



TIMELESS SOFTWARE LIMITED

(incorporated in Hong Kong with limited liability)

(Stock Code: 8028)

RESULTS ANNOUNCEMENT For the year ended 31 March 2006

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.

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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 2006 together with the comparative audited figures for the corresponding period in 2005 as follows:

Consolidated income statement

For the year ended 31 March 2006

	<i>Notes</i>	2006 <i>HK\$'000</i>	2005 <i>HK\$'000</i>
Turnover	4	3,638	3,441
Gain on disposal of land and buildings		37,945	—
Other income		4,246	820
Cost of computer software and hardware sold		(704)	(25)
Staff costs		(12,930)	(13,336)
Depreciation and amortisation		(8,519)	(14,286)
Other expenses		(14,121)	(7,905)
Impairment in value of available-for-sale financial assets		(1,187)	—
Impairment in value of investment securities		—	(334)
Gain on disposal of available-for-sale financial assets		168	—
Loss on disposal of investment securities		—	(5,664)
Impairment in value of goodwill		—	(11,938)
Finance costs	5	(756)	(578)
Share of losses of associates		(1,274)	(23,867)
Share of losses of jointly controlled entities		<u>(4,362)</u>	<u>(8,824)</u>
Profit (loss) for the year	6 & 7	<u>2,144</u>	<u>(82,496)</u>
Attributable to:			
Equity holders of the Company		2,355	(82,478)
Minority interests		<u>(211)</u>	<u>(18)</u>
		<u>2,144</u>	<u>(82,496)</u>
Earnings (loss) per share	8		
Basic		<u>0.230 cents</u>	<u>(8.302) cents</u>
Diluted		<u>0.229 cents</u>	<u>N/A</u>

Consolidated balance sheet

At 31 March 2006

	<i>Notes</i>	2006 <i>HK\$'000</i>	2005 <i>HK\$'000</i>
Non-current assets			
Property, plant and equipment		4,288	131,370
Product development costs		—	2,291
Interests in associates		6,775	6,460
Interests in jointly controlled entities		1,226	5,430
Investments in securities		—	1,234
		<u>12,289</u>	<u>146,785</u>
Current assets			
Amounts due from customers for contract work		613	4,775
Trade and other receivables	9	3,835	11,246
Pledged bank deposits		10,327	10,205
Bank balances and cash		<u>132,461</u>	<u>17,246</u>
		<u>147,236</u>	<u>43,472</u>
Current liabilities			
Accounts payables	10	5,205	8,878
Obligations under a finance lease due within one year		49	60
Current portion of secured long-term bank loans		<u>122</u>	<u>3,904</u>
		<u>5,376</u>	<u>12,842</u>
Net current assets		<u>141,860</u>	<u>30,630</u>
Total assets less current liabilities		<u>154,149</u>	<u>177,415</u>
Non-current liabilities			
Obligations under a finance lease due after one year		51	128
Secured long-term bank loans		<u>1,232</u>	<u>32,560</u>
		<u>1,283</u>	<u>32,688</u>
Net assets		<u>152,866</u>	<u>144,727</u>
Capital and reserves			
Share capital		51,574	50,474
Reserves		<u>94,527</u>	<u>87,466</u>
Equity attributable to equity holders of the Company		146,101	137,940
Minority interests		<u>6,765</u>	<u>6,787</u>
Total equity		<u>152,866</u>	<u>144,727</u>

