



TIMELESS SOFTWARE LIMITED

(incorporated in Hong Kong with limited liability)

(Stock Code: 8028)

RESULTS ANNOUNCEMENT

For the quarter ended 31 December 2004

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

GEM has been established as a market designed to accommodate companies to which a high investment risk may be attached. In particular, companies may list on GEM with neither a track record of profitability nor any obligation to forecast future profitability. Furthermore, there may be risks arising out of the emerging nature of companies listed on GEM and the business sectors or countries in which the companies operate. 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.

The principal means of information dissemination on GEM is publication on the internet website operated by the Exchange. Listed companies are not generally required to issue paid announcements in gazetted newspapers. Accordingly, prospective investors should note that they need to have access to the GEM website in order to obtain up-to-date information on GEM-listed issuers.

The Stock Exchange of Hong Kong Limited takes no responsibility for the contents of this announcement, makes no representation as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.

This announcement, for which the directors of Timeless Software Limited collectively and individually accept responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited for the purpose of giving information with regard to Timeless Software Limited. The directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief:- (1) the information contained in this announcement is accurate and complete in all material respects and not misleading; (2) there are no other matters the omission of which would make any statement in this announcement misleading; and (3) all opinions expressed in this announcement have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.

The Board of Directors (“Board”) of Timeless Software Limited (“Company”) is pleased to announce the unaudited consolidated results of the Company and its subsidiaries (“Group”) for the three months and nine months ended 31 December 2004 together with the comparative unaudited figures for the corresponding periods in 2003 as follows:

Condensed consolidated income statements

For the three months and nine months ended 31 December 2004

	Note	(Unaudited)		(Unaudited)	
		Three months ended 31 December 2004	2003	Nine months ended 31 December 2004	2003
		HK\$'000	HK\$'000	HK\$'000	HK\$'000
Turnover		776	1,163	2,704	7,381
Other operating income		588	131	775	564
Cost of computer software and hardware sold		(25)	(22)	(25)	(198)
Staff costs		(2,803)	(3,837)	(9,527)	(11,972)
Depreciation and amortisation		(3,483)	(3,303)	(10,379)	(9,951)
Other operating expenses		(1,580)	(6,771)	(5,380)	(16,165)
Gain (loss) on disposal of listed investment securities		—	(70)	—	5,874
Impairment in value of investment securities		—	—	(129)	—
Operating loss		(6,527)	(12,709)	(21,961)	(24,467)
Finance costs		(143)	(113)	(434)	(490)
Share of results of associates		(884)	253	(15,942)	109
Share of results of jointly controlled entities		426	(717)	(3,061)	(600)
Loss before taxation		(7,128)	(13,286)	(41,398)	(25,448)
Taxation	3	—	—	—	3,995
Loss before minority interests		(7,128)	(13,286)	(41,398)	(21,453)
Minority interests		2	3	11	1
Net loss attributable to shareholders		<u>(7,126)</u>	<u>(13,283)</u>	<u>(41,387)</u>	<u>(21,452)</u>
Loss per share	5				
- Basic		<u>(0.72) cents</u>	<u>(1.35) cents</u>	<u>(4.17) cents</u>	<u>(2.23) cents</u>

Condensed consolidated statement of changes in equity

For the nine months ended 31 December 2004

	(Unaudited) Share capital HK\$'000	(Unaudited) Share premium HK\$'000	(Unaudited) Goodwill reserve HK\$'000	(Unaudited) Deficit HK\$'000	(Unaudited) Total HK\$'000
At 1 April 2003	47,443	622,635	(9,080)	(422,592)	238,406
Issue of shares	1,910	7,244	—	—	9,154
Expenses incurred in connection with the issue of shares	—	(361)	—	—	(361)
Net loss attributable to shareholders	—	—	—	(21,452)	(21,452)
At 31 December 2003	<u>49,353</u>	<u>629,518</u>	<u>(9,080)</u>	<u>(444,044)</u>	<u>225,747</u>
At 1 April 2004	49,503	629,932	(9,080)	(460,681)	209,674
Issue of shares	248	358	—	—	606
Expenses incurred in connection with the issue of shares	—	(11)	—	—	(11)
Net loss attributable to shareholders	—	—	—	(41,387)	(41,387)
At 31 December 2004	<u>49,751</u>	<u>630,279</u>	<u>(9,080)</u>	<u>(502,068)</u>	<u>168,882</u>

Notes to the condensed consolidated financial information

1. Basis of preparation

The condensed consolidated financial information have been prepared in accordance with the applicable requirements of Chapter 18 of the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (“GEM Listing Rules”).

