



TIMELESS SOFTWARE LIMITED

(incorporated in Hong Kong with limited liability)

(Stock Code: 8028)

RESULTS ANNOUNCEMENT For the year ended 31 March 2007

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 audited consolidated results of the Company and its subsidiaries (“Group”) for the year ended 31 March 2007 together with the comparative audited figures for the corresponding period in 2006 as follows:

Consolidated income statement

For the year ended 31 March 2007

	Notes	2007 HK\$'000	2006 HK\$'000
Turnover	3	2,657	3,638
Other income		9,570	4,246
Gain on disposal of land and buildings		—	37,945
Cost of computer software and hardware sold		—	(704)
Staff costs		(15,209)	(12,930)
Depreciation and amortisation		(1,865)	(8,519)
Other expenses		(9,480)	(14,121)
Fair value change on investment properties		167	—
Fair value change on equity-linked notes		(1,701)	—
Impairment in value of available-for-sale financial assets		—	(1,187)
Gain on disposal of available-for-sale financial assets		1,406	168
Allowance on advance made to a jointly controlled entity		(1,226)	—
Discount on acquisition arising from purchase of additional interests in a subsidiary		745	—
Finance costs	4	(77)	(756)
Share of losses of associates		(520)	(1,274)
Share of losses of jointly controlled entities		—	(4,362)
(Loss) profit for the year	5 & 6	<u>(15,533)</u>	<u>2,144</u>
Attributable to:			
Equity holders of the Company		(14,724)	2,355
Minority interests		<u>(809)</u>	<u>(211)</u>
		<u>(15,533)</u>	<u>2,144</u>
(Loss) earnings per share	7		
- Basic		<u>(1.415) cents</u>	<u>0.230 cents</u>
- Diluted		<u>—</u>	<u>0.229 cents</u>

Consolidated balance sheet

At 31 March 2007

	<i>Notes</i>	2007 <i>HK\$'000</i>	2006 <i>HK\$'000</i>
Non-current assets			
Investment properties		2,100	—
Property, plant and equipment		6,632	4,288
Interests in associates		5,852	6,775
Interests in jointly controlled entities		—	1,226
Equity-linked notes		<u>51,483</u>	<u>—</u>
		<u>66,067</u>	<u>12,289</u>
Current assets			
Amounts due from customers for contract work		316	613
Trade and other receivables	8	7,974	3,835
Available-for-sale financial assets		4,290	—
Pledged bank deposits		10,500	10,327
Bank balances and cash		<u>56,848</u>	<u>132,461</u>
		<u>79,928</u>	<u>147,236</u>
Current liabilities			
Accounts payables	9	5,096	5,205
Obligations under a finance lease due within one year		51	49
Current portion of secured long-term bank loan		<u>133</u>	<u>122</u>
		<u>5,280</u>	<u>5,376</u>
Net current assets		<u>74,648</u>	<u>141,860</u>
Total assets less current liabilities		<u>140,715</u>	<u>154,149</u>
Non-current liabilities			
Obligations under a finance lease due after one year		—	51
Secured long-term bank loan		<u>1,148</u>	<u>1,232</u>
		<u>1,148</u>	<u>1,283</u>
Net assets		<u>139,567</u>	<u>152,866</u>

	<i>Notes</i>	2007 <i>HK\$'000</i>	2006 <i>HK\$'000</i>
Capital and reserves			
Share capital		52,693	51,574
Reserves		<u>83,626</u>	<u>94,527</u>
Equity attributable to equity holders of the Company		136,319	146,101
Minority interests		<u>3,248</u>	<u>6,765</u>
Total equity		<u><u>139,567</u></u>	<u><u>152,866</u></u>

