# 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 YEAR ENDED 31 MARCH 2019

**Characteristics of GEM of The Stock Exchange of Hong Kong Limited (the "Stock Exchange")**

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

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



*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 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.*

## RESULTS

The board of Directors ("Board") of the Company is pleased to announce the audited consolidated results of the Company and its subsidiaries (collectively, the "Group") for the year ended 31 March 2019, together with the comparative audited figures for the corresponding period in 2018, reviewed by the audit committee of the Company and approved by the Board on 21 June 2019 as follows:

### Consolidated Statement of Profit or Loss and Other Comprehensive Income

*For the year ended 31 March 2019*

| | *Notes* | **2019** **HK$'000** | 2018 *HK$'000* |
|---|---|---|---|
| Revenue | *3* | **78,154** | 174,172 |
| Other income and gains | | **3,358** | 3,740 |
| Production costs | | **(58,548)** | (123,827) |
| Staff costs | | **(10,940)** | (13,778) |
| Depreciation and amortisation | | **(2,972)** | (4,225) |
| Other expenses | | **(13,110)** | (19,713) |
| Loss on disposal/written-off of property, plant and equipment | | **(3,724)** | (2,732) |
| Impairment loss on mining assets | | **(56,045)** | – |
| Impairment loss on interest in associates | | **(7,835)** | – |
| Loss arising on change in fair value of held-for-trading investments | | **–** | (53) |
| Fair value gain on investment properties | | **90** | 1,208 |
| Fair value changes on financial assets at fair value through profit or loss | | **6,315** | – |
| Fair value changes on financial assets designated as at fair value through profit or loss | | **–** | 2,825 |
| Gain on disposal of an associate | | **–** | 3,057 |
| Finance costs | *4* | **(502)** | (368) |
| Share of loss of associates | | **(3,920)** | (2,177) |
| Impairment loss on amount due from an associate | | **(740)** | – |
| (Loss)/profit before tax | | **(70,419)** | 18,129 |
| Income tax credit/(expense) | *5* | **3,660** | (4,111) |
| (Loss)/profit for the year | *6* | **(66,759)** | 14,018 |
| **Other comprehensive (expense)/income, net of income tax** | | | |
| *Items that may be reclassified subsequently to profit or loss:* | | | |
| Exchange differences on translating foreign operations | | **(14,569)** | 28,779 |
| Reclassification adjustment on reserves released upon disposal of an associate | | **–** | (1,534) |
| Share of exchange differences of associates | | **–** | 270 |
| Share of other comprehensive expense of associates | | **–** | (1,581) |
| Other comprehensive (expense)/income for the year, net of income tax | | **(14,569)** | 25,934 |
| **Total comprehensive (expense)/income for the year** | | **(81,328)** | 39,952 |
| (Loss)/profit attributable to: | | | |
| Owners of the Company | | **(27,785)** | 2,002 |
| Non-controlling interests | | **(38,974)** | 12,016 |
| | | **(66,759)** | 14,018 |
| Total comprehensive (expense)/income attributable to: | | | |
| Owners of the Company | | **(31,575)** | 6,597 |
| Non-controlling interests | | **(49,753)** | 33,355 |
| | | **(81,328)** | 39,952 |
| | | ***HK cents*** | *HK cents* |
| **(Loss)/earnings per share** | | | |
| – Basic and diluted | *7* | **(0.99)** | 0.07 |

**Consolidated Statement of Financial Position**
*At 31 March 2019*

| | Notes | 2019 HK$'000 | 2018 HK$'000 |
|---|---|---|---|
| **Non-current assets** | | | |
| Property, plant and equipment | | **14,895** | 34,552 |
| Investment properties | | **10,290** | 10,200 |
| Other intangible assets | 8 | **109,540** | 186,208 |
| Interests in associates | | **39,357** | 292 |
| Other financial asset | | **–** | 10,625 |
| Financial assets at fair value through profit or loss | | **17,804** | – |
| Prepaid lease payments | | **6,313** | 6,925 |
| Deposits | | **23,720** | 29,234 |
| Land rehabilitation costs | | **2,275** | 2,813 |
| | | **224,194** | 280,849 |
| **Current assets** | | | |
| Inventories | | **20,112** | 6,459 |
| Prepaid lease payments | | **233** | 245 |
| Trade and other receivables | 9 | **1,312** | 9,299 |
| Held-for-trading investments | | **–** | 3,044 |
| Financial assets at fair value through profit or loss | | **2,957** | – |
| Bank balances and cash | | **41,579** | 133,585 |
| | | **66,193** | 152,632 |
| **Current liabilities** | | | |
| Trade and other payables | 10 | **11,655** | 13,365 |
| Contract liabilities | | **77** | – |
| Dividends payable to non-controlling interests | | **4,410** | 29,619 |
| Promissory note | 11 | **–** | 10,266 |
| Provision for land rehabilitation | | **2,348** | 2,490 |
| Obligations under finance leases | | **271** | 256 |
| Loan from related companies | | **15,000** | – |
| Current tax liabilities | | **–** | 622 |
| | | **33,761** | 56,618 |
| **Net current assets** | | **32,432** | 96,014 |
| **Total assets less current liabilities** | | **256,626** | 376,863 |
| **Non-current liabilities** | | | |
| Amount due to a non-controlling interest | | **891** | 891 |
| Provision for land rehabilitation | | **6,872** | 7,291 |
| Obligations under finance leases | | **–** | 271 |
| Deferred tax liabilities | | **15,930** | 28,828 |
| | | **23,693** | 37,281 |
| **Net assets** | | **232,933** | 339,582 |
| **Capital and reserves** | | | |
| Share capital | | **906,074** | 906,074 |
| Reserves | | **(798,917)** | (767,342) |
| Equity attributable to owners of the Company | | **107,157** | 138,732 |
| Non-controlling interests | | **125,776** | 200,850 |
| **Total equity** | | **232,933** | 339,582 |

# Consolidated Statement of Changes in Equity

*For the year ended 31 March 2019*

| | 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 |
|---|---|---|---|---|---|---|---|---|---|---|
| | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* |
| Balance at 1 April 2017 | 906,074 | 2,778 | 647 | 1,631 | 964 | (6,119) | (773,840) | 132,135 | 217,250 | 349,385 |
| Profit for the year | – | – | – | – | – | – | 2,002 | 2,002 | 12,016 | 14,018 |
| Other comprehensive income/ (expense) for the year | – | – | – | (1,631) | – | 6,226 | – | 4,595 | 21,339 | 25,934 |
| Total comprehensive income/ (expense) for the year | – | – | – | (1,631) | – | 6,226 | 2,002 | 6,597 | 33,355 | 39,952 |
| Release of reserve upon share options cancelled | – | (710) | – | – | – | – | 710 | – | – | – |
| Capital injection from a non-controlling interest | – | – | – | – | – | – | – | – | 109 | 109 |
| Dividends distributed to non-controlling interests | – | – | – | – | – | – | – | – | (49,864) | (49,864) |
| Balance at 31 March 2018 | 906,074 | 2,068 | 647 | – | 964 | 107 | (771,128) | 138,732 | 200,850 | 339,582 |
| Loss for the year | **–** | **–** | **–** | **–** | **–** | **–** | **(27,785)** | **(27,785)** | **(38,974)** | **(66,759)** |
| Other comprehensive expense for the year | **–** | **–** | **–** | **–** | **–** | **(3,790)** | **–** | **(3,790)** | **(10,779)** | **(14,569)** |
| Total comprehensive expense for the year | **–** | **–** | **–** | **–** | **–** | **(3,790)** | **(27,785)** | **(31,575)** | **(49,753)** | **(81,328)** |
| Release of reserve upon share options lapsed | **–** | **(44)** | **–** | **–** | **–** | **–** | **44** | **–** | **–** | **–** |
| Capital injection from a non-controlling interest | **–** | **–** | **–** | **–** | **–** | **–** | **–** | **–** | **2** | **2** |
| Transfer to general reserve | **–** | **–** | **503** | **–** | **–** | **–** | **(503)** | **–** | **–** | **–** |
| Dividends distributed to non-controlling interests | **–** | **–** | **–** | **–** | **–** | **–** | **–** | **–** | **(25,323)** | **(25,323)** |
| **Balance at 31 March 2019** | **906,074** | **2,024** | **1,150** | **–** | **964** | **(3,683)** | **(799,372)** | **107,157** | **125,776** | **232,933** |