Consolidated statement of changes in equity
For the year ended 31 March 2006

	Share capital	Share premium	Share options reserve	Goodwill reserve	Investment revaluation reserve	Translation reserve	Deficit	Attributable to equity- holders of the Company	Minority interests	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 April 2004	49,503	629,932	—	(9,080)	—	—	(460,681)	209,674	2,360	212,034
Loss for the year and total recognized expenses	—	—	—	—	—	—	(82,478)	(82,478)	(18)	(82,496)
Issue of shares	971	708	—	—	—	—	—	1,679	—	1,679
Expenses incurred in connection with the issue of shares	—	(15)	—	—	—	—	—	(15)	—	(15)
Impairment in value recognised	—	—	—	9,080	—	—	—	9,080	—	9,080
Acquisition of non wholly-owned subsidiaries	—	—	—	—	—	—	—	—	4,445	4,445
	<u>971</u>	<u>693</u>	<u>—</u>	<u>9,080</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>10,744</u>	<u>4,445</u>	<u>15,189</u>
At 31 March 2005	50,474	630,625	—	—	—	—	(543,159)	137,940	6,787	144,727
Exchange differences arising from translation of financial statements of overseas operations recognised directly in equity	—	—	—	—	—	728	—	728	189	917
Exchange differences arising from translation of associates and jointly controlled entities	—	—	—	—	—	528	—	528	—	528
Share of post-acquisition reserve of associates	—	—	—	—	1,183	—	—	1,183	—	1,183
Net income recognized in equity	—	—	—	—	1,183	1,256	—	2,439	189	2,628
Profit for the year	—	—	—	—	—	—	2,355	2,355	(211)	2,144
Total recognised income and expenses for the year	—	—	—	—	1,183	1,256	2,355	4,794	(22)	4,772
Issue of shares	1,100	513	—	—	—	—	—	1,613	—	1,613
Expenses incurred in connection with the issue of shares	—	(16)	—	—	—	—	—	(16)	—	(16)
Recognition of equity settled share-based payments	—	—	1,770	—	—	—	—	1,770	—	1,770
	<u>1,100</u>	<u>497</u>	<u>1,770</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>3,367</u>	<u>—</u>	<u>3,367</u>
At 31 March 2006	51,574	631,122	1,770	—	1,183	1,256	(540,804)	146,101	6,765	152,866

Notes:

1. Basis of preparation

The financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”). In addition, the financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited and by the Companies Ordinance.

2. Adoption of new and revised Hong Kong Financial Reporting Standards

In the current year, the Group has applied, for the first time, a number of new HKFRSs, Hong Kong Accounting Standards (“HKASs”) and Interpretations (“INTs”)(hereinafter collectively referred to as “new HKFRSs”) issued by the HKICPA that are effective for accounting periods beginning on or after 1 January 2005. The application of the new HKFRSs has resulted in a change in the presentation of the income statement, balance sheet and statement of changes in equity. In particular, the presentation of minority interests has been changed. The changes in presentation have been applied retrospectively. The adoption of the new HKFRSs has resulted in changes to the Group’s accounting policies in the following areas that have an effect on how the results for the current and prior accounting years are prepared and presented.

Share-based payments

In the current year, the Group has applied HKFRS 2 “Share-based payment” which requires an expense to be recognised where the Group buys goods or obtains services in exchange for shares or rights over shares (“equity-settled transactions”). The principal impact of HKFRS 2 on the Group is in relation to the expensing of the fair value of share options granted to directors and employees of the Company determined at the date of grant of the share options over the vesting period. Prior to the application of HKFRS 2, the Group did not recognise the financial effect of these share options until they were exercised. The Group has applied HKFRS 2 to share options granted on or after 1 April 2005. In relation to share options granted before 1 April 2005, the Group has not applied HKFRS 2 to share options granted on or before 7 November 2002 and share options that were granted after 7 November 2002 and had vested before 1 April 2005 in accordance with the relevant transitional provisions (see note 3 for the financial impact).

Financial instruments

In the current year, the Group has applied HKAS 32 “Financial instruments: Disclosure and Presentation” and HKAS 39 “Financial instruments: Recognition and Measurement”. HKAS 32 requires retrospective application. HKAS 39, which is effective for annual periods beginning on or after 1 January 2005, generally does not permit the recognition, derecognition or measurement of financial assets and liabilities on a retrospective basis. The application of HKAS 32 has had no material impact on how financial instruments of the Group. The principal effects resulting from the implementation of HKAS 39 are summarised below:

Classification and measurement of financial assets and financial liabilities

The Group has applied the relevant transitional provisions in HKAS 39 with respect to the classification and measurement of financial assets and financial liabilities that are within the scope of HKAS 39.

By 31 March 2005, the Group classified and measured its equity securities in accordance with the benchmark treatment of Statement of Standard Accounting Practice (“SSAP”) 24. Under SSAP 24, investments or equity securities are classified as “investment securities” or “other investments” as appropriate. “Investment securities” are carried at cost less impairment losses (if any) while “other investments” are measured at fair value, with unrealised gains or losses included in profit or loss.

