



TIMELESS SOFTWARE LIMITED

(incorporated in Hong Kong with limited liability)

(Stock Code: 8028)

RESULTS ANNOUNCEMENT

For the quarter ended 30 June 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.

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.

RESULTS

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 ended 30 June 2005 together with the comparative unaudited figures for the corresponding period in 2004 as follows:

Condensed Consolidated Income Statement

For the three months ended 30 June 2005

| | | (Unaudited) | |
|-------------------------------------------------|--------------|---------------------------|-----------------|
| | | Three months ended | |
| | | 30 June | |
| | | 2005 | 2004 |
| | <i>Notes</i> | <i>HK\$'000</i> | <i>HK\$'000</i> |
| Turnover | | 1,563 | 773 |
| Other operating income | 3 | 2,357 | 138 |
| Cost of computer software and hardware sold | | (644) | — |
| Staff costs | | (2,820) | (3,397) |
| Depreciation and amortisation | | (3,058) | (3,462) |
| Other operating expenses | | (1,627) | (1,859) |
| Impairment in value of investment securities | | (5) | (129) |
| | | <hr/> | <hr/> |
| Loss from operations | | (4,234) | (7,936) |
| Finance costs | | (176) | (147) |
| Share of results of associates | | (1,402) | (328) |
| Share of results of jointly controlled entities | | (1,707) | (3,529) |
| | | <hr/> | <hr/> |
| Loss before taxation | | (7,519) | (11,940) |
| Taxation | 4 | — | — |
| | | <hr/> | <hr/> |
| Loss for the period | | (7,519) | (11,940) |
| | | <hr/> <hr/> | <hr/> <hr/> |
| Attributable to: | | | |
| Equity holders of the Company | | (7,433) | (11,936) |
| Minority interests | | (86) | (4) |
| | | <hr/> | <hr/> |
| | | (7,519) | (11,940) |
| | | <hr/> <hr/> | <hr/> <hr/> |
| Loss per share – Basic | 5 | (0.73) cents | (1.21) cents |
| | | <hr/> <hr/> | <hr/> <hr/> |

Condensed Consolidated Statement of Changes in Equity

For the three months ended 30 June 2005

| | (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 2004 | 49,503 | 629,932 | (9,080) | (460,681) | 209,674 |
| Issue of shares | 56 | 158 | — | — | 214 |
| Expenses incurred in connection with the issue of shares | — | (1) | — | — | (1) |
| Net loss attributable to equity holders | — | — | — | (11,936) | (11,936) |
| At 30 June 2004 | <u>49,559</u> | <u>630,089</u> | <u>(9,080)</u> | <u>(472,617)</u> | <u>197,951</u> |
| At 1 April 2005 | 50,474 | 630,625 | — | (543,159) | 137,940 |
| Issue of shares | 528 | 240 | — | — | 768 |
| Expenses incurred in connection with the issue of shares | — | (6) | — | — | (6) |
| Net loss attributable to equity holders | — | — | — | (7,433) | (7,433) |
| At 30 June 2005 | <u>51,002</u> | <u>630,859</u> | <u>—</u> | <u>(550,592)</u> | <u>131,269</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 disclosure 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 and in accordance with accounting principles generally accepted in Hong Kong.

The accounting policies adopted are consistent with those followed in the preparation of the annual financial statements for the year ended 31 March 2005.

In 2004, the Hong Kong Institute of Certified Public Accountants issued a number of new or revised Hong Kong Accounting Standards and Hong Kong Financial Reporting Standards (hereinafter collectively referred to as “new HKFRSs”) which are effective for accounting periods beginning on or after 1 January 2005. The adoption of those new HKFRSs has no material impact on the preparation and presentation of results of operations and financial position of the Group.

3. Other operating income

Other operating income mainly comprises interest income from bank deposits and written back of allowance for other receivables.

4. Taxation

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

Pursuant to the relevant laws and regulations in the People’s Republic of China (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 commencing the first profit-making year and entitled to a 50% relief for the three years thereafter. All of the Group’s PRC subsidiaries incurred losses in the current period.

5. Loss per share

The calculation of the basic loss per share is based on the net loss attributable to equity holders for the three months ended 30 June 2005 of HK\$7,433,000 (2004: HK\$11,936,000) and the weighted average number of 1,018,748,536 (2004: 990,965,833) shares in issue during the period.

No diluted loss per share for the three months ended 30 June 2005 has been presented as the share options granted by the Company are anti-dilutive.

INTERIM DIVIDEND

The Board does not recommend the payment of an interim dividend for the quarter ended 30 June 2005 (2004: Nil).

BUSINESS REVIEW AND OUTLOOK

During this quarter, 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 the PRC. The net loss attributable to equity holders of the Company for the quarter ended 30 June 2005 was approximately HK\$7,400,000 representing a decrease of 37.7% as compared to the net loss of HK\$11,900,000 during the same quarter in previous year. The net loss was mainly attributable to the Group's share of losses of associates and jointly controlled entities of approximately HK\$1,400,000 and HK\$1,700,000 respectively.

The loss from operations was reduced from approximately HK\$7,900,000 in the same quarter in previous year to approximately HK\$4,200,000 in this quarter. The reduction in loss from operations was due to the increase in turnover from approximately HK\$800,000 in the same quarter in previous year to approximately HK\$1,600,000 in this quarter and the write-back of allowance for other receivables of approximately HK\$2,200,000 as included in other operating income.

In the period under review, the general economic climate continued to brighten. To take advantage of a much-improved property market, the Group had during the quarter engaged in various exercises and discussions about the Group's property at 79/F, The Center, in the hope of achieving a better value for it. As had been previously announced, the Group reached provisional agreement with an independent third party for the proposed sale of the property at a cash consideration of HK\$158,556,000 on 7 July 2005. Subsequently, the formal agreement for sale and purchase was signed on 2 August 2005 and deposits totaling HK\$15,855,600 were received by the Group's solicitors. Pursuant to the terms of the agreement, completion of the proposed sale and purchase, which in turn is subject to independent shareholders approval being first obtained on or before 30 September 2005, is expected to take place on 30 December 2005.

The Group has in the past years devoted much efforts and resources to the construction and development of the Timeless Consolidated Platform (the "TCP"). With the work on the technology side of the business now basically completed, as previously reported, the Group has in the quarter taken steps to implement a reorganization and redeployment of the Group's manpower and resources towards a more market-oriented approach. The Group is confident that as the market becomes more familiar with the technologies and benefits of the TCP, as the reorientation effort deepens and as the Group's financial position becomes strengthened the Group is set to achieve progressively better performance over the longer term.

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

Hong Kong, 12 August 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).