## NOTES:

### 1. GENERAL

Timeless Software Limited (the "Company") is a public limited company incorporated in Hong Kong and its shares are listed on GEM of the Stock Exchange. The address of the registered office and principal place of business of the Company are disclosed in the corporate information section of the annual report.

The principal activity of the Company is investment holding. The Company and its subsidiaries (the "Group") are principally engaged in the exploration and exploitation of mines, provision of consultancy and software maintenance and development, e-commerce services as well as various investments in metal processing and trading company, IT and innovation projects, including e-Sport tournament organiser, bio and nano new materials, IT startup fund and intelligent agricultural applications.

These consolidated financial statements are presented in Hong Kong dollars ("HK$"), which is the same as the functional currency of the Company.

The financial information relating to the years ended 31 March 2019 and 2018 included in this announcement does not constitute the Company's statutory annual consolidated financial statements for those years 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) is as follows:

The Company has delivered the financial statements for the year ended 31 March 2018 to the Registrar of Companies as required by section 662(3) of, and Part 3 of Schedule 6 to, the Companies Ordinance and will deliver the financial statements for the year ended 31 March 2019 to the Registrar of Companies in due course.

The Company's auditors have reported on the financial statements of the Group for both financial years. The auditors' reports were unqualified; did not include a reference to any matters to which the auditors drew attention by way of emphasis without qualifying their reports; and did not contain a statement under sections 406(2), 407(2) or (3) of the Companies Ordinance.

### 2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

**New and amendments to HKFRSs that are mandatorily effective for the current year**

The Group has applied the following new and amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") for the first time in the current year:

| | |
|---|---|
| HKFRS 9 | *Financial Instruments* |
| HKFRS 15 | *Revenue from Contracts with Customers* |
| HK(IFRIC)-Int 22 | *Foreign Currency Transactions and Advance Consideration* |
| Amendments to HKFRS 2 | *Classification and Measurement of Share-based Payment Transactions* |
| Amendments to HKFRS 4 | *Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts* |
| Amendments to HKFRS 15 | *Classification to HKFRS 15* |
| Amendments to HKAS 28 | *As part of the Annual Improvements to HKFRSs 2014–2016 Cycle* |
| Amendments to HKAS 40 | *Transfers of Investment Property* |

Except as described below, the application of the new and amendments to HKFRSs in the current year has had no material impact on the Group's financial performance and positions for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

### 2.1 HKFRS 9 *Financial Instruments*

In the current year, the Group has applied HKFRS 9 *Financial Instruments* and the related consequential amendments to other HKFRSs. HKFRS 9 introduces new requirements for (i) the classification and measurement of financial assets and financial liabilities, (ii) expected credit losses ("ECL") for financial assets and (iii) general hedge accounting.

The Group has applied HKFRS 9 in accordance with the transition provisions set out in HKFRS 9, i.e. applied the classification and measurement requirements (including impairment under ECL model) retrospectively to instruments that have not been derecognised as at 1 April 2018 (date of initial application) and has not applied the requirements to instruments that have already been derecognised as at 1 April 2018. The difference between carrying amounts as at 31 March 2018 and the carrying amounts as at 1 April 2018 are recognised in the opening accumulated deficit without restating comparative information.

Accordingly, certain comparative information may not be comparable as comparative information was prepared under HKAS 39 *Financial Instruments: Recognition and Measurement* ("HKAS 39").

Accounting policies resulting from application of HKFRS 9 are disclosed in the consolidated financial statements.

***Summary of effects arising from initial application of HKFRS 9***

*Classification of financial assets and financial liabilities*

HKFRS 9 categorises financial assets into three principal classification categories: measured at amortised cost, at fair value through other comprehensive income ("FVTOCI") and at fair value through profit or loss ("FVTPL"). These supersede HKAS 39's categories of held-to-maturity investments, loans and receivables, available-for-sale financial assets and financial assets measured at FVTPL. The classification of financial assets under HKFRS 9 is based on the business model under which the financial asset is managed and its contractual cash flow characteristics.

The following illustrates the classification and measurement of financial assets and financial liabilities and other items subject to ECL under HKFRS 9 and HKAS 39 at the date of initial application, 1 April 2018.

| | | **HKAS 39 measurement** | | **Re-** | **HKFRS 9 measurement** | |
|---|---|---|---|---|---|---|
| | | **Category** | **Amount** | **classification** | **Amount** | **Category** |
| | *Notes* | | *HK$'000* | *HK$'000* | *HK$'000* | |
| **Financial assets** | | | | | | |
| Deposits | *(c)* | L&R | 29,234 | – | 29,234 | AC |
| Other financial asset | *(a)* | FVTPL | 10,625 | (10,625) | – | N/A |
| Financial assets included in trade and other receivables | *(c)* | L&R | 9,299 | – | 9,299 | AC |
| Held-for-trading investments | *(b)* | FVTPL | 3,044 | (3,044) | – | N/A |
| Financial assets at fair value through profit or loss | *(a), (b)* | N/A | – | 13,669 | 13,669 | FVTPL |
| Bank balances and cash | | L&R | 133,585 | – | 133,585 | AC |

**Category**

L&R: Loans and receivables
AC: Financial assets at amortised cost
FVTPL: Financial assets at fair value through profit or loss

a. *Financial assets at FVTPL and/or designated as at FVTPL*

At the date of initial application, the Group no longer applied designation as measured at FVTPL for the other financial asset as this financial asset is required to be measured at FVTPL under HKFRS 9. As a result, this investment of approximately HK$10,625,000 were reclassified from financial assets designated as at FVTPL to financial assets at FVTPL.

b. *Held-for-trading investments*

The Group has reassessed its investments in listed debt securities classified as held-for-trading under HKAS 39 as if the Group had purchased these investments at the date of initial application. Based on the facts and circumstances as at the date of initial application, the Group's investments amounting to approximately HK$3,044,000 were held for trading and continued to be measured at FVTPL.

c. *At amortised cost*

Under HKFRS 9, the classification for the Group's financial assets, including deposits, trade and other receivables, bank balances and cash, and financial liabilities, including trade and other payables, dividends payable to non-controlling interests, promissory note, obligations under finance leases and amount due to a non-controlling interest measured at amortised cost remain the same. The carrying amounts for these financial assets and financial liabilities at 1 April 2018 have not been impacted by the initial application of HKFRS 9.

d. *Impairment under ECL model*

The Group applies the new ECL model to the financial assets measured at amortised cost (including deposits, note and other receivables and bank balances). ECL for these financial assets at amortised cost are assessed on 12-month ECL ("12m ECL") basis as there have been no significant increase in credit risk since initial recognition. The impact of adopting ECL model under HKFRS 9 was not significant and, therefore, the Group made no adjustment to accumulated deficit at 1 April 2018 for changes in impairment.

