TIMELESS SOFTWARE LIMITED

(Incorporated in Hong Kong with limited liability)

(Stock code: 8028)

RESULTS ANNOUNCEMENT
For the year ended 31 March 2005

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.

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.

RESULTS

The Board of Directors ("Board") of Timeless Software Limited ("Company") is pleased to announce the audited consolidated results of the Company and its subsidiaries ("Group") for the year ended 31 March 2005 together with the comparative audited figures for the corresponding period in 2004 as follows:

Consolidated income statement
For the year ended 31 March 2005

	Notes	**2005** *HK$'000*	**2004** *HK$'000*
Turnover	2	3,441	9,357
Other operating income		820	733
Cost of computer software and hardware sold		(25)	(237)
Staff costs		(13,336)	(15,518)
Depreciation and amortisation		(14,286)	(13,322)
Other operating expenses		(7,905)	(21,698)
Impairment in value of goodwill		(11,938)	—
Impairment in value of investment securities		(334)	(48)
Allowance for deposit made for the investment in an associate		—	(2,299)
(Loss) gain on disposal of investment securities		(5,664)	5,635
Loss from operations	3	(49,227)	(37,397)
Finance costs	4	(578)	(640)
Share of results of associates		(23,867)	(3,312)
Share of results of jointly controlled entities		(8,824)	(741)
Loss before taxation		(82,496)	(42,090)
Taxation	5	—	3,995
Loss before minority interests		(82,496)	(38,095)
Minority interests		18	6
Net loss attributable to shareholders		(82,478)	(38,089)
Loss per share — Basic	6	(8.30) cents	(3.94) cents

Consolidated statement of changes in equity
For the year ended 31 March 2005

	Share capital *HK$'000*	Share premium *HK$'000*	Goodwill reserve *HK$'000*	Deficit *HK$'000*	Total *HK$'000*
At 1 April 2003	47,443	622,635	(9,080)	(422,592)	238,406
Issue of shares	2,060	7,690	—	—	9,750
Expenses incurred in connection with the issue of shares	—	(393)	—	—	(393)
Net loss attributable to shareholders	—	—	—	(38,089)	(38,089)
At 31 March 2004	49,503	629,932	(9,080)	(460,681)	209,674
Impairment in value recognised during the year	—	—	9,080	—	9,080
Issue of shares	971	708	—	—	1,679
Expenses incurred in connection with the issue of shares	—	(15)	—	—	(15)
Net loss attributable to shareholders	—	—	—	(82,478)	(82,478)
At 31 March 2005	50,474	630,625	—	(543,159)	137,940
Attributable to					
- the Company and subsidiaries	50,474	630,625	—	(492,788)	188,311
- associates	—	—	—	(31,277)	(31,277)
- jointly controlled entities	—	—	—	(19,094)	(19,094)
At 31 March 2005	50,474	630,625	—	(543,159)	137,940

Notes:

1. **Basis of preparation**

The financial statements have been prepared under the historical cost convention and in accordance with accounting principles generally accepted in Hong Kong.

The Hong Kong Institute of Certified Public Accountants has issued a number of new and revised Hong Kong Financial Reporting Standards and Hong Kong Accounting Standards (herein collectively referred to as "new HKFRSs") which are generally effective for accounting periods beginning on or after 1 January 2005. The Group has not early adopted these new HKFRSs in the financial statements for the year ended 31 March 2005. The Group has already commenced an assessment of the impact of these new HKFRSs but is not yet in a position to state whether these new HKFRSs would have a significant impact on its results of operations and financial position.

2. **Business and geographical segments**

Business segments

For management purposes, the Group's operations are organised into three operating divisions namely software development, investments and other operations. These divisions are the basis on which the Group reports its primary segment information.