Consolidated statement of changes in equity

For the year ended 31 March 2007

	Share capital HK\$'000	Share premium HK\$'000	Share options reserve HK\$'000	Investment revaluation reserve HK\$'000	Translation reserve HK\$'000	Deficit HK\$'000	Attributable to equity holders of the Company HK\$'000	Minority interests HK\$'000	Total HK\$'000
At 1 April 2005	<u>50,474</u>	<u>630,625</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>(543,159)</u>	<u>137,940</u>	<u>6,787</u>	<u>144,727</u>
Exchange differences arising from translation of consolidated 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	<u>—</u>	<u>—</u>	<u>—</u>	<u>1,183</u>	<u>—</u>	<u>—</u>	<u>1,183</u>	<u>—</u>	<u>1,183</u>
Net income recognised in equity	—	—	—	1,183	1,256	—	2,439	189	2,628
Profit (loss) for the year	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>2,355</u>	<u>2,355</u>	<u>(211)</u>	<u>2,144</u>
Total recognised income and expenses for the year	<u>—</u>	<u>—</u>	<u>—</u>	<u>1,183</u>	<u>1,256</u>	<u>2,355</u>	<u>4,794</u>	<u>(22)</u>	<u>4,772</u>
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	<u>—</u>	<u>—</u>	<u>1,770</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>1,770</u>	<u>—</u>	<u>1,770</u>
	<u>1,100</u>	<u>497</u>	<u>1,770</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>3,367</u>	<u>—</u>	<u>3,367</u>
At 31 March 2006	<u>51,574</u>	<u>631,122</u>	<u>1,770</u>	<u>1,183</u>	<u>1,256</u>	<u>(540,804)</u>	<u>146,101</u>	<u>6,765</u>	<u>152,866</u>

	Share capital	Share premium	Share options 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
Exchange differences arising from translation of consolidated financial statements of overseas operations recognised directly in equity	—	—	—	—	463	—	463	235	698
Exchange differences arising from translation of associates	—	—	—	—	271	—	271	—	271
Fair value change in available-for-sale financial assets	—	—	—	(578)	—	—	(578)	—	(578)
Share of post-acquisition reserve of associates	—	—	—	(752)	—	—	(752)	—	(752)
Net (expenses) income recognised in equity	—	—	—	(1,330)	734	—	(596)	235	(361)
Loss for the year	—	—	—	—	—	(14,724)	(14,724)	(809)	(15,533)
Total recognised income and expenses for the year	—	—	—	(1,330)	734	(14,724)	(15,320)	(574)	(15,894)
Issue of shares	1,119	656	—	—	—	—	1,775	—	1,775
Expenses incurred in connection with the issue of shares	—	(11)	—	—	—	—	(11)	—	(11)
Acquisition of additional interests in a subsidiary	—	—	—	—	—	—	—	(2,943)	(2,943)
Transfer of share option reserve on exercise of share options	—	751	(751)	—	—	—	—	—	—
Recognition of equity settled share-based payments	—	—	3,774	—	—	—	3,774	—	3,774
	<u>1,119</u>	<u>1,396</u>	<u>3,023</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>5,538</u>	<u>(2,943)</u>	<u>2,595</u>
At 31 March 2007	<u>52,693</u>	<u>632,518</u>	<u>4,793</u>	<u>(147)</u>	<u>1,990</u>	<u>(555,528)</u>	<u>136,319</u>	<u>3,248</u>	<u>139,567</u>

Notes:

1. Basis of preparation

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) and 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 the Hong Kong Companies Ordinance.

2. Application 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, amendments of Hong Kong Accounting Standards (“HKAS”s) and Interpretations (“INTs”) (hereafter collectively referred to as “new HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”), that are effective for accounting periods beginning on or after 1 December 2005, 1 January 2006 or 1 March 2006. The adoption of the new HKFRSs had no material effect on how the results and financial position for the current or prior accounting periods have been prepared and presented.

The Group has not early applied the following new Standards, Amendment or INTs that have been issued but are not yet effective. The directors of the Company anticipate that the application of these new Standards, Amendment or INTs will have no material impact on the results and the financial position of the Group.