**2.2 HKFRS 15 *Revenue from Contracts with Customers***

The Group has applied HKFRS 15 for the first time in the current year. HKFRS 15 superseded HKAS 18 *Revenue*, HKAS 11 *Construction Contracts* and the related interpretations.

The Group has applied HKFRS 15 retrospectively with cumulative effect of initially applying this standard recognised at the date of initial application, 1 April 2018. Any difference at the date of initial application is recognised in the opening accumulated deficit and comparative information has not been restated. Furthermore, in according with the transition provisions in HKFRS 15, the Group has elected to apply the standard retrospectively only to contracts that are not completed at 1 April 2018.

Accordingly, certain comparative information may not be comparable as comparative information was prepared under HKAS 18 *Revenue* and the related interpretations.

During the year, the Group recognises revenue from sales of nickel-copper ores and concentrates which arise from contracts with customers.

Information about the Group's performance obligations and the accounting policies resulting from the application of HKFRS 15 are disclosed in the consolidated financial statements.

***Summary of effects arising from initial application of HKFRS 15***

The following adjustments were made to the amounts recognised in the consolidated statement of financial position at 1 April 2018. Line items that were not affected by the changes have not been included.

| | Carrying amounts previously reported at 31 March 2018 | Reclassification | Carrying amounts under HKFRS 15 at 1 April 2018 |
|---|---|---|---|
| | *HK$'000* | *HK$'000* | *HK$'000* |
| Current liabilities: | | | |
| Trade and other payables | 13,365 | (271) | 13,094 |
| Contract liabilities | – | 271 | 271 |
| | 13,365 | – | 13,365 |

*Note:* As at 1 April 2018, receipt in advance from customers of approximately HK$271,000 previously included in trade and other payables were reclassified to contract liabilities.

Except as described above, the application of HKFRS 15 has had no material impact on the amounts reported set out in these consolidated financial statements.

***Impacts on opening consolidated statement of financial position arising from the application of all new standards***

As a result of the changes in the Group's accounting policies, the opening consolidated statement of financial position had to be restated. The following table shows the adjustments recognised for each of the individual line items affected. Line items that were not affected by the changes have not been included.

| | 31 March 2018 (audited) *HK$'000* | HKFRS 9 *HK$'000* | HKFRS 15 *HK$'000* | 1 April 2018 (restated) *HK$'000* |
|---|---|---|---|---|
| **Non-current assets** | | | | |
| Other financial asset | 10,625 | (10,625) | – | – |
| Financial assets at fair value through profit or loss | – | 10,625 | – | 10,625 |
| **Current assets** | | | | |
| Held-for-trading investments | 3,044 | (3,044) | – | – |
| Financial assets at fair value through profit or loss | – | 3,044 | – | 3,044 |
| **Current liabilities** | | | | |
| Trade and other payables | 13,365 | – | (271) | 13,094 |
| Contract liabilities | – | – | 271 | 271 |

There is no impact on the consolidated statement of profit or loss and other comprehensive income by adopting HKFRS 9 and HKFRS 15.

**New and amendments to HKFRSs in issue but not yet effective**

The Group has not early applied the following new and amendments to HKFRSs that have been issued but are not yet effective:

| | |
|---|---|
| HKFRS 16 | *Leases*[1] |
| HKFRS 17 | *Insurance Contracts*[4] |
| HK(IFRIC)-Int 23 | *Uncertainty over Income Tax Treatments*[1] |
| Amendments to HKFRS 3 | *Definition of a Business*[2] |
| Amendments to HKFRS 9 | *Prepayment Features with Negative Compensations*[1] |
| Amendments to HKFRS 10 and HKAS 28 | *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[3] |
| Amendments to HKAS 1 and HKAS 8 | *Definition of a Material*[2] |
| Amendments to HKAS 19 | *Plan Amendment, Curtailment or Settlement*[1] |
| Amendments to HKAS 28 | *Long-term Interests in Associates and Joint Ventures*[1] |
| Amendments to HKFRSs | *Annual Improvements to HKFRSs 2015–2017 Cycle*[1] |

[1] Effective for annual periods beginning on or after 1 January 2019.
[2] Effective for annual periods beginning on or after 1 January 2020.
[3] Effective for annual periods beginning on or after a date to be determined.
[4] Effective for annual periods beginning on or after 1 January 2021.

Except for the new and amendments to HKFRSs mentioned below, the Directors anticipate that the application of all other new and amendments to HKFRSs and interpretations will have no material impact on the consolidated financial statements in the foreseeable future.

**HKFRS 16 *Leases***

HKFRS 16 introduces a comprehensive model for the identification of lease arrangements and accounting treatments for both lessors and lessees. HKFRS 16 will supersede HKAS 17 *Leases* and the related interpretations when it became effective.

HKFRS 16 distinguishes lease and service contracts on the basis of whether an identified asset is controlled by a customer. In addition, HKFRS 16 requires sales and leaseback transactions to be determined based on the requirements of HKFRS 15 as to whether the transfer of the relevant asset should be accounted as a sale. HKFRS 16 also includes requirements relating to subleases and lease modifications.

Distinctions of operating leases and finance leases are removed for lessee accounting, and is replaced by a model where a right-of-use asset and a corresponding liability have to be recognised for all leases by lessees, except for short-term leases and leases of low value assets.

The right-of-use asset is initially measured at cost and subsequently measured at cost (subject to certain exceptions) less accumulated depreciation and impairment losses, adjusted for any remeasurement of the lease liability. The lease liability is initially measured at the present value of the lease payments that are not paid at that date. Subsequently, the lease liability is adjusted for interest and lease payments, as well as the impact of lease modifications, amongst others. For the classification of cash flows, the Group currently presents operating lease payments as operating cash flows. Upon application of HKFRS 16, lease payments in relation to lease liability will be allocated into a principal and an interest portion which will be presented as financing cash flows by the Group.

Under HKAS 17, the Group has already recognised an asset and a related finance lease liability for finance lease arrangement and prepaid lease payments for leasehold lands where the Group is a lessee. The application of HKFRS 16 may result in potential changes in classification of these assets depending on whether the Group presents right-of-use assets separately or within the same line item at which the corresponding underlying assets would be presented if they were owned.

Other than certain requirements which are also applicable to lessors, HKFRS 16 substantially carries forward the lessor accounting requirements in HKAS 17, and continues to require a lessor to classify a lease either as an operating lease or a finance lease.

Furthermore, extensive disclosures are required by HKFRS 16.

