



TIMELESS SOFTWARE LIMITED

(incorporated in Hong Kong with limited liability)

(Stock code: 8028)

RESULTS ANNOUNCEMENT For the quarter ended 31 December 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.

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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.

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 and nine months ended 31 December 2006 together with the comparative unaudited figures for the corresponding periods in 2005 as follows:

Condensed Consolidated Income Statements

For the three months and nine months ended 31 December 2006

	Note	(Unaudited) Three months ended 31 December		(Unaudited) Nine months ended 31 December	
		2006 HK\$'000	2005 HK\$'000	2006 HK\$'000	2005 HK\$'000
Turnover		828	650	1,671	3,022
Other income		3,580	38,405	7,406	40,959
Cost of computer software and hardware sold		—	(4)	—	(696)
Staff costs		(2,818)	(2,648)	(11,978)	(9,163)
Depreciation and amortisation		(397)	(2,243)	(1,555)	(6,884)
Other expenses		(1,844)	(1,978)	(6,662)	(5,535)
Impairment in value of available-for-sale financial assets		—	—	—	(1,187)
Fair value change on equity-linked notes		558	—	—	—
Impairment loss recognised on investments in a jointly controlled entity		—	—	(103)	—
Allowance for advance made to a jointly controlled entity		—	—	(1,226)	—
Finance costs		(166)	(395)	(244)	(736)
Discount on acquisition arising from purchase of minority shares of a subsidiary		—	—	745	—
Share of losses of associates		(571)	(395)	(980)	(1,427)
Share of losses of jointly controlled entities		—	(620)	—	(4,165)
(Loss)profit for the period		(830)	30,772	(12,926)	14,188
Attributable to:					
Equity holders of the Company		(575)	30,804	(12,360)	14,361
Minority interests		(255)	(32)	(566)	(173)
		(830)	30,772	(12,926)	14,188
(Loss)earnings per share	4				
- Basic		(0.06) cents	3.01 cents	(1.19) cents	1.41 cents
- Diluted		N/A	2.99 cents	N/A	1.40 cents

Condensed Consolidated Statement of Changes in Equity

For the nine months ended 31 December 2006

	(Unaudited) Share capital HK\$'000	(Unaudited) Share premium HK\$'000	(Unaudited) Share options reserve HK\$'000	(Unaudited) Investment revaluation reserve HK\$'000	(Unaudited) Translation reserve HK\$'000	(Unaudited) Deficit HK\$'000	(Unaudited) Attributable to equity holders of the Company HK\$'000	(Unaudited) Minority interests HK\$'000	(Unaudited) Total HK\$'000
At 1 April 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	—	—	—	—	777	—	777	—	777
Profit(loss) for the period	—	—	—	—	—	14,361	14,361	(173)	14,188
Total recognised income and expense for the period	—	—	—	—	777	14,361	15,138	(173)	14,965
Issue of shares	753	340	—	—	—	—	1,093	—	1,093
Expenses incurred in connection with the issue of shares	—	(10)	—	—	—	—	(10)	—	(10)
Recognition of equity settled share-based payments	—	—	1,020	—	—	—	1,020	—	1,020
	753	330	1,020	—	—	—	2,103	—	2,103
At 31 December 2005	51,227	630,955	1,020	—	777	(528,798)	155,181	6,614	161,795

