ores extracted and processed were approximately 4,663 tonnes and 19,567 tonnes respectively, representing a decrease of approximately 42.4% and 3.9% respectively. The decrease in gold ores extraction was due to the follow-up development work of Hongshannan Gold Mine during March and April of 2014 after the completion of the underground development work in late 2013. The ores extraction of the Hongshannan Gold Mine has been gradually picked up in June 2014. The small decrease in ores processing quantity proved the temporary decrease in gold ores extraction would have no impact on our production due to the inventories of ores kept by the Group.

Outlook

Looking forward, as at 30 June 2014, the gold market price was US\$1,327 per ounce representing an increase of approximately 7.4% as compared to the gold price of approximately US\$1,235 as at 28 June 2013 (last trading date of June 2013). As at 8 August 2014, the gold price slightly adjusted for approximately 1.6% to US\$1,306 per ounce as compared with the price on 30 June 2014. The financial performance of the Group will improve if the increasing trend of gold price continues. Apart from the gold price, the nickel price has been picking up the increasing trend too and stays steadily above the level of US\$17,900 throughout the three months ended 30 June 2014. In light of the recovery sign of Nickel price, the preparation work of the commercial mining of Baishiquan nickel-copper mine has started in July 2014 and the commercial mining is planned to commence by the end of 2014.

Financial Performance Review

For the three months ended 30 June 2014, the Group recorded turnover of approximately HK\$22,264,000 (2013: approximately HK\$22,025,000), representing growth of 1% against the corresponding period in 2013. Loss for the period under review was approximately HK\$6,283,000 (2013: approximately HK\$11,116,000), resulting a decrease of 43.5% as compared to the corresponding period in 2013.

In respect of the Computer Hardware and Software Business segment, the Group recorded turnover and segmental loss of approximately HK\$7,423,000 (2013: approximately HK\$6,528,000) and approximately HK\$4,316,000 (2013: approximately HK\$8,530,000) respectively, representing growth of 13.7% and a decrease of 49.4% respectively as compared with the corresponding period.

The Mining Business segment posted turnover, earnings before interest income and expense, income taxes, depreciation, amortisation and impairment ("EBITDA") and segmental profit for the period under review of approximately HK\$14,841,000 (2013: approximately HK\$15,497,000), approximately HK\$946,000 (2013: approximately HK\$3,713,000) and HK\$159,000 (2013: approximately HK\$1,909,000) respectively, representing a decrease of 4.2%, 74.5% and 91.7% respectively as compared with the prior year.

Loss attributable to owners of the Company was approximately HK\$6,307,000, as compared to approximately HK\$10,937,000 over the same period in 2013.

Other Information

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

At 30 June 2014, 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 director	Number of ordinary shares held in the capacity of			Percentage of shareholding
	Beneficial owner	Controlled corporation	Total number of shares	
Cheng Kin Kwan	223,800,000	–	223,800,000	13.77%
Law Kwai Lam	10,000,000	28,325,000*	38,325,000	2.36%
Leung Mei Sheung, Eliza	26,592,000	–	26,592,000	1.64%
Zheng Ying Yu	16,450,000	–	16,450,000	1.01%
Fung Chun Pong, Louis	488,000	–	488,000	0.03%
Liao Yun	8,800,000	–	8,800,000	0.54%
Felipe Tan	5,062,000	304,912,000*	309,974,000	19.07%
Zhang Ming	75,500,000	–	75,500,000	4.65%

* These shares were held by private companies which are wholly-owned by Mr. Law Kwai Lam or owned as to 90.01% by Mr. Felipe Tan respectively.