Upon application of HKFRS 16, the Group will recognise a right-of-use asset and a corresponding liability in respect of all these leases unless they qualify for low value or short-term leases. The Group expects to adopt HKFRS 16 using a modified retrospective approach where the cumulative effect of initially applying the standard is recognised as an adjustment to the opening balance of accumulated deficit and comparatives are not restated. The Directors do not expect the adoption of HKFRS 16 as compared with the current accounting policy would result in significant impact on the results and the net financial position of the Group.

**Amendments to HKAS 28 *Long-term Interests in Associates and Joint Ventures***

The amendments clarify that an entity applies HKFRS 9, including the impairment requirements, to long-term interests in an associate or joint venture to which the equity method is not applied that form part of the net investment in the investee. Furthermore, in applying HKFRS 9 to long-term interests, an entity does not take into account adjustments to their carrying amount required by HKAS 28 (i.e. adjustments to the carrying amount of long-term interests arising from the allocation of losses of the investee or assessment of impairment in accordance with HKAS 28).

The Directors consider that the application is not expected to have a material impact as the Group's existing accounting policies are consistent with the requirements clarified by the amendments.

## 3. REVENUE AND SEGMENT INFORMATION

The Group's operating segments are determined based on information reported to the chief operating decision maker (the "CODM"), being the Board, for the purpose of resources allocation and performance assessment. During the year, the Group commences business in development of bio and nano new materials. However, this operation is still in the development stage and not yet met the quantitative thresholds for the reportable segment. Software business, after reengineering, are in the process of exploring new development opportunities and this segment was unable to met the quantitative thresholds for the reportable segments in both current and prior year. Accordingly, these were grouped in "Other Business" segment. Prior year segment disclosures have been represented to confirm with the current year's presentation.

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

**Segment revenues and results**

***Year ended 31 March 2019***

| | Mining Business *HK$'000* | Other Business *HK$'000* | Total *HK$'000* |
|---|---|---|---|
| **Segment revenue** | | | |
| Sales to external customers | **78,154** | **–** | **78,154** |
| Segment results | **(56,317)** | **(1,367)** | **(57,684)** |
| Interest income | | | **1,569** |
| Unallocated other income and gains | | | **1,023** |
| Unallocated corporate expenses | | | **(8,735)** |
| Fair value changes on financial assets at FVTPL | | | **6,315** |
| Fair value gain on investment properties | | | **90** |
| Impairment loss on interest in associates | | | **(7,835)** |
| Finance costs | | | **(502)** |
| Share of loss of associates | | | **(3,920)** |
| Impairment loss on amount due from an associate | | | **(740)** |
| Loss before tax | | | **(70,419)** |

*Year ended 31 March 2018*

| | Mining Business *HK$'000* | Other Business *HK$'000* | Total *HK$'000* |
|---|---|---|---|
| **Segment revenue** | | | |
| Sales to external customers | 173,872 | 300 | 174,172 |
| Segment results | 20,720 | (783) | 19,937 |
| Interest income | | | 2,145 |
| Unallocated other income and gains | | | 1,595 |
| Unallocated corporate expenses | | | (7,308) |
| Loss arising on change in fair value of held-for-trading investments | | | (53) |
| Fair value changes on financial assets designated as at FVTPL | | | 2,825 |
| Fair value gain on investment properties | | | 1,208 |
| Loss on disposal/written-off of property, plant and equipment | | | (2,732) |
| Gain on disposal of an associate | | | 3,057 |
| Finance costs | | | (368) |
| Share of loss of associates | | | (2,177) |
| Profit before tax | | | 18,129 |

Segment revenue reported above represents revenue generated from external customers. There were no inter-segment sales in the current year (2018: nil).

The accounting policies of the reportable segments are the same as the Group's accounting policies described in the consolidated financial statements. Segment results represent the loss/profit from each segment without allocation of interest income, unallocated other income and gains, unallocated corporate expenses, fair value gains/losses on the Group's financial instruments and investment properties, impairment loss on interest in associates, finance costs, gain on disposal of an associate, share of loss of associates and impairment loss on amount due from an associate. This is the measure reported to the CODM for the purposes of resource allocation and performance assessment.

**Segment assets and liabilities**

| | 2019<br>*HK$'000* | 2018<br>*HK$'000* |
|---|---|---|
| **Segment assets** | | |
| Mining Business | **177,648** | 274,862 |
| Other Business | **5** | – |
| Total segment assets | **177,653** | 274,862 |
| Interest in associates | **39,357** | 292 |
| Unallocated | **73,377** | 158,327 |
| **Consolidated assets** | **290,387** | 433,481 |
| **Segment liabilities** | | |
| Mining Business | **36,024** | 81,334 |
| Other Business | **16** | – |
| Total segment liabilities | **36,040** | 81,334 |
| Unallocated | **21,414** | 12,565 |
| **Consolidated liabilities** | **57,454** | 93,899 |

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

- all assets are allocated to reportable segments other than investment properties, financial assets at FVTPL, held-for-trading investments, other financial asset, interest in associates, bank balances and cash and head office and corporate assets; and

- all liabilities are allocated to reportable segments other than obligations under a finance lease, promissory note, loan from related companies, amount due to a non-controlling interest and head office and unallocated liabilities.

**Other segment information**

| | 2019 HK$'000 | 2018 HK$'000 |
|---|---|---|
| **Additions to non-current assets*** | | |
| Mining Business | **75** | 863 |
| Other Business | **–** | – |
| Unallocated | **–** | 758 |
| | **75** | 1,621 |
| **Impairment on mining assets** | | |
| Mining Business | **56,045** | – |
| **Loss on disposal/written-off of property, plant and equipment** | | |
| Mining Business | **3,724** | 2,732 |
| **Depreciation and amortisation** | | |
| Mining Business | **2,820** | 4,111 |
| Other Business | **–** | – |
| Unallocated | **152** | 114 |
| | **2,972** | 4,225 |
| **Depreciation and amortisation included in production costs** | | |
| Mining Business | **19,387** | 30,826 |
| Total depreciation and amortisation recognised in profit or loss | **22,359** | 35,051 |

* Additions to non-current assets include additions to property, plant and equipment and prepaid lease payments.

**Revenue from major products and services**

The following is an analysis of the Group's revenue from its major products and services:

| | 2019 HK$'000 | 2018 HK$'000 (Note) |
|---|---|---|
| Consultancy, software development and maintenance services | **–** | 300 |
| Gold dores | **–** | 34,786 |
| Nickel-copper ores and concentrates | **78,154** | 139,086 |
| | **78,154** | 174,172 |

*Note:* The Group has initially applied HKFRS 15 using the cumulated effect method. Under this method, the comparative information is not restated and was prepared in accordance with HKAS 18.

**Geographical information**

The Group's operations are mainly situated in Hong Kong and the PRC.