From 1 April 2005 onwards, the Group has classified and measured its equity securities in accordance with HKAS 39. Financial assets are classified as “financial assets at fair value through profit or loss”, “available-for-sale financial assets” or “loans and receivables”. “Financial assets at fair value through profit or loss” and “available-for-sale financial assets” are carried at fair value, with changes in fair values recognised in profit or loss and equity respectively. Available-for-sale equity investments that do not have quoted market prices in an active market and whose fair value cannot be reliably measured are measured at cost less impairment after initial recognition. “Loans and receivables” are measured at amortised cost using the effective interest method after initial recognition.

On 1 April 2005, the Group has reclassified its investments in securities with a carrying amount of HK\$1,234,000 to available-for-sale financial assets (see note 3 for the financial impact).

Financial assets and financial liabilities other than debt and equity securities

From 1 April 2005 onwards, the Group has classified and measured its financial assets and financial liabilities other than debt and equity securities (which were previously outside the scope of SSAP 24) in accordance with the requirements of HKAS 39. As mentioned above, financial assets under HKAS 39 are classified as “financial assets at fair value through profit or loss”, “available-for-sale financial assets”, “loans and receivables” or “held-to-maturity financial assets”. Financial liabilities are generally classified as “financial liabilities at fair value through profit or loss” or “other financial liabilities”. Financial liabilities at fair value through profit or loss are measured at fair value, with changes in fair value being recognised in profit or loss directly. Other financial liabilities are carried at amortised cost using the effective interest method after initial recognition.

Owner-occupied leasehold interest in land

In previous periods, owner-occupied leasehold land and buildings were included in property, plant and equipment and measured using the cost model. In the current period, the Group has applied HKAS 17 “Leases”. Under HKAS 17, the land and buildings elements of a lease of land and buildings are considered separately for the purposes of lease classification, unless the lease payments cannot be allocated reliably between the land and buildings elements, in which case, the entire lease is generally treated as a finance lease. To the extent that the allocation of the lease payments between the land and buildings elements can be made reliably, the leasehold interests in land are reclassified to prepaid lease payments under operating leases, which are carried at cost and amortised over the lease term on a straight line basis. However as the allocation between the land and buildings elements cannot be made reliably, the leasehold interests in land continue to be accounted for as property, plant and equipment.

3. Summary of the effects of the changes in accounting policies

The effects of the changes in the accounting policies described above for the current year are as follows:

	<i>HK\$'000</i>
<u>Income statement item</u>	
Expenses in relation to share options granted to employees included in staff costs and decrease in profit for the year	<u>1,770</u>
<u>Balance sheet item</u>	
Increase in share options reserve	<u>1,770</u>

The cumulative effects of the application of the new HKFRSs as at 1 April 2005 are summarised below:

	1.4.2005 <i>HK\$'000</i> <i>(originally</i> <i>stated)</i>	Adjustment <i>HK\$'000</i>	1.4.2005 <i>HK\$'000</i> <i>(restated)</i>
Balance sheet items			
Available-for-sale financial assets*	—	1,234	1,234
Investments in securities*	<u>1,234</u>	<u>(1,234)</u>	<u>—</u>

* Upon the adoption of HKAS 39, the investments in securities were reclassified as available-for-sale financial assets.

The Group has not early applied the following Standards and INTs that have been issued but are not yet effective:

HKAS 1(Amendment)	Capital disclosures ¹
HKAS 19(Amendment)	Actuarial gains and losses, group plans and disclosures ²
HKAS 21(Amendment)	Net investment in a foreign operation ²
HKAS 39(Amendment)	Cash flow hedge accounting of forecast intragroup transactions ²
HKAS 39 (Amendment)	The fair value option ²
HKAS 39 & HKFRS 4 (Amendments)	Financial guarantee contracts ²
HKFRS 6	Exploration for and evaluation of mineral resources ²
HKFRS 7	Financial instruments: Disclosures ¹
HK(IFRIC)-INT 4	Determining whether an arrangement contains a lease ²
HK(IFRIC)-INT 5	Rights to interests arising from decommissioning, restoration and environmental rehabilitation funds ²
HK(IFRIC)-INT 6	Liabilities arising from participating in a specific market — waste electrical and electronic equipment ³
HK(IFRIC)-INT 7	Applying the restatement approach under HKAS 29 Financial Reporting in Hyperinflationary Economies ⁴
HK(IFRIC)-INT 8	Scope of HKFRS 2 ⁵
HK(IFRIC)-INT 9	Reassessment of embedded derivatives ⁶

- (1) Effective for annual periods beginning on or after 1 January 2007.
- (2) Effective for annual periods beginning on or after 1 January 2006.
- (3) Effective for annual periods beginning on or after 1 December 2005.
- (4) Effective for annual periods beginning on or after 1 March 2006.
- (5) Effective for annual periods beginning on or after 1 May 2006.
- (6) Effective for annual periods beginning on or after 1 June 2006.