	(Unaudited) Share capital HK\$'000	(Unaudited) Share premium HK\$'000	(Unaudited) Share options reserve HK\$'000	(Unaudited) Investment revaluation reserve HK\$'000	(Unaudited) Translation reserve HK\$'000	(Unaudited) Deficit HK\$'000	(Unaudited) Attributable to equity holders of the Company HK\$'000	(Unaudited) Minority interests HK\$'000	(Unaudited) Total HK\$'000
At 31 March 2006	51,574	631,122	1,770	1,183	1,256	(540,804)	146,101	6,765	152,866
Effects of changes in accounting policies	—	—	—	—	—	17	17	—	17
As restated	51,574	631,122	1,770	1,183	1,256	(540,787)	146,118	6,765	152,883
Exchange differences arising from translation of financial statements of overseas operations recognised directly in equity	—	—	—	—	469	—	469	194	663
Exchange differences arising from translation of associates	—	—	—	—	201	—	201	—	201
Fair value change in available-for-sale investments	—	—	—	63	—	—	63	—	63
Share of post acquisition reserve of associates	—	—	—	(955)	—	—	(955)	—	(955)
Net income (expense) recognised in equity	—	—	—	(892)	670	—	(222)	194	(28)
Loss for the period	—	—	—	—	—	(12,360)	(12,360)	(566)	(12,926)
Total recognised income and expense for the period	—	—	—	(892)	670	(12,360)	(12,582)	(372)	(12,954)
Issue of shares	740	463	—	—	—	—	1,203	—	1,203
Expenses incurred in connection with the issue of shares	—	(9)	—	—	—	—	(9)	—	(9)
Acquisition of additional interest in a subsidiary	—	—	—	—	—	—	—	(2,943)	(2,943)
Transfer of share option reserve on exercise of share options	—	526	(526)	—	—	—	—	—	—
Recognition of equity settled share-based payments	—	—	3,774	—	—	—	3,774	—	3,774
	740	980	3,248	—	—	—	4,968	(2,943)	2,025
At 31 December 2006	52,314	632,102	5,018	291	1,926	(553,147)	138,504	3,450	141,954

Notes to the Condensed Consolidated Financial Statements

For the nine months ended 31 December 2006

1. Basis of preparation

The condensed consolidated financial statements have been prepared in accordance with the Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards and Interpretations issued by the Hong Kong Institute of Certified Public Accountants and complied 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. Significant accounting policies

The condensed consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments, which are measured at fair values, as appropriate.

The accounting policies used in the condensed consolidated financial statements are consistent with those followed in the preparation of the annual financial statements of the Group for the year ended 31 March 2006 except as described below.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss has two subcategories, including financial assets held for trading and those designated at fair value through profit or loss on initial recognition. At each balance sheet date subsequent to initial recognition, financial assets at fair value through profit or loss are measured at fair value, with changes in fair value recognised directly in profit or loss in the period in which they arise. Accordingly, the equity-linked notes are designated at fair value through profit or loss on initial recognition.

Financial guarantee contracts

In the current period, the Group has applied HKAS39 and HKFRS4 (Amendments) "Financial guarantee contracts" which is effective for annual periods beginning on or after 1 January 2006.

A financial guarantee contract is defined by HKAS 39 "Financial instruments: Recognition and Measurement" as "a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument".

The Group acts as the issuer of the financial guarantee contracts

Prior to 1 April 2006, financial guarantee contracts were not accounted for in accordance with HKAS 39 and those contracts were disclosed as contingent liabilities. A provision for financial guarantee was only recognised when it was probable that an outflow of resources would be required to settle the financial guarantee obligation and the amount can be estimated reliably.

Upon the application of these amendments, a financial guarantee contract issued by the Group and not designated as at fair value through profit or loss is recognised initially at its fair value less transaction costs that are directly attributable to the issue of the financial guarantee contract. Subsequent to initial recognition, the Group measures the financial guarantee contract at the higher of: (i) the amount determined in accordance with HKAS 37 "Provisions, contingent liabilities and contingent assets"; and (ii) the amount initially recognised less, when appropriate, cumulative amortisation recognised in accordance with HKAS 18 "Revenue".

In relation to a financial guarantee granted to a bank over the repayment of a loan by a jointly controlled entity, the Group has applied the transitional provisions in HKAS 39. The fair value of the financial guarantee contract at the date of grant of approximately HK\$103,000, representing a deemed capital contribution to the jointly controlled entity, has been adjusted to the carrying amount of interests in jointly controlled entities and recognised as a financial guarantee obligation. The cumulative amortisation as at 1 April 2006 of HK\$17,000 has been adjusted against profit or loss in the prior year. This change in accounting policy has resulted in a decrease in loss for the period. The financial impact on the adoption of HKAS 39 and HKFRS 4 (Amendments) is described below.