Information about the Group's revenue from external customers is presented based on the location of operations. Information about the Group's non-current assets is presented based on the geographical location of assets are detailed below:

| | **2019** | 2018 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Revenue from external customers | | |
| Hong Kong | **–** | 300 |
| PRC | **78,154** | 173,872 |
| | **78,154** | 174,172 |
| Non-current assets | | |
| Hong Kong | **10,783** | 10,844 |
| PRC | **132,530** | 229,854 |
| | **143,313** | 240,698 |

*Note:* Non-current assets excluding financial instruments and interest in associates

**Information about major customers**

Revenues from customers of the corresponding years contributing over 10% of total revenue of the Group are as follows:

| | **2019** | 2018 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Customer A[1] | **44,739** | 112,473 |
| Customer B[1] | **–** | 33,312 |
| Customer C[1] | **11,874** | 26,613 |
| Customer D[1] | **15,431** | – |

[1] Revenue from Mining Business

## 4. FINANCE COSTS

| | 2019 | 2018 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Interest on loan from related companies | **449** | – |
| Effect interest on finance leases | **19** | 35 |
| Effective interest on promissory note | **34** | 333 |
| Total borrowing costs | **502** | 368 |

## 5. INCOME TAX (CREDIT)/EXPENSE

| | 2019 | 2018 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Current tax | | |
| – PRC Enterprise Income Tax | **5,761** | 5,487 |
| – Under/(over) provision in prior year | **1,215** | (67) |
| – PRC withholding tax | **607** | 2,247 |
| Deferred tax | **(11,243)** | (3,556) |
| Total income tax recognised in profit or loss | **(3,660)** | 4,111 |

On 21 March 2018, the Hong Kong Legislative Council passed The Inland Revenue (Amendment) (No. 7) Bill 2017 (the "Bill") which introduces the two-tiered profits tax rates regime. The Bill was signed into law on 28 March 2018 and was gazette on the following day. Under the two-tiered profit tax rates regime, the first HK$2 million of profits of the qualifying group entity will be taxed at 8.25%, and profits above HK$2 million will be taxed at 16.5%. The profits of the group entities not qualifying for the two-tiered profits tax rates regime will continue to be taxed at a flat rate of 16.5%. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the jurisdictions in which the Group operates. No provision for Hong Kong Profits Tax has been made in the consolidated financial statements as the Group had no assessable profit arising in or derived from Hong Kong for both years.

## 6. (LOSS)/PROFIT FOR THE YEAR

| | 2019 | 2018 |
|---|---|---|
| | *HK$'000* | *HK$'000* |
| (Loss)/profit for the year has been arrived at after charging/(crediting): | | |
| Directors' and chief executive's emoluments | **2,817** | 2,885 |
| Other staff's retirement benefits scheme contributions | **1,311** | 1,610 |
| Other staff costs | **6,812** | 9,283 |
| Total employee benefits expenses | **10,940** | 13,778 |
| Depreciation of property, plant and equipment | **1,699** | 3,948 |
| Amortisation of other intangible assets | **17,688** | 26,878 |
| Depreciation and amortisation (included in the production costs line item) | **19,387** | 30,826 |
| Depreciation of property, plant and equipment | **2,363** | 2,200 |
| Amortisation of: | | |
| – prepaid lease payments | **232** | 321 |
| – land rehabilitation costs | **377** | 1,704 |
| Depreciation and amortisation (included in the depreciation and amortisation line item) | **2,972** | 4,225 |
| Rental income arising from investment properties | **(240)** | (360) |
| Less: direct outgoing expenses | **17** | 42 |
| | **(223)** | (318) |
| Auditors' remuneration | **800** | 750 |
| Cost of inventories recognised as an expense | **58,548** | 112,611 |
| Operating lease rentals in respect of rented premises | **3,284** | 2,389 |
| Net foreign exchange loss/(gain) | **1,300** | (156) |
| Dividend income from equity investments at FVTPL | **(750)** | – |
| Interest income | **(1,569)** | (2,145) |

## 7. (LOSS)/EARNINGS PER SHARE

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

**(Loss)/earnings:**

| | **2019** | 2018 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| (Loss)/profit for the year attributable to owners of the Company for the purpose of basic and diluted (loss)/earnings per share | **(27,785)** | 2,002 |

**Number of ordinary shares:**

| | **2019** | 2018 |
|---|---|---|
| | ***'000*** | *'000* |
| Weighted average number of ordinary shares for the purpose of basic and diluted (loss)/earnings per share | **2,812,882** | 2,812,882 |

The computation of diluted (loss)/earnings per share did not assume the exercise of the Company's outstanding share options since their assumed exercise would have an anti-dilutive effect (2018: as the exercise price of those share options is higher than the average market price of the shares for the year 2018).

## 8. OTHER INTANGIBLE ASSETS

| | Mining rights |
|---|---|
| | *HK$'000* |
| **Cost** | |
| Balance at 1 April 2017 | 341,590 |
| Effect of foreign currency exchange differences | 36,398 |
| Balance at 31 March 2018 | **377,988** |
| Effect of foreign currency exchange differences | **(21,700)** |
| **Balance at 31 March 2019** | **356,288** |
| **Accumulated amortisation and impairment** | |
| Balance at 1 April 2017 | 146,226 |
| Effect of foreign currency exchange differences | 17,450 |
| Provided for the year | 28,104 |
| Balance at 31 March 2018 | **191,780** |
| Effect of foreign currency exchange differences | **(10,908)** |
| Provided for the year | **19,563** |
| Impairment loss recognised | **46,313** |
| **Balance at 31 March 2019** | **246,748** |
| **Carrying amounts** | |
| **Balance at 31 March 2019** | **109,540** |
| Balance at 31 March 2018 | 186,208 |

At 31 March 2019, the carrying amount of the mining rights for nickel-copper mine was approximately HK$109,540,000 (2018: HK$186,208,000).

## 9. TRADE AND OTHER RECEIVABLES

| | 2019 | 2018 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Trade receivables: | | |
| Note receivables *(Note)* | **–** | 7,360 |
| Prepayments | **184** | 1,412 |
| Deposits | **24,380** | 29,656 |
| Other receivables | **468** | 105 |
| | **25,032** | 38,533 |
| Less: deposits classified as non-current assets | **(23,720)** | (29,234) |
| | **1,312** | 9,299 |

*Note:* Note receivables represented bank acceptance bills of exchange and are interest-free.

The following is an analysis of note receivables by age, presented based on the date to maturity of notes:

| | 2019 | 2018 |
|---|---|---|
| | *HK$'000* | *HK$'000* |
| 0 to 90 days | **–** | 4,300 |
| 91 to 180 days | **–** | 3,060 |
| | **–** | 7,360 |

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.

As at 31 March 2019 and 2018, the Group did not have any account receivables.

## 10. TRADE AND OTHER PAYABLES

| | 2019 | 2018 |
|---|---|---|
| | *HK$'000* | *HK$'000* |
| Trade payables | **2,481** | 3,098 |
| Other payables | **9,174** | 10,267 |
| | **11,655** | 13,365 |

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

| | 2019 | 2018 |
|---|---|---|
| | *HK$'000* | *HK$'000* |
| 0 to 30 days | **126** | 5 |
| 31 to 60 days | **1** | 101 |
| 61 to 90 days | **940** | 897 |
| More than 90 days | **1,414** | 2,095 |
| | **2,481** | 3,098 |

## 11. PROMISSORY NOTE

On 11 May 2012, the Group issued promissory note to Starmax Holdings Limited 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 "PN"). The PN bears interest at 3% per annum repayable by instalments in accordance with the terms of the PN on each anniversary date of issue. The PN was secured by a charge over a 51% equity interest of Goffers Management Limited, a non-wholly-owned subsidiary of the Company. The PN was fully repaid during the year and the charge was released accordingly.