The directors of the Company anticipate that the application of the above Standards and INTs will have no material impact on the financial statements of the Group except for the adoption of HKAS 39 and HKFRS 4 (Amendments) “Financial guarantee contracts” which requires financial guarantee contracts within the scope of HKAS 39 to be initially measured at fair value. The Group has commenced considering the potential impact of HKAS 39 and HKFRS 4 (Amendments) but is not yet in a position to determine whether they would have a significant impact on how its results of operations and financial position are prepared and presented.

4. 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

Turnover represents the aggregate of the net amounts received and receivable from third parties in connection with software development, provision of computer consultancy and software maintenance services, as well as sales of computer hardware and software.

Business segments for the year are as follows:

	Turnover		Results	
	2006	2005	2006	2005
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Software development	3,633	3,432	(19,422)	(27,231)
Investments	—	—	(1,018)	(5,955)
Other operations	<u>5</u>	<u>9</u>	<u>(174)</u>	<u>(9,514)</u>
	<u>3,638</u>	<u>3,441</u>	(20,614)	(42,700)
Gain on disposal of land and building			37,945	—
Central administrative expenses			(8,795)	(6,527)
Finance costs			(756)	(578)
Share of losses of associates				
- software development			—	(11,419)
- other operations			(1,274)	(12,448)
Share of losses of jointly controlled entities				
- software development			—	(4,068)
- other operations			<u>(4,362)</u>	<u>(4,756)</u>
Profit (loss) for the year			<u>2,144</u>	<u>(82,496)</u>

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 by location of operations:

	Turnover	
	2006 <i>HK\$'000</i>	2005 <i>HK\$'000</i>
Hong Kong	2,149	2,174
PRC	<u>1,489</u>	<u>1,267</u>
	<u>3,638</u>	<u>3,441</u>
5. Finance costs		
	2006 <i>HK\$'000</i>	2005 <i>HK\$'000</i>
Interest on		
- a finance lease	(8)	(12)
- bank and other borrowings wholly repayable within five years	(7)	—
- bank borrowings not wholly repayable within five years	<u>(741)</u>	<u>(566)</u>
	<u>(756)</u>	<u>(578)</u>
6. Profit (loss) for the year		
	2006 <i>HK\$'000</i>	2005 <i>HK\$'000</i>
Profit (loss) for the year has been arrived at after charging:		
Directors' remuneration	4,454	4,589
Other staff's retirement benefits scheme contributions	154	167
Other staff's share-based payments	1,096	—
Other staff costs	<u>7,226</u>	<u>8,580</u>
	<u>12,930</u>	<u>13,336</u>
Depreciation and amortisation of property, plant and equipment		
- owned by the Group	6,169	10,510
- held under a finance lease	<u>59</u>	<u>59</u>
	6,228	10,569
Amortisation of product development costs	<u>2,291</u>	<u>3,717</u>
	<u>8,519</u>	<u>14,286</u>
Allowance for other receivables	556	—
Auditors' remuneration	741	861
Impairment for amounts due from customers for contract work	4,173	353
Loss on disposal of property, plant and equipment, other than land and buildings	29	102
Operating lease rentals in respect of rented premises	2,027	778
Net exchange loss	460	72

	2006 <i>HK\$'000</i>	2005 <i>HK\$'000</i>
and after crediting:		
Bad debt recovered	2,289	—
Interest income	1,787	208
Reversal of impairment for amounts due from customers for contract work	<u>—</u>	<u>453</u>

7. Taxation

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

Pursuant to the relevant laws and regulations in the PRC, the subsidiary in Beijing is entitled to exemption from PRC income tax for the two years ended 31 December 2003 and a 50% relief for the three years ending 31 December 2006. No provision for taxation has been made in the financial statements as the PRC subsidiaries had no assessable profit for the year.