Summary of the effects of the changes in accounting policies

The effects of the changes in the accounting policies described above on the results for the current period and prior year are as follows:

	Nine months ended 31 December 2006 HK\$'000	For the year ended 31 March 2006 HK\$'000
Income from amortisation of financial guarantee contract and decrease in loss for the period	78	17
Impairment loss recognised on investments in a jointly controlled entity	(103)	—
	(25)	17

The cumulative effect of the application of the new HKFRSs as at 31 March 2006 is summarised below:

	As at 31 March 2006 (originally stated) HK\$'000	Adjustment HK\$'000	As at 31 March 2006 (restated) HK\$'000
Balance sheet items			
Interests in jointly controlled entities	1,226	103	1,329
Financial guarantee obligations	—	(86)	(86)
Total effects on assets and liabilities	<u>1,226</u>	<u>17</u>	<u>1,243</u>
Deficit	<u>(540,804)</u>	<u>17</u>	<u>(540,787)</u>
Total effects on equity	<u>(540,804)</u>	<u>17</u>	<u>(540,787)</u>

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.

4. (Loss)earnings per share

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

	Three months ended 31 December 2006		Nine months ended 31 December 2006	
		2005		2005
(Loss)earnings attributable to equity holders of the Company for the purposes of basic and diluted (loss)earnings per share	<u>HK\$(575,000)</u>	HK\$30,804,000	<u>HK\$(12,360,000)</u>	HK\$14,361,000
Weighted average number of ordinary shares for the purpose of basic (loss)earnings per share	<u>1,036,694,547</u>	1,024,281,503	<u>1,037,797,866</u>	1,021,194,229
Effect of dilutive potential ordinary shares in respect of share options granted		5,296,819		6,910,482
Weighted average number of ordinary shares for the purpose of diluted earnings per share		<u>1,029,578,322</u>		<u>1,028,104,711</u>

No diluted loss per share for the three months and nine months ended 31 December 2006 have been presented as the share options granted by the Company are anti-dilutive.

Interim Dividend

The Board does not recommend the payment of any interim dividend for the nine months ended 31 December 2006 (2005: Nil).

Business Review and Outlook

The directors continued to take a conservative approach for accounting purposes and a stringent view on recognising revenue was still being adopted especially for contracts of relatively longer term in nature in Mainland China. For the nine months ended 31 December 2006, the loss attributable to equity holders of the Company was approximately HK\$12.4 million (a profit of approximately HK\$14.4 million for the nine months ended 31 December 2005). The Group recorded unaudited turnover of approximately HK\$1.7 million, representing a decrease of 44.7% as compared with that for the corresponding period in 2005.

The other income mainly comprised gain on disposal of available-for-sale investments of approximately HK\$1.3 million and interest income from bank deposits and equity-linked notes of approximately HK\$2.4 million and HK\$3.2 million respectively.

The increase by 30.7% in staff costs to approximately HK\$12.0 million as compared with that for the corresponding period in 2005 was mainly due to the recognition of share-based payments of approximately HK\$3.8 million to expense the fair value of share options granted during the period to directors and employees of the Group. In comparison, an amount of approximately HK\$1.0 million was recognised in the corresponding period in 2005.

The other expenses were increased by 20.4% to approximately HK\$6.7 million as compared with that for the corresponding period in 2005. The increase was mainly due to a lease payment of office premises of approximately HK\$1.6 million for the period from 1 April to 30 June 2006. Such lease was terminated on 1 July 2006.

Allowance for advance made to a jointly controlled entity was approximately HK\$1.2 million for the nine months ended 31 December 2006.

For the quarter ended 31 December 2006, the Group's operation continued on with firm and steady strides: both the quality and the quantum of the Group's core businesses as well as operating loss had shown signs of improvement; development costs were down whereas cash flow and reserves were at comfortable level. In the quarter, major progress was made in the development of the Timeless web service platform, a functional extension of the Timeless Consolidated Platform.

Looking further ahead, the Group is positive on the practical applicability of the Timeless Web Service Platform, and enthusiastic about its revenue potential. The Group is actively endeavouring its adaptation toward that end.

Competing Interest

As at 31 December 2006, none of the directors or management shareholders (as defined in the GEM Listing Rules) of the Company or their respective associates had any interest in a business which competes or may compete with the business of the Group.

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.

Audit Committee

The Audit Committee has reviewed with management the accounting principles and practices adopted by the Group and discussed internal control and financial reporting matters including a review of the unaudited quarterly report for the quarter ended 31 December 2006.

On behalf of the Board

Cheng Kin Kwan

Chairman & Chief Executive Officer

Hong Kong, 8 February 2007

As at the date of this announcement, the executive Directors are Mr. Cheng Kin Kwan (Chairman), 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, 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).