HKAS 1 (Amendment)	Capital disclosures ¹
HKFRS 7	Financial instruments: Disclosures ¹
HKFRS 8	Operating segments ²
HK(IFRIC) - INT 8	Scope of HKFRS 2 ³
HK(IFRIC) - INT 9	Reassessment of embedded derivatives ⁴
HK(IFRIC) - INT 10	Interim financial reporting and impairment ⁵
HK(IFRIC) - INT 11	HKFRS 2 - Group and treasury share transactions ⁶
HK(IFRIC) - INT 12	Service concession arrangements ⁷

¹ Effective for annual periods beginning on or after 1 January 2007

² Effective for annual periods beginning on or after 1 January 2009

³ Effective for annual periods beginning on or after 1 May 2006

⁴ Effective for annual periods beginning on or after 1 June 2006

⁵ Effective for annual periods beginning on or after 1 November 2006

⁶ Effective for annual periods beginning on or after 1 March 2007

⁷ Effective for annual periods beginning on or after 1 January 2008

3. Business and geographical segments

Business segments

For management purposes, the Group's operation is software development. This division is the basis on which the Group reports its primary segment information.

Principal activities are as follows:

Software development	—	Provision of software development services including provision of computer consultancy, software maintenance services and sales of computer hardware and software
Other operations	—	magazine publishing, provision of computer platform for educational purpose 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 including provision of computer consultancy, software maintenance services and sales of computer hardware and software.

Business segments for the year are as follows:

	Turnover		Results	
	2007 HK\$'000	2006 HK\$'000	2007 HK\$'000	2006 HK\$'000
Software development	2,652	3,633	(14,863)	(21,209)
Other operations (unallocated)	<u>5</u>	<u>5</u>	<u>(7)</u>	<u>(173)</u>
	<u>2,657</u>	<u>3,638</u>	(14,870)	(21,382)
Interest income from				
- bank			3,095	1,787
- equity-linked notes			5,436	—
Gain on disposal of land and buildings			—	37,945
Unallocated corporate expenses			(7,988)	(8,795)
Allowance on advance made to a jointly controlled entity			(1,226)	—
Discount on acquisition arising from purchase of additional interests in a subsidiary			745	—
Fair value change on equity-linked notes			(1,701)	—
Fair value change on investment properties			167	—
Finance costs			(77)	(756)
Gain on disposal of available-for-sale financial assets			1,406	168
Impairment in value of available-for-sale financial assets			—	(1,187)
Share of losses of associates				
- other operations (unallocated)			(520)	(1,274)
Share of losses of jointly controlled entities				
- other operations (unallocated)			<u>—</u>	<u>(4,362)</u>
(Loss) profit for the year			<u>(15,533)</u>	<u>2,144</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 geographical markets:

	Turnover	
	2007	2006
	<i>HK\$'000</i>	<i>HK\$'000</i>
Hong Kong	1,608	2,149
PRC	<u>1,049</u>	<u>1,489</u>
	<u><u>2,657</u></u>	<u><u>3,638</u></u>

4. **Finance costs**

	2007	2006
	<i>HK\$'000</i>	<i>HK\$'000</i>
Interest on		
- a finance lease	(5)	(8)
- bank and other borrowings wholly repayable within five years	—	(7)
- bank borrowings not wholly repayable within five years	<u>(72)</u>	<u>(741)</u>
	<u><u>(77)</u></u>	<u><u>(756)</u></u>