## 12. DIVIDEND

No dividend had been paid or declared by the Company during the year (2018: nil).

## MANAGEMENT DISCUSSION AND ANALYSIS

## BUSINESS REVIEW AND OUTLOOK

### Mining Business

***Overview***

The Mining Business primarily comprises of exploration and exploitation of a nickel-copper mine. For the year ended 31 March 2019, nickel-copper ores, nickel concentrate and copper concentrates were the products sold under the Mining Business.

During the year ended 31 March 2019, the sales of nickel-copper ores was under heavy pressure from the dumping of nickel-copper ores from Russia to the PRC market. Therefore, we have adjusted our production strategy to cater for the market demand of nickel-copper ore and nickel and copper concentrates. The mining activity of the Baishiquan Nickel-Copper Mine has been suspended for over a month in response to the flooding in Xinjiang and security check and practice requested by government authorities. Moreover, the mining and processing activities have been disturbed by the sudden drop in temperature, which caused malfunction of the mining equipment and affected the daily operation in 2018. There were accordingly a loss of 40 working days in total, in addition to the delay in resumption of extraction and processing of ores in May 2018 and July 2018 respectively, versus the resumption in March normally. Prior to the usual winter suspension, an accident was caused by the misconduct of our outsourced contractor, causing two casualties who are staff of the contractor. The Group, together with the local government authorities, immediately responded and strived to minimise the impact of such accident.

For the year ended 31 March 2019, the extraction of nickel-copper ores and sales of nickel-copper products both decreased as compared to last year. Turnover from nickel-copper products comprised of sales of 13,090 tonnes of nickel-copper ores of approximately HK$40.6 million (2018: 24,520 tonnes of HK$53.3 million), 8,162 tonnes of nickel concentrate of approximately HK$31.5 million (2018: 17,782 tonnes of HK$61.1 million) and 553 tonnes of copper concentrate of approximately HK$6.1 million (2018: 2,087 tonnes of HK$24.7 million).

***Impairment on mining assets***

For the year ended 31 March 2019, the Group recognised an impairment loss on its mining assets of approximately HK$56.0 million (2018: nil). The recoverable amount of the mining cash generating unit ("CGU") from the value in use calculation was less than its carrying amount. It was mainly caused by the unfavourable market condition, the strengthened safety requirements, increase in budgeted operating cost as well as capital expenditure required for the development of the mine.

***Resource estimates update***

The details of the resource estimates as at 31 March 2019 are set out below:

| Mine | Resource category | Tonnage | Average grade | |
|---|---|---|---|---|
| | | *(tonnes*1,000)* | *(Ni%)* | *(Cu%)* |
| Baishiquan Nickel-copper Mine | Measured | 970 | 1.83 | 0.86 |
| | Indicated | 3,447 | 0.58 | 0.35 |
| | Inferred | 813 | 0.61 | 0.36 |

*Notes:*

(1) The mineral resource estimates were made with reference to the Competent Person's Report prepared in accordance with the JORC (2004) Code Standard in November 2011. The details of the assumptions and parameters used to calculate these resource and reserve estimates were disclosed in the circular of the Company dated 12 April 2012 in relation to the very substantial acquisition.

(2) The changes in mineral resource and reserve estimates were due to production and exploration since the date of the aforesaid Competent Person's Report and were confirmed by the Group's internal experts.

***Exploration, Development and Mining Production Activities***

| | Activity | | |
|---|---|---|---|
| **Mine** | **Exploration** | **Development** | **Mining** |
| Baishiquan Nickel-copper Mine | No material exploration | Completed drift construction of approximately 1,251 meters | Ores extracted: 109,108 tonnes |

*Baishiquan Nickel-copper Mine*

For the year ended 31 March 2019, both the extraction of nickel-copper ores and sales of nickel-copper products decreased due to rough weather and stringent security check and practice requirements. The Group resumed extraction and processing of nickel-copper ores in May 2018 and July 2018 respectively, compared to the normal resumption in March. Approximately 109,108 tonnes of nickel-copper ores were extracted during the year (2018: 142,312 tonnes). Turnover from the sales of nickel-copper products amounted to approximately HK$78.2 million (2018: HK$139.1 million) representing the sales of 13,090 tonnes of nickel-copper ores (2018: 24,520 tonnes), 8,162 tonnes of nickel concentrate (2018: 17,782 tonnes) and 553 tonnes of copper concentrate (2018: 2,087 tonnes).

*South Hami Gold Project*

It composes of gold properties located in the southern area of Hami which are under exploration. No capital and operating expenditure was incurred for the year ended 31 March 2019. As no potential reserve was observed, the exploration program was completed and terminated.

*Expenditure Incurred*

During the year ended 31 March 2019, the Group had incurred expenditure of approximately HK$65.9 million on exploration, development, mining and processing activities in respect of the Baishiquan Nickel-copper Mine, details of which are set out below:

| | | Total |
|---|---|---|
| | | *HK$'000* |
| **1.** | **Capital Expenditure** | |
| 1.1 | Exploration activities | |
| | Drilling and analysis | – |
| *Subtotal* | | – |
| 1.2 | Development activities (including mine construction) | |
| | Addition of property, plant and equipment | 55 |
| | Construction of tunnels and sub-contracting charges | 9,030 |
| *Subtotal* | | 9,085 |
| **Total Capital Expenditure** | | 9,085 |
| **2.** | **Operating Expenditure for Mining activities** | |
| | Staff cost | 2,525 |
| | Consumables | 2,156 |
| | Fuel, electricity, water and other services | 1,956 |
| | Non-income taxes, royalties and other government charges | 519 |
| | Sub-contracting charges | 6,984 |
| | Transportation | 5,704 |
| | Depreciation and amortisation | 21,373 |
| | Others | 1,571 |
| **Total Operating Expenditure** | | 42,788 |
| **Total Capital and Operating Expenditure** | | 51,873 |
| **3.** | **Processing Expenditure** | |
| | Staff cost | 4,970 |
| | Consumables | 3,774 |
| | Fuel, electricity, water and other services | 2,039 |
| | Non-income taxes, royalties and other government charges | 72 |
| | Depreciation and amortisation | 69 |
| | Transportation | 2 |
| | Others | 3,067 |
| **Total Processing Expenditure** | | 13,993 |
| **Total Expenditure** | | 65,866 |

*Processing Activities*

For the year ended 31 March 2019, the main products of the Mining Business were nickel copper ores, nickel concentrate and copper concentrate.

Due to the dumping of nickel-copper ores from Russia to the PRC market and rough weather of Xinjiang, the mining and processing activities were suspended and the Group resumed processing of nickel-copper ores in July 2018, compared to the normal resumption in March. For the year ended 31 March 2019, the nickel-copper ores extracted from the mine was approximately 109,108 tonnes (2018: 142,312 tonnes) and processed by the processing plant was approximately 79,969 tonnes (2018: 139,038 tonnes).

*Infrastructure projects and subcontracting arrangements*

There were new contracts entered into during the year ended 31 March 2019 in respect of exploration and blasting work, transportation of nickel-copper ores and research and development of bioleaching technique. As at 31 March 2019, there was HK$2.9 million (2018: nil) outstanding commitments in relation to these contracts for the Group.