Taxation for the year is reconciled to the profit (loss) for the year as follows:

	2006		2005	
	<i>HK\$'000</i>	%	<i>HK\$'000</i>	%
Profit (loss) for the year	<u>2,144</u>		<u>(82,496)</u>	
Tax at the applicable income tax rate	(375)	(17.5)	14,437	17.5
Tax effect of share of losses of associates	(223)	(10.4)	(4,177)	(5.1)
Tax effect of share of losses of jointly controlled entities	(763)	(35.6)	(1,544)	(1.9)
Tax effect of expenses not deductible for tax purposes	(1,932)	(90.1)	(3,837)	(4.7)
Tax effect of income not taxable for tax purposes	6,585	307.1	10	—
Tax effect of unrecognized tax losses	(4,265)	(198.9)	(4,254)	(5.1)
Utilisation of tax losses previously not recognised	1,290	60.2	12	—
Effect of different tax rate for subsidiaries operating in other jurisdiction	330	15.4	(106)	(0.1)
Others	<u>(647)</u>	<u>(30.2)</u>	<u>(541)</u>	<u>(0.6)</u>
Tax effect and effective tax rate for the year	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>

8. Earnings (loss) per share

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

	2006	2005
Profit (loss) attributable to equity holders of the Company for the purposes of basic and diluted earnings (loss) per share	<u>HK\$2,355,000</u>	<u>HK\$(82,478,000)</u>
Number of ordinary shares:		
Weighted average number of ordinary shares for the purpose of basic earnings (loss) per share	1,022,285,200	<u>993,439,947</u>
Effect of dilutive potential ordinary shares in respect of share options granted	<u>6,212,366</u>	
Weighted average number of ordinary shares for the purpose of diluted earnings (loss) per share	<u>1,028,497,566</u>	

No diluted loss per share have been presented in 2005 as the share options granted by the Company are anti-dilutive.

Impact of changes in accounting policies:

Changes in the Group's accounting policies during the year are described in detail in note 3. To the extent that those changes have had an impact on results reported for 2006 and 2005, they have had an impact on the amounts reported for earnings per share. The following table summarises that impact on both basic and diluted earnings (loss) per share:

	Impact on basic earnings per share		Impact on diluted earnings (loss) per share
	2006	2005	2006
	<i>cents</i>	<i>cents</i>	<i>cents</i>
Figures before adjustments	0.403	(8.302)	0.401
Adjustments arising from changes in accounting policies	<u>(0.173)</u>	<u>—</u>	<u>(0.172)</u>
As reported	<u>0.230</u>	<u>(8.302)</u>	<u>0.229</u>

9. **Trade and other receivables**

	2006 <i>HK\$'000</i>	2005 <i>HK\$'000</i>
Trade receivables	100	471
Prepayments to suppliers	396	1,128
Rental and utility deposits	2,457	700
Other receivables	<u>882</u>	<u>8,947</u>
	<u>3,835</u>	<u>11,246</u>

Payment terms with customers are mainly on credit together with deposits. Invoices are normally payable within 30 days of issuance, except for certain well established customers. The following is an aged analysis of trade receivables at the balance sheet date:

	2006 <i>HK\$'000</i>	2005 <i>HK\$'000</i>
<u>Age</u>		
0 to 30 days	92	307
31 to 60 days	8	107
Over 90 days	<u>—</u>	<u>57</u>
	<u>100</u>	<u>471</u>

The fair value of the trade and other receivables at 31 March 2006 approximates to the corresponding carrying amount.

10. **Accounts payables**

	2006 <i>HK\$'000</i>	2005 <i>HK\$'000</i>
Customers' deposits received	1,785	2,691
Other payables	<u>3,420</u>	<u>6,187</u>
	<u>5,205</u>	<u>8,878</u>

The fair value of the other payables at 31 March 2006 approximates to the corresponding carrying amount.

11. **Dividend**

No dividends had been paid or declared by the Company during the year (2005: Nil).

CHAIRMAN'S STATEMENT

Business Review

The current year marks a significant yardstick in Timeless' progress. During the year we fundamentally iron out the major encumbrance that hinders our further advancement, finally established a financially stable, sound and safe haven for ourselves.