Principal activities are as follows:

Software development	—	software development, provision of computer consultancy and software maintenance services and sales of computer hardware and software
Investments	—	investments in securities excluding investments in associates and jointly controlled entities
Other operations	—	magazine publishing, provision of computer platform for educational purposes and operation of a software park

Business segments for the year are as follows:

	Turnover		Results	
	2005	**2004**	**2005**	**2004**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Software development	3,432	9,346	(27,231)	(31,202)
Investments	—	—	(5,955)	5,587
Other operations	9	11	(9,514)	(3,285)
	3,441	9,357	(42,700)	(28,900)
Central administrative expenses			(6,527)	(8,497)
Loss from operations			(49,227)	(37,397)
Finance costs			(578)	(640)
Share of results of associates				
- software development			(11,419)	(3,312)
- other operations			(12,448)	—
Share of results of jointly controlled entities				
- software development			(4,068)	(1,084)
- other operations			(4,756)	343
Loss before taxation			(82,496)	(42,090)
Taxation			—	3,995
Loss before minority interests			(82,496)	(38,095)
Minority interests			18	6
Net loss attributable to shareholders			(82,478)	(38,089)

Geographical segments

The Group's operations are mainly situated in Hong Kong and Mainland China (the "PRC"). The following table provides an analysis of the Group's geographical segment information:

	Turnover	
	2005	**2004**
	HK$'000	*HK$'000*
Hong Kong	2,174	6,426
PRC	1,267	2,931
	3,441	9,357

3. **Loss from operations**

	2005	**2004**
	HK$'000	**HK$'000**
Loss from operations has been arrived at after charging:		
Directors' remuneration	4,589	4,788
Other staff's retirement benefits scheme contributions	167	212
Other staff costs	8,580	12,007
	13,336	17,007
Less: Staff costs capitalised in product development costs	—	(1,489)
	13,336	15,518
Depreciation and amortisation of property, plant and equipment		
- owned by the Group	10,510	11,157
- held under a finance lease	59	60
	10,569	11,217
Less: Depreciation and amortisation capitalised in product development costs	—	(1,113)
	10,569	10,104
Amortisation of product development costs	3,717	3,218
	14,286	13,322
Operating lease rentals in respect of land and buildings	778	1,044
Less: Operating lease rentals capitalised in product development costs	—	(49)
	778	995
Allowance for amounts due from customers for contract work	353	4,378
Allowance for bad and doubtful debts	—	735
Auditors' remuneration		
- current year	836	780
- underprovision in prior year	81	200
Loss on disposal of property, plant and equipment	102	400
and after crediting:		
Interest income	208	552
Reversal of allowance for amounts due from customers for contract work	453	—

4. **Finance costs**

	2005	2004
	HK$'000	*HK$'000*
Interest on		
- a finance lease	(12)	(15)
- bank and other borrowings wholly repayable within five years	—	(430)
- bank borrowings not wholly repayable within five years	(566)	(195)
	(578)	(640)

5. **Taxation**

No provision for taxation has been made in the financial statements as the Group had no assessable profit for the year.

The credit for the year ended 31 March 2004 represented overprovision of Hong Kong Profits Tax in prior years.

Pursuant to the relevant laws and regulations in the PRC, the subsidiary in Guangzhou is entitled to a 50% tax relief for the three years ended 31 December 2004 while the subsidiary in Beijing is entitled to exemption from PRC income tax for the two years ended 31 December 2003 and entitled to a 50% relief for the three years ending 31 December 2006. All of the Group's PRC subsidiaries incurred losses in the current year.

6. **Loss per share**

The calculation of the basic loss per share is based on the net loss attributable to shareholders of HK$82,478,000 (2004: HK$38,089,000) and the weighted average number of 993,439,947 (2004: 967,949,760) shares in issue during the year.

No diluted loss per share has been presented as the share options granted by the Company are anti-dilutive.

7. **Dividend**

No dividends had been paid or declared by the Company during the year (2004: Nil).

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.

CHAIRMAN'S STATEMENT

In the year just past, we have not only devoted concentrated efforts to the continuous development of the Timeless Consolidated Platform ("the TCP"), but have also gone one step further to make use of its technological power.