5. (Loss) profit for the year

	2007 <i>HK\$'000</i>	2006 <i>HK\$'000</i>
(Loss) profit for the year has been arrived at after charging:		
Directors' remuneration	5,885	4,454
Other staff's retirement benefits scheme contributions	184	154
Other staff's share-based payments	1,696	1,096
Other staff costs	<u>7,444</u>	<u>7,226</u>
	<u>15,209</u>	<u>12,930</u>
Depreciation and amortisation of property, plant and equipment		
- owned by the Group	1,805	6,169
- held under a finance lease	<u>60</u>	<u>59</u>
	1,865	6,228
Amortisation of product development costs	<u>—</u>	<u>2,291</u>
	<u>1,865</u>	<u>8,519</u>
Auditors' remuneration	759	741
Impairment for amounts due from customers for contract work	348	4,173
Loss on disposal of property, plant and equipment, other than land and buildings	—	29
Operating lease rentals in respect of rented premises	2,467	2,027
and after crediting:		
Gain on disposal of property, plant and equipment	10	—
Interest income from		
- bank	3,095	1,787
- equity-linked notes	5,436	—
Property rental income before deduction of negligible outgoings	<u>109</u>	<u>—</u>

6. Taxation

No provision for taxation has been made in the consolidated 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 ended 31 December 2006.

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

	2007		2006	
	HK\$'000	%	HK\$'000	%
(Loss) profit for the year	<u>(15,533)</u>		<u>2,144</u>	
Tax at the applicable income tax rate	2,718	17.5	(375)	(17.5)
Tax effect of share of losses of associates	(91)	(0.6)	(223)	(10.4)
Tax effect of share of losses of jointly controlled entities	—	—	(763)	(35.6)
Tax effect of expenses not deductible for tax purposes	(2,194)	(14.1)	(1,932)	(90.1)
Tax effect of income not taxable for tax purposes	478	3.1	6,585	307.1
Tax effect of unrecognised tax losses	(4,285)	(27.6)	(4,265)	(198.9)
Tax effect of utilisation of tax losses previously not recognised	2,388	15.4	1,290	60.2
Effect of different tax rate for subsidiaries operating in other jurisdiction	1,086	7.0	330	15.4
Others	<u>(100)</u>	<u>(0.7)</u>	<u>(647)</u>	<u>(30.2)</u>
Taxation and effective tax rate for the year	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>

7. **(Loss) earnings per share**

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

	2007	2006
(Loss) profit for the year attributable to equity holders of the Company for the purposes of basic and diluted (loss) earnings per share	<u>HK\$(14,724,000)</u>	<u>HK\$2,355,000</u>
Number of ordinary shares:		
Weighted average number of ordinary shares for the purpose of basic (loss) earnings per share	<u>1,040,750,983</u>	1,022,285,200
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 per share		<u>1,028,497,566</u>

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

8. **Trade and other receivables**

	2007 <i>HK\$'000</i>	2006 <i>HK\$'000</i>
Trade receivables	204	100
Monies placed with a financial institution for share subscription in an initial public offering	3,909	—
Prepayments to suppliers	309	396
Property rental and utility deposits	2,792	2,457
Amount due from an associate	11	—
Other receivables	<u>749</u>	<u>882</u>
	<u>7,974</u>	<u>3,835</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:

	2007 <i>HK\$'000</i>	2006 <i>HK\$'000</i>
<u>Age</u>		
0 to 30 days	89	92
31 to 60 days	<u>115</u>	<u>8</u>
	<u>204</u>	<u>100</u>

9. Accounts payables

	2007 <i>HK\$'000</i>	2006 <i>HK\$'000</i>
Customers' deposits received	2,146	1,785
Other payables	<u>2,950</u>	<u>3,420</u>
	<u>5,096</u>	<u>5,205</u>

10. Dividend

No dividends had been paid or declared by the Company during the year (2006: Nil).

CHAIRMAN'S STATEMENT

Review

As Hong Kong marks her tenth anniversary of returning sovereignty to China, the Group celebrates its eleventh anniversary in 2007. For all those years, the year just past is set to be counted as the most significant of the Group's development, because it was in last year the Group put the finishing touches on the "Timeless Consolidated Platform", which has evolved and been look upon as a brand: a brand of Chinese innovative originality; and a brand representing the Group's firm belief on software development being the core competence, and the Group's eleven years of strenuous efforts through three hundred plus projects. The full construction of the Platform in last year has effectively put an end to this, and any future, lengthy development process(es). Concurrently, as a result of the consolidation, the Group's cash flow has improved; and the financial figures are stable and safe. Putting these factors together, the Group believes that a robust foundation has been built and the Group is well-equipped for the challenges ahead.