Our core business, software development has also achieved major advancements; during the year, upon the consolidated platform we basically completed, we successfully derived and developed a network service platform and several sub-platforms. Prior to any major full fledged market launch, these platforms are being tested and trial-run by several significant customers with benign outcomes. These advancements empower TCP to transform technology into cash better than ever before, more efficiently and with even better chances.

Outlook

As usual, we are confident about the future; but for the coming year, our confidence is more realistic and specific than any time before, since the foundation that fused the market and TCP is more definite and substantial than ever.

Thus to round up, our future strategies can be summarized as:

- Continuous bettering our cash flow,
- Work hard to augment our core business revenue and
- Explore to achieve progress in the Capital Market.

REVIEW OF OPERATIONS

Results for the year ended 31 March 2006

The directors continued to take a conservative approach for accounting purposes and adopt a stringent view on recognising revenue, especially for contracts of relatively longer term in nature in Mainland China. For the year ended 31 March 2006, the turnover was approximately HK\$3.6 million, representing an increase of approximately 6%, as compared to approximately HK\$3.4 million in last year. The net profit attributable to equity holders of the Company was approximately HK\$2.1 million compared to a loss of approximately HK\$2.5 million in last year, which was mainly resulted from the following:

1. Gain on disposal of the premises located at 79th Floor, The Center, 99 Queen's Road Central, Hong Kong (the "Disposal") was approximately HK\$36.2 million;
2. No depreciation was provided for the property disposed during the year, while an amount of approximately HK\$2.9 million was recorded in last year. The amortisation of product development costs was reduced by approximately HK\$1.4 million as compared with that of last year;
3. The significant decrease in share of losses of associates and jointly controlled entities from approximately HK\$23.9 million and HK\$8.8 million to approximately HK\$1.3 million and HK\$4.4 million respectively; and
4. No impairment in value of goodwill was accounted for the year, while an amount of approximately HK\$11.9 million was recorded in last year.

The Company has for the first time adopted HKFRS 2 “Share-based payment” to expense the fair value of share options granted to directors and employees of the Group during the year. As a result, an amount of approximately HK\$1.8 million was recognized as share-based payments in staff costs.

Following the completion of the Disposal on 30 December 2005, the Company has entered into a tenancy agreement to lease back the office premises for a twelve-month period commencing from 30 December 2005. Subsequently, pursuant to the terms of the agreement, the Company gave notice of early termination to take effect from 1 July 2006. The rental paid under such lease of approximately HK\$1.6 million was recorded in other expenses during the year.

Impairment for amounts due from customers for contract work was approximately HK\$4.2 million for the year ended 31 March 2006.

Liquidity and financial resources

The Group financed its operations and investing activities primarily with internally generated cash flow. As the Group has sufficient financial resources and would invest its surplus cash prudently in listed securities in coming year.

As at 31 March 2006, the Group had bank balances and cash (excluding pledged bank deposits) of approximately HK\$132.5 million (2005: HK\$17.2 million). The significant increase in bank balances as compared with that of last year were mainly due to net proceeds received from the Disposal.

As at 31 March 2006, the Group had total outstanding borrowings of approximately HK\$1.5 million (2005: HK\$36.7 million). The borrowings comprised a bank loan of approximately HK\$1.4 million (2005: HK\$36.5 million), which is repayable by monthly installment and will be fully repaid on 15 March 2015, and obligations under finance lease of approximately HK\$0.1 million (2005: HK\$0.2 million), which will be fully repaid on 31 March 2008. The decrease in total outstanding borrowings as compared with that of last year was mainly due to the repayment of mortgage loan of approximately HK\$35 million in respect of the property disposed.

Gearing ratio

As at 31 March 2006, the Group’s gearing ratio was approximately 1.03% (2005: 26.6%), based on total borrowings of approximately HK\$1.5 million (2005: HK\$36.7 million) and equity attributable to equity holders of the Company of approximately HK\$146.1 million (2005: HK\$137.9 million). The improvement in gearing ratio as compared with that of last year was mainly due to the repayment of mortgage loan as mentioned in previous paragraph.

Charge on the Group’s assets

Following the repayment of the mortgage loan as mentioned in previous paragraph, the charge on the disposed property with net book value of approximately HK\$120.9 million was

released during the year. As at 31 March 2006, a commercial property with net book value of HK\$2.2 million (2005: HK\$3.1 million) situated in Guangzhou held by a PRC subsidiary was pledged to bank to secure the loan of approximately HK\$1.4 million (2005: HK\$1.5 million).