By continuous development, we mean in the past year we continued to focus our development effort on the five core technology elements, which make up the technology pillar of the TCP. These five core technology elements are the ZiWangYuan (子網元), the ZiFaYuan (子發元), the GuangCunYuan (廣存元), the SouSuoYuan (搜索元) and the ShiXiangYuan (視像元). Each of these elements is oriented toward one of the five significant domains in information processing. The five domains are (respectively) the practical consolidation of portals, the platform environment for rapid development, the comprehensive storage for massive amount of information, the search processing for information, and the integrated presentation of multimedia information. The development of the five core technology elements was basically completed during the year. In order to encourage information exchange with the market, this and many other details about the TCP and, in particular, the five core technology elements were made available on our website at about November last year.

With the five core technology elements in place, the TCP is thus empowered within its design the capability to process information among and between the various domains in a relatively open manner. In the past year, we took this capability one step further. We started to build on TCP's technological advantage, consolidating or incorporating into it application and market factors. The output of these exercises, as can be expected, would not be another pure, technology platform, nor would it be another simple, single-purpose technology product. Rather, it would be a "complex", that is to say, — a consolidation of solutions addressing the combined needs and requirements of application, technology and the market. One exercise, codenamed "XTE2005", done during the year is representative. "XTE2005", initiated at the request of a strategic partner engaged in public services to address certain application requirements in its social industry management program, materializes as a cross-platform, open, original platform (or, complex). In effect, "XTE2005" has the capability to integrate both software and hardware resources, and to continuously and rapidly adopt and absorb new technology and new application into itself. The final application system or solutions would come through the deployment of many of its sub-platforms such as the Information Integration Sub-platform, the Information Security Sub-platform, the Interactive Feedback Sub-platform, the Terminal Identification Sub-platform, and the Broadcast Application Sub-platform. To put it more simply, as "XTE2005" has incorporated all the technological elements to satisfy the application requirements of the partner's social industry management program, including the ability to integrate all existing hardware and software resources, "XTE2005" is project-ready. In other words, when the structure and the specifications of the projects under the social industry management program are determined, the time needed to actualize the application requirements into final solutions and application system could be significantly shortened.

We are in earnest discussion with our strategic clients and partners about the details of various potential projects and we are also in preparation for the official introduction of the TCP. With the development work on the TCP and its derivative complexes and sub-platforms basically done, we are cautiously optimistic about the prospect of their timely realization.

REVIEW OF OPERATIONS

Results for the year ended 31 March 2005

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 net loss attributable to shareholders for the year ended 31 March 2005 was approximately HK$82.5 million representing an increase of 116.5% as compared to the net loss of HK$38.1 million in previous year. The significant increase in net loss is mainly due to the following:-

1. The impairment in value of goodwill of HK$11.9 million this year;

2. The increase in the share of losses of associates and jointly controlled entities from HK$3.3 million and HK$0.7 million to HK$23.9 million and HK$8.8 million respectively; and

3. Disposal of our entire 10% interest in Tigermetal International Limited, an overseas unlisted investee company, at a loss of HK$5.7 million.

For the year under review, turnover was approximately HK$3.4 million, a drop of 63.8% from HK$9.4 million in previous year. Despite a reduction in turnover, the Group continued to control its operating costs in an effective manner. The staff costs were further reduced by HK$2.2 million to HK$13.3 million whereas other operating expenses were largely decreased from HK$21.7 million to HK$7.9 million.

Liquidity and financial resources

The Group generally financed its operations and investing activities with internally generated cash flows and loans from banks.

As at 31 March 2005, the Group had bank balances and cash (excluding pledged bank deposits) of approximately HK$17.2 million compared to approximately HK$38.8 million as at 31 March 2004. The decrease was mainly due to the reduction in turnover and net cash paid for the acquisition of 70% equity interest in Talent Valley Company Limited, a company established in the PRC.

As at 31 March 2005, the Group had outstanding bank loans and obligations under finance lease amounted to HK$36.5 million (2004: HK$38.8 million) and HK$0.2 million (2004: HK$0.3 million) respectively. In accordance with the terms of the banking facilities, such bank loans are installment loans and will be fully repaid in 2013 and 2015. The following is the maturity profile of the Group's bank loans as of 31 March 2005:

Within one year	11%
In the 2nd year	11%
In the 3rd to 10th year	78%
	100%

Gearing ratio

The gearing ratio of the Group, which is calculated as the ratio of total borrowings to shareholders' funds, was 26.6% compared to 18.6% as at 31 March 2004.