Timeless Consolidated Platform is composed of five individual yet inter-linkable sub-platforms; they are: Guangcun (廣存)、Sousuo (搜索)、Shixiang (視像)、Ziwang (子網)、Zifa (子發). These five sub-platforms can be gradually consolidated and upgraded as required. Thus, in reality, Timeless Consolidated Platform is a web-based service platform operating system that manages various mono-platforms.

Such a platform operating system, founded by the first GEM Board listed company Timeless of Hong Kong Special Administrative Region is absolutely nothing out of co-incidence. In unison with the Chinese political theme of "Building a Harmonious Society" Timeless Consolidated Platform is a technological harmonious platform; rather than participating in a "live or die" competition, it is trying its best to form and foster a multi-win alliance. Only by the completion of the Consolidated Platform, Timeless can then be empowered.

The business positioning and profit model of Timeless network platform operating system rest upon Timeless World of Services (TWOS), it embraces all services sub-platforms on the world web.

For the current fiscal year, we launched ten service sub-platforms on-trial as beta; these ten sub-platforms are: Tourism Development Services Sub-platform, Education Services Sub-

platform, Multi-media Entertainment Sub-platform, Elderly Care Services Sub-platform, Medical Care Services Sub-platform, Workflow Services Sub-platform, Value-Add Services Sub-platform, Aero-Space Technology Sub-platform, Cross Network Information Sub-platform, Search Management Sub-platform.

In the past the results of our market probing and development efforts in parallel proved to be encouraging. It seems our ten plus years of enduring are pointing towards the right direction. The lengthy time and heavy amount we devoted will guarantee a possibly stunning return for sure.

Outlook

From now on, our effort will concentrate on transforming these above-mentioned beta application into marketing these application sub-platform in full steam. We firmly believe, the result between marketing with a finished sub-platform and probing and development in parallel are two different stories. Every inch forward of these sub-platforms will provide Timeless with benefit and profit enlargement prospect.

Our present judgment: in front of Timeless who survives through all the sufferings, there lay the vast profit generating prospect. Our present statement: “prudently forge ahead” is our market strategy. Our prudence is based on tight cash control whereas forging ahead will be to speedily convert every opportunity into material benefit. Our mission remains: maximize return for our shareholders by the fastest means.

REVIEW OF OPERATIONS

Results for the year ended 31 March 2007

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 year ended 31 March 2007, the loss attributable to equity holders of the Company was approximately HK\$14.7 million (a profit of approximately HK\$2.4 million for the year ended 31 March 2006). The Group recorded audited turnover of approximately HK\$2.7 million, representing a decrease of 25% as compared to approximately HK\$3.6 million in last year.

The other income mainly comprised interest income from equity-linked notes of approximately HK\$5.4 million and bank interest income of approximately HK\$3.1 million.

The increase by 18% in staff costs to approximately HK\$15.2 million as compared with that in last year 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 year to directors and employees of the Group. In comparison, an amount of approximately HK\$1.8 million was recognised in last year.

The other expenses were decreased by 33% to approximately HK\$9.5 million as compared with that in last year. It was mainly due to significant decrease in the impairment for amounts due from customers for contract work from approximately HK\$4.2 million in last year to approximately HK\$0.3 million this year.

The gain on disposal of available-for-sale financial assets was approximately HK\$1.4 million, an increase of 600% as compared to approximately HK\$0.2 million in last year.

Liquidity and financial resources

The Group financed its operations and investing activities primarily with internally generated cash flow.