*Investment*

The Group entered into a subscription agreement, shareholders agreement and put option deed on 29 December 2017 and subscribed for 600,000 new issued shares of Dragon Silver Holdings Limited ("Dragon Silver"), representing approximately 8.86% of its enlarged issued share capital, at a consideration of HK$7,800,000. Dragon Silver is a company incorporated in Hong Kong principally engaged in trading, production, processing and investment in precious metals and non-ferrous metals and related products.

Pursuant to the subscription agreement, the major shareholder of Dragon Silver (the "Guarantor") agreed to guarantee to the Group that (i) the audited net profit after tax of Dragon Silver shall not be less than HK$15,000,000 ("Guaranteed Profits") for each of the financial years ending from 30 June 2018 to 2022 (the "Relevant years"); and (ii) the amount of dividends declared and paid by Dragon Silver during each of the Relevant years shall not be less than HK$1.25 per share ("Guaranteed Dividends"). In the event that the actual audited profit after tax of or the dividend paid by Dragon Silver for each of the relevant years shall be less than the Guaranteed Profits or Guaranteed Dividends respectively, the Guarantor shall compensate the Group for the sum being calculated as the shortfall.

In addition, pursuant to the put option deed that the Group has the right to sell all the 600,000 shares to the Guarantor at the consideration of HK$7,800,000 within the period commencing from the fourth anniversary of the date of the put option deed to the date falling five years from the date of the put option deed.

During the year ended 31 March 2019, the Group received dividend income of approximately HK$750,000 (2018: nil) from Dragon Silver in accordance with the Guaranteed Dividends and gain on fair value changes on this equity investment of approximately HK$71,000 (2018: HK$2,825,000) was recognised.

The transaction constituted a connected transaction of the Company under the GEM Listing Rules. Please refer to the announcement of the Company dated 29 December 2017 for details of the acquisition.

***Outlook***

During the year under review, the Mining Business was still far from optimistic. The dismal result was attributable to the combined effect of dumping of nickel-copper ores from Russia, the rough weather and stringent security practice. In order to cope with the market and temperature changes, we will contrive more flexible and market-oriented operation practice. With the purpose of implementing the "Safety First" Strategy, we will organise more safety training courses for the mining staff to improve their capabilities of dealing with emergencies and enhance safety awareness.

In addition, the Group has sought for more efficient processing techniques to reduce production cost. We have engaged an independent research institute in China to perform test on possibility of application of bioleaching technique on extraction of metals from nickel-copper ores. Subject to a satisfactory test result, the Company will consider the possibility of application of such technique on large-scale production of the Baishiquan Nickel-Copper Mine, and formulate the corresponding development scheme which would substantially reduce its production costs.

Dragon Silver has made stable profit during the year under review. Dragon Silver has been working on application to be recognised as a LME-approved brand of tin ingots producer, which would help securing better source of supply, sale channel and price.

**Other Business**

***Overview***

Other Business comprised of the provision of consultancy, software maintenance and development, e-commerce services as well as various investments in IT and innovation projects, including e-Sport tournament organizer, bio and nano new materials, IT startup fund and intelligent agricultural applications. During the year under review, the Group had further explored new development opportunities.

During the year under review, the Group acquired a 28.57% indirect equity interest in CGA Holdings Limited ("CGA Holdings"), an e-sport company, pursuant to a subscription agreement dated 16 May 2018. On 25 January 2019, CGA Holdings brought back and cancelled 1,700 ordinary shares from its shareholders at HK$9,500,000. The equity interest of CGA Holdings owned by the Group increased to 32.52% after the buyback. CGA Holdings is accounted for as an associate company of the Group. CGA Holdings and its subsidiaries (together the "CGA Group") operate an e-sports gaming platform which provides systematic gaming and social services to e-sports enthusiasts and has held over 100 sizable online and offline e-sports competitions and activities since 2013. In August 2018, as one of the leading e-sport companies in Hong Kong, CGA Group organised the AESF Regional Qualifiers for the

18th Asian Games in 2018, where the Hong Kong athlete won the gold medal in Hearthstone tournament. In January 2019, CGA Group has expanded its business scope and opened an eSports Stadium in Mong Kok, Hong Kong, the largest integrated eSports stadium in Asia, which covers an area of 25,000 square feet. During the year ended 31 March 2019, the Group recorded a share of loss of CGA Group of HK$0.7 million. The loss incurred was mainly due to expense incurred in the development stage for setting up e-sports stadium.

Pursuant to the subscription agreement, the major shareholders of CGA Holdings (the "Guarantors") jointly and severally guaranteed to the Group that the net profit after tax of CGA Group for the years ending 31 March 2020 and 31 March 2021 shall not be in aggregate less than HK$32,000,000 ("CGA Profit Guarantee"). The CGA Profit Guarantee was accounted for as financial assets at fair value through profit or loss ("FVTPL") on initial recognition. For the year ended 31 March 2019, the Group recognised a fair value change of approximately HK$6.4 million (2018: nil) on the CGA Profit Guarantee.

Please refer to the announcement of the Company dated 16 May 2018 for details of the acquisition.

***Impairment loss on interest in associates***

The Group carried goodwill balance of HK$36.3 million as of 31 March 2019 in relation to the acquisition of equity interest in CGA Holdings. For the year ended 31 March 2019, based on the impairment assessment, an impairment loss on interest in associates of HK$7.8 million was recognised in view that issuance of new games in the China market was slow down, the actual operating results from the newly developed lines of business was progressed slower and less than planned and the expected cashflows from future operation are projected with reference to the current actual results.

***Investment***

As at 31 March 2019, the Group owned a 22.53% indirect equity interest in Nano Bubble Limited ("Nano Bubble") at a consideration cost of HK$570,000. It is mainly engaged in the development of domestic pesticide removal, surface cleaning and sanitisation products with the application of nano technology. The technology of Nano Bubble, the centralised nano bubble system for pesticide removal and surface sanitisation, won the silver medal on Asia Exhibition of Inventions Hong Kong in July 2018.

As at 31 March 2019, the Group owned a 27.03% indirect equity interest of Nano Energy Limited at a consideration cost of HK$30,000 and made a proportional shareholders loan of HK$768,000 to it. Its principal activities are development of different power generation mechanisms.

For the year ended 31 March 2019, the Other Business recorded loss of approximately HK$1.4 million, representing an increase of 75% as compared to loss of HK$0.8 million for the year ended 31 March 2018. The increase in segment loss was mainly due to the research expenditures incurred for the application of nano technology of HK$0.8 million (2018: nil) as well as no revenue being generated from the Other Business in current year (2018: HK$0.3 million).

***Outlook***

During the past year, the Company has initiated several potential investment projects, including the e-sports program and Nano projects. As such projects are still in the development stage, the Other Business has recorded a loss in the year under review.

With rapid changing in the market environment, CGA Group may face both opportunities and challenges amid an increasing push to turn e-sports into a lucrative business in the coming years. Taking into account the current performance of its new business lines, CGA Group is making great effort to overcome such difficulties and make more achievements in the rapidly evolving sector.