Bank deposits totaling of approximately HK\$10.3 million (2005: HK\$10.2 million) were pledged to banks to secure the banking facilities. In which, credit facilities of HK\$5 million (2005: HK\$5 million) were available to its subsidiaries and loan facility of approximately HK\$4.8 million (2005: HK\$4.7 million) were available to a jointly controlled entity.

Capital structure

As at 31 March 2006, the Company's total number of issued shares was 1,031,481,503 (2005: 1,009,481,503). During the year, certain directors and employees of the Group exercised share options granted to them under the 2003 share option scheme and 22,000,000 shares of the Company were issued and allotted thereof.

As at 31 March 2006, the Group had outstanding bank loan of HK\$1.4 million (2005: HK\$36.5 million). The bank loan is denominated in Renminbi and will become mature on 15 March 2015. Such loan is secured and carries fixed interest at a rate of 5.31% (2005: 6.21%) per annum.

Segmental information

In respect of business segments, the Group continues to focus on software development. Turnover contributed from software development accounted for over 99% of the Group's total turnover for the year ended 31 March 2006 and 2005.

In respect of geographical segments, there was no significant change in the percentage of turnover generated from Hong Kong and Mainland China during the year. Turnover contributed from Hong Kong and Mainland China accounted for approximately 60% and 40% compared to last year of approximately 63% and 37% respectively.

Order book and prospects for new business

The amount of orders on hand of the Group was over HK\$4.3 million as at 31 March 2006. 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 the prospects of the Group.

Material acquisitions and disposal of subsidiaries and affiliated companies

There was no disposal of acquisition of subsidiaries and affiliated companies during the year 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. Following the appreciation of Renminbi in July 2005, it is expected to have a positive impact on the future cashflow from Mainland China.

Contingent liabilities

As at 31 March 2006, the Group has given guarantee of RMB5 million (2005: RMB5 million) to a bank to secure the credit facilities granted to a jointly controlled entity. At 31 March 2006, the amount of facilities utilized was approximately RMB5 million (2005: RMB5 million).

As at 31 March 2006, the Company has given corporate guarantees of HK\$5 million (2005: HK\$45 million) to certain banks to secure the credit facilities granted to its subsidiaries.

Employee information

As at 31 March 2006, the Group employed a total staff of 46. 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.

Purchase, sale or redemption of 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 Company has an Audit Committee which was established with written terms of reference in compliance with the GEM Listing Rules. During the year, the following persons served as the members of the Audit Committee:

Name	Service period during the year	
	From	To
Mr. Ng Kwok Tung	1 April 2005	31 March 2006
Ms. Tsang Wai Chun, Marianna	1 April 2005	31 March 2006
Mr. Chong Siu Pui	1 April 2005	24 October 2005
Mr. Chan Mei Ying, Spencer	25 October 2005	31 March 2006

The Audit Committee has three members comprising the three independent non-executive Directors. As at the date hereof, the Audit Committee comprises Mr. Ng Kwok Tung, Ms. Tsang Wai Chun, Marianna and Mr. Chan Mei Ying, Spencer. Mr. Chong Siu Pui tendered his resignation as an independent non-executive Director and a member of Audit Committee of the Company with effect from 25 October 2005.

The Audit Committee has reviewed the audited financial results of the Group for the year ended 31 March 2006.

Code on Corporate Governance Practices

The Code on Corporate Governance Practice set out in Appendix 15 to the GEM Listing Rules (“Code on Corporate Governance Practices”) which is effective for the accounting periods commencing on or after 1 January 2005 has replaced the minimum standard of good practices for issuers and their directors stated in Rules 5.35 to 5.45 of the GEM Listing Rules. In the opinion of the Board, the Company has complied with the Code on Corporate Governance Practices. A Corporate Governance Report will be dispatched with the annual report of the Company.

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

Hong Kong, 20 June 2006

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. Zheng Ying Yu, Mr. Fung Chun Pong, Louis and Mr. Liao Yun; and the independent non-executive Directors are Mr. Ng Kwok Tung and Ms. Tsang Wai Chun, Marianna and Mr. Chan Mei Ying, Spencer.

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).