2. Principal accounting policies

The condensed consolidated financial information have been prepared under the historical cost convention.

The accounting policies adopted are consistent with those followed in the preparation of the Group’s annual financial statements for the year ended 31 March 2004.

3. Taxation

No provision for Hong Kong Profits Tax has been made in the financial statements as the Group had no assessable profit for the period. The credit in 2003 represented overprovision of Hong Kong Profits Tax in prior years.

4. Interim dividend

The Board does not recommend the payment of an interim dividend for the quarter ended 31 December 2004 (2003: Nil).

5. Loss per share

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

	Three months ended 31 December		Nine months ended 31 December	
	2004	2003	2004	2003
Net loss attributable to shareholders	<u>HK\$7,126,000</u>	<u>HK\$13,283,000</u>	<u>HK\$41,387,000</u>	<u>HK\$21,452,000</u>
Weighted average number of ordinary shares for the purposes of basic loss per share	<u>993,307,373</u>	<u>986,274,981</u>	<u>991,823,656</u>	<u>961,508,078</u>

No diluted loss per share for the three months and nine months ended 31 December 2004 and 31 December 2003 have been presented as the share options granted by the Company are anti-dilutive.

Business review and outlook

The directors continued to take a conservative approach for accounting purposes and a stringent view on recognizing revenue was still being adopted especially for contracts of relatively longer term in nature in Mainland China. The loss for the quarter ended 31 December 2004 was approximately HK\$7.1 million compared to a loss of approximately HK\$13.3 million in the same quarter in previous year. The decrease in the loss for this quarter is mainly due to the following:-

1. The reduction of staff costs from approximately HK\$3.8 million in the same quarter in previous year to approximately HK\$2.8 million during this quarter;
2. The decrease in other operating expenses from approximately HK\$6.8 million to HK\$1.6 million mainly as a result of the allowance for amounts due from customers for contract work and allowance for bad and doubtful debts totaling approximately HK\$5 million recorded in the same quarter in previous year; and
3. Doubtful debts of approximately HK\$0.5 million were recovered during this quarter.

For the past recent quarters, our operation has always been endeavoring to achieve the successful introduction of the Timeless Consolidated Platform to the world. This is because this event relates closely to the fact of whether we, as a technology company in which software development is a principal activity, can fundamentally resolve the issues of low cost and short cycle of software development and the market share that is resulted from software development. If these two issues are not resolved, our company would still be suffering from continual losses. However, once these two issues are fundamentally resolved, our company will start to make profit and will also make profit continuously.

Thus, the introduction of the Timeless Consolidated Platform to the world will be divided into three steps as follows:-

1. Comprehensively revamp the company's website so that significant details of the Timeless Consolidated Platform are disclosed so as to exchange information with the market.
2. Officially introduce the Timeless Consolidated Platform to the world and at the same time, announce the securing of one or more important projects.
3. Deploy the projects secured seriously, and endeavor to make profit continuously.

The first step of the above has been successfully completed on 25th November of the current quarter. The second and third steps have always been what we and our shareholders are longing for.

The Board will strive its best to achieve the goals.

Purchase, sale or redemption of the Company's listed securities

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

On behalf of the Board
Cheng Kin Kwan
Chairman & Chief Executive Officer

The Board comprises the following directors:-

Mr. CHENG, Kin Kwan (*Executive Director*)
Mr. CHUNG, Yiu Fai (*Executive Director*)
Mr. LAW, Kwai Lam (*Executive Director*)
Ms. LEUNG, Mei Sheung Eliza (*Executive Director*)
Mr. PUN, Chung Sang Trevor (*Executive Director*)
Ms. SO, Mi Ling Winnie (*Executive Director*)
Ms. WONG, Wai Ping Mandy (*Executive Director*)
Ms. ZHENG, Ying Yu (*Executive Director*)
Mr. CHONG, Siu Pui (*Independent Non-executive Director*)
Mr. NG, Kwok Tung (*Independent Non-executive Director*)
Ms. TSANG, Wai Chun Marianna (*Independent Non-executive Director*)

Hong Kong, 7 February 2005

This announcement will remain on the GEM website (www.hkgem.com) on the "Latest Company Announcements" page for at least 7 days from the day of its posting and on the Company's website (www.timeless.com.hk).