Charge on the Group's assets

As at 31 March 2005, the Group's headquarters at 79/F The Center, 99 Queen's Road Central, Hong Kong was mortgaged to a bank for a loan of HK$35 million as mentioned in the previous paragraph. A commercial property situated in Guangzhou held by a PRC subsidiary was also mortgaged to a bank for a loan of approximately HK$1.5 million. Bank deposits totalling approximately HK$10.2 million (2004: HK$10.2 million) were pledged to banks for banking facilities of HK$5 million (2004: HK$5 million) available to the Company and some of its subsidiaries and a loan facility of approximately HK$4.7 million (2004: HK$4.7 million) available to a jointly controlled entity.

Capital structure

Certain directors and employees of the Group exercised their share options and as a result 19,420,000 shares of the Company were issued and allotted to them during the year ended 31 March 2005.

Segmental information

In accordance with the Group's internal financial reporting the Group has determined that business segments be presented as the primary reporting format and geographical segments as the secondary reporting format. The Group reports its businesses in three business segments namely software development, investment and other operations, and in two geographical segments namely Mainland China and Hong Kong.

In respect of business segments, the Group continues to focus on software development. During the year ended 31 March 2005, the Group disposed of its entire 10% interest in Tigermetal International Limited, an overseas unlisted company for a consideration of approximately HK$2.9 million and recorded a loss of approximately HK$5.7 million.

In respect of geographical segments, there was no significant change in the percentage of revenue contribution from Hong Kong and Mainland China during the year ended 31 March 2005. Turnover generated from Hong Kong and Mainland China accounted for approximately 63.2% and 36.8% of the total turnover of the Group respectively during the year compared to approximately 68.7% and 31.3% in previous year.

Order book and prospects for new business

The amount of orders on hand of the Group was over HK$7 million as at 31 March 2005. In respect of those large projects of relatively longer term in nature in Ningxia Province in Mainland China, progress will be made when funding for these projects becomes certain. Please refer to Chairman's statement for description of the prospects of the Group.

Material acquisitions and disposal of subsidiaries and affiliated companies

During the year ended 31 March 2005, the Group has acquired a 70% interest in Talent Valley Company Limited, a company established in the PRC, at a consideration of RMB14 million.

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

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 Hong Kong dollars, Renminbi and United States dollars, the exposure to foreign exchange rate fluctuations is minimal.

Contingent liabilities

As at 31 March 2005, the Company has given corporate guarantees of HK$45 million (2004: HK$45 million) to banks to secure credit facilities granted to its subsidiaries. As at 31 March 2005, credit facility of HK$35 million (2004: HK$38.8 million) was utilized by a subsidiary.

Employee information

As at 31 March 2005, the Group employed a total staff of 54. Staff remuneration is reviewed by the Group from time to time and increases are granted normally annually or by special adjustment depending on length of service and performance when warranted. In addition to salaries, the Group provides staff benefits including medical insurance and provident fund. Share options and bonuses are also available to employees of the Group at the discretion of the directors and depending upon the financial performance of the Group.

BOARD PRACTICES AND PROCEDURES

During the year, the Company has complied with the board practices and procedures as set out in Rules 5.34 to 5.45 of the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited.

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

Hong Kong, 14 June 2005

As at the date of this announcement, the executive Directors are Mr. Cheng Kin Kwan, Mr. Law Kwai Lam, Mr. Chung Yiu Fai, Ms. Leung Mei Sheung, Eliza, Ms. So Mi Ling, Winnie, Ms. Wong Wai Ping, Mandy and Ms. Zheng Ying Yu; and the independent non-executive Directors are Mr. Chong Siu Pui, Mr. Ng Kwok Tung and Ms. Tsang Wai Chun, Marianna.

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).