Apart from the e-sports business, the Group has launched bio and nano new materials projects to pursue earnings increase in the new material sector. By implementing the market orientation approach, Nano Bubble will endeavor to design nanotech products that meet the desires and needs of customers. Investments in such new emerging industry, as well as other IT investment and e-sport project will offer a chance to the Group to extend from its traditional business structure and add new growth points.

## FINANCIAL PERFORMANCE REVIEW

For the year ended 31 March 2019, the Group recorded a total turnover of approximately HK$78.2 million (2018: HK$174.2 million), representing an decrease of 55% as compared with the last financial year. Other income and gains of approximately HK$3.4 million for the year under review (2018: HK$3.7 million) mainly represented interest income, dividend income from Dragon Silver and rental income. Loss for the year was approximately HK$66.8 million (2018: profit of HK$14.0 million), representing an increase of 5.8 times as compared with the year ended 31 March 2018. The increase in loss is mainly caused by the decrease in sales quantity with the increase in cost of production in current year and the recognition of impairment loss on mining assets and written-off of property, plant and equipment of HK$59.8 million in total under Mining Business and share of loss of associates of HK$3.9 million. Besides, the Group recorded a gain on change in fair value of contingent consideration of HK$6.4 million and impairment loss on interest in associates of HK$7.8 million in relation to the acquisition of an associate.

The Group invested in 8.86% equity interest of Dragon Silver, a tin trading and processing company, in December 2017. The investee is equipped with self-developed testing facility and has production capacity of 1,500 tonnes of tin ingots per month. With a promising tin business, the investee will have a strong financial performance which also enhance its good dividend payment capability and the potential capital gain to the Group.

The Mining Business segment recorded revenue of approximately HK$78.2 million (2018: HK$173.9 million), and segmental loss for the year of HK$56.3 million (2018: profit of HK$20.7 million), representing a decrease of 55% and 3.7 times respectively as compared with the prior financial year. The decrease in revenue is mainly attributable to the Russia dumping, rough weather and stringent security requirements. The increase in loss is mainly due to decrease in revenue and increase in operating costs as well as impairment loss on mining assets and interest in associates, and written-off of property, plant and equipments.

There was no turnover from Other Business (2018: HK$0.3 million) and segmental loss of HK$1.4 million (2018: HK$0.8 million), representing a decrease of 100% and 3.7 times respectively as compared with last year.

Loss attributable to owners of the Company was approximately HK$27.8 million, as compared to approximately profit of HK$2.0 million for the prior financial year.

## LIQUIDITY AND FINANCIAL RESOURCES

As at 31 March 2019, the Group had bank balances and cash of approximately HK$41.6 million (2018: HK$133.6 million) and net current assets amounted to HK$32.4 million (2018: HK$96.0 million). Out of the Group's bank balances and cash, about 20% was denominated in Hong Kong dollars (2018: 22%), 78% was denominated in Chinese Renminbi (2018: 77%) and 2% was denominated in United States dollars (2018: 1%). As at 31 March 2019, the current ratio was 1.96 (2018: 2.70).

The Group generally financed its operations and investing activities primarily with internally generated cash flow as well as the proceeds from fund raising activities.

As at 31 March 2019, the Group had outstanding borrowings of approximately HK$16.2 million (2018: HK$11.7 million), which mainly represented loan from related companies, obligations under a finance lease and amount due to a non-controlling interest.

### Promissory Note

On 11 May 2012, the Group issued a promissory note to Starmax Holdings Limited ("Starmax") as part of the purchase consideration of a 51% equity interest of Goffers Management Limited ("Goffers"), a non-wholly owned subsidiary of the Company, in the principal amount of HK$63 million. As at 31 March 2018, HK$53 million was repaid and the remaining HK$10 million was repaid on 11 May 2018 together with accrued interest of approximately HK$0.3 million. The promissory note bears interest at 3% per annum payable on each anniversary of the date of issue and is secured by a charge over a 51% of the issued share capital of Goffers. Overdue instalments bear interests at 7% per annum according to the terms of the promissory note until the overdue instalments are fully paid by the Group. The related charge was released upon fully settlement on 11 May 2018.

The Directors believed that the Group's existing financial resources are sufficient to fulfill its commitments and working capital requirements.

## CAPITAL COMMITMENTS

The Group has no significant capital commitments as at 31 March 2019.

## GEARING RATIO

As at 31 March 2019, the Group's gearing ratio was approximately 15% (2018: 8%), based on total borrowings of approximately HK$16.2 million (2018: HK$11.7 million) and equity attributable to owners of the Company of approximately HK$107.2 million (2018: HK$138.7 million). The increase in the ratio was mainly due to effect of new loan borrowed from related companies of HK$15 million during the year ended 31 March 2019.

## EMPLOYEE INFORMATION

As at 31 March 2019, the Group employed a total staff of 124. Staff remuneration is reviewed by the management of 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. The Group also concerns on work safety to the employees. During the year ended 31 March 2019, there was no serious work safety issue on our Group's employees. Certain employees have worked for the Group for over 10 years. During the operation prior to the suspension in December 2018, an accident was caused by the misconduct of our outsourced contractors, causing two casualties who are staff of the contractors. The Group, together with the local government authorities, immediately responded and rendered help to the casualties.

## CHARGE ON THE GROUP'S ASSETS

One motor vehicle of the Group was pledged as security for a finance lease as at the date of the announcement.

## ORDER BOOK AND PROSPECTS FOR NEW BUSINESS

There was no order book on hand as at 31 March 2019.

## MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

On 16 May 2018, the Group acquired 4,000 ordinary shares of CGA Holdings at HK$50,000,000, representing approximately 28.57% equity interest in CGA Holdings. The CGA Group is principally engaged in provision of advertising and promotion service of e-sport activities and organisation of regular e-sport tournament.

Save as disclosed above, there was no material disposal or acquisition of subsidiaries, associates and joint ventures for the year.

## FUTURE PLANS FOR MATERIAL INVESTMENTS

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

## EXPOSURE TO EXCHANGE RISKS

Since the Group's borrowings and its source of income are primarily denominated in the respective group companies functional currency which are mainly in Hong Kong dollars or Renminbi, the exposure to foreign exchange rate fluctuations is not significant.

## CONTINGENT LIABILITIES

As at 31 March 2019, there was no material contingent liabilities incurred by the Group.

## PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

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

## AUDIT COMMITTEE

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 audited financial results of the Group for the year ended 31 March 2019.

## CORPORATE GOVERNANCE PRACTICES

The Company strives to attain and maintain the highest standard of corporate governance as it believes that effective corporate governance practices are fundamental to enhancing shareholder value and safeguarding shareholder interests. The principles of corporate governance adopted by the Group emphasise a quality board, sound internal control, and transparency and accountability to all its shareholders.

The Company has adopted the code provisions ("Code Provisions") set out in the Corporate Governance Code (the "Code") as set out in Appendix 15 to the GEM Listing Rules. The Company had complied with all Code Provisions as set out in the Code, throughout the year ended 31 March 2019, 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. After the retirement of Dr. Cheng Kin Kwan as chairman and chief executive officer of the Company on 29 July 2016, the post of Chief Executive Officer of the Company is 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.

A Corporate Governance Report will be dispatched with the annual report of the Company.

On behalf of the Board
**TIMELESS SOFTWARE LIMITED**
**Felipe Tan**
*Chairman*

Hong Kong, 21 June 2019

*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