(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	RMB20,000,000	51%

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

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) 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\$60,000,000*

* The outstanding balance of the promissory note issued to Starmax Holdings Limited which is owned as to 90.01% 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 2003 share option scheme were as follows:

Name of director	Date of grant	Exercisable period	Exercise price per share HK\$	Number of share options and number of underlying shares				
				Outstanding at 01.04.2014	Granted during the period	Exercised during the period	Lapsed during the period	Outstanding at 30.06.2014
Law Kwai Lam	28.2.2005	28.2.2005-27.2.2015	0.0722	1,000,000	-	-	-	1,000,000
	26.9.2006	26.9.2006-25.9.2016	0.0772	3,500,000	-	-	-	3,500,000
	18.6.2007	18.6.2007-17.6.2017	0.2980	800,000	-	-	-	800,000
Fung Chun Pong, Louis	19.4.2004	19.4.2004-18.4.2014	0.2096	300,000	-	-	(300,000)	-
	24.3.2006	24.3.2006-23.3.2016	0.1530	300,000	-	-	-	300,000
	18.6.2007	18.6.2007-17.6.2017	0.2980	300,000	-	-	-	300,000
Tsang Wai Chun, Marianna	24.3.2006	24.3.2006-23.3.2016	0.1530	500,000	-	-	-	500,000
	26.9.2006	26.9.2006-25.9.2016	0.0772	1,500,000	-	-	-	1,500,000
Chan Mei Ying, Spencer	24.3.2006	24.3.2006-23.3.2016	0.1530	500,000	-	-	-	500,000
				<u>8,700,000</u>	<u>-</u>	<u>-</u>	<u>(300,000)</u>	<u>8,400,000</u>

Other Information (Continued)

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

Long positions (Continued)

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

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 director	Date of grant	Exercisable period	Exercise price per share HK\$	Number of share options and number of underlying shares				
				Outstanding at 01.04.2014	Granted during the period	Exercised during the period	Lapsed during the period	Outstanding at 30.06.2014
Fung Chun Pong, Louis	3.10.2013	3.10.2013–2.10.2023	0.1490	1,000,000	–	–	–	1,000,000
Liao Yun	3.10.2013	3.10.2013–2.10.2023	0.1490	3,000,000	–	–	–	3,000,000
Zhang Ming	3.10.2013	3.10.2013–2.10.2023	0.1490	3,000,000	–	–	–	3,000,000
Chan Mei Ying, Spencer	3.10.2013	3.10.2013–2.10.2023	0.1490	1,000,000	–	–	–	1,000,000
Lam Kwai Yan	3.10.2013	3.10.2013–2.10.2023	0.1490	1,000,000	–	–	–	1,000,000
Chan Choi Ling	3.10.2013	3.10.2013–2.10.2023	0.1490	1,000,000	–	–	–	1,000,000
				<u>10,000,000</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>10,000,000</u>

Save as disclosed above and other than nominee shares in certain wholly-owned subsidiaries held by certain directors in trust for the Group, at 30 June 2014, none of the directors or chief executive or any of their respective associates had any interests or short positions in the shares, underlying shares or debentures of the Company or its associated corporations which fall to be notified to the Company and the Stock Exchange pursuant to Part XV of the SFO, or which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein or which were required to be notified to the Company and the Stock Exchange pursuant to Rule 5.46 of the GEM Listing Rules.

Other Information (Continued)

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

As at 30 June 2014, 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	Number of ordinary shares held	Number of share options and underlying shares held	Aggregate long position	Percentage of the issued share capital as at 30 June 2014
Educational Information Technology (HK) Company Limited (note 1)	108,057,374	–	108,057,374	6.65%
Starmax Holdings Limited (note 2)	304,912,000	–	304,912,000	18.76%

Notes:

- (1) These shares were held in trust for 寧夏教育信息技術股份有限公司 (Ningxia Educational Information Technology Company Limited), a company which is owned as to 25.04% by the Group.
- (2) Starmax Holdings Limited is beneficially owned as to 90.01% by Mr. Felipe Tan who also directly holds 5,062,000 shares.

Save as disclosed in the section "Directors' and chief executive's interests and short positions in shares and underlying shares of the Company", at 30 June 2014, the Company has not been notified of any other interests or short positions in the issued share capital as at 30 June 2014.

Competing Interest

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

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

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

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

Audit Committee

The audit committee has reviewed with management the accounting principles and practices adopted by the Group and discussed internal control and financial reporting matters including a review of the unaudited quarterly report for the quarter ended 30 June 2014.

On behalf of the Board

Cheng Kin Kwan

Chairman & Chief Executive Officer

Hong Kong, 13 August 2014