As at 31 March 2007, the Group had bank balances and cash (excluding pledged bank deposits) of approximately HK\$56.8 million (2006: HK\$132.5 million). The significant decrease in bank balances as compared with that of last year were mainly due to purchase of equity-linked notes amounting to approximately HK\$53.0 million, purchase of available-for-sale financial assets amounting to approximately HK\$4.9 million, purchase of office premises and investment properties located in Beijing at a cash consideration of approximately HK\$4.0 million, and acquisition of additional interests in a subsidiary at a cash consideration of approximately HK\$2.2 million.

As at 31 March 2007, the Group had total outstanding borrowings of approximately HK\$1.3 million (2006: HK\$1.5 million). The borrowings comprised a bank loan of approximately HK\$1.2 million (2006: HK\$1.4 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 (2006: HK\$0.1 million), which will be fully repaid on 31 March 2008.

Gearing ratio

As at 31 March 2007, the Group's gearing ratio was approximately 0.95% (2006: 1.03%), based on total borrowings of approximately HK\$1.3 million (2006: HK\$1.5 million) and equity attributable to equity holders of the Company of approximately HK\$136.3 million (2006: HK\$146.1 million).

Charge on the Group's assets

As at 31 March 2007, a commercial property with net book value of approximately HK\$2.2 million (2006: HK\$2.3 million) situated in Guangzhou held by a PRC subsidiary was pledged to a bank to secure the loan of approximately HK\$1.2 million (2006: HK\$1.4 million).

Bank deposits totaling of approximately HK\$10.5 million (2006: HK\$10.3 million) were pledged to banks to secure the banking facilities. In which, credit facilities of HK\$5 million (2006: HK\$5 million) were available to its subsidiaries and loan facility of approximately HK\$4.9 million (2006: approximately HK\$4.8 million) were available to a jointly controlled entity.

Capital structure

As at 31 March 2007, the Company's total number of issued shares was 1,053,851,503 (2006: 1,031,481,503). During the year, certain directors and employees of the Group exercised share options granted to them under the 2003 share option scheme and 22,370,000 shares of the Company were issued and allotted thereof.

Segmental information

In respect of business segments, the Group continues to focus on the segment of software development providing total solutions and customized development in respect of web technologies and related services, back-end and supporting technologies, software localization, China informatisation and social industry management projects, as well as business applications and system maintenance.

In respect of geographical segments, turnover generated from Hong Kong and Mainland China accounted for 60.5% and 39.5% respectively during the year.

Order book and prospects for new business

The amount of orders on hand of the Group was over HK\$2.3 million as at 31 March 2007.

Material acquisitions and disposal of subsidiaries and affiliated companies

During the year under review, Talent Valley Company Limited (“Talent Valley”), a subsidiary of the Group, repurchased its share capital in nominal value of RMB4 million from a minority shareholder at a cash consideration of RMB2.2 million. As a result of the share repurchase, the registered capital of Talent Valley was reduced from RMB20 million to RMB16 million, effectively increasing the Group’s interests in Talent Valley from 70% to 87.5%.

Save as disclosed above, there was no material disposal or acquisition of subsidiaries and affiliated companies for 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 or Renminbi and the exchange rate of Renminbi to Hong Kong dollars has been relatively stable throughout the year under review, the exposure to foreign exchange rate fluctuations is minimal.

Contingent liabilities

Guarantee given

As at 31 March 2007, the Group has given guarantee of RMB4.9 million (2006: approximately RMB5 million) to a bank to secure the credit facilities granted to a jointly controlled entity. At 31 March 2007, the amount of facilities utilized was RMB4.9 million (2006: approximately RMB5 million).

As at 31 March 2007, the Company has given corporate guarantees of HK\$5 million (2006: HK\$5 million) to certain banks to secure the credit facilities granted to its subsidiaries. No subsidiaries has utilisation the credit facilities as at 31 March 2007.

Pending litigation

During the year ended 31 March 2007, the Company initiated legal proceedings against a third party (the “Landlord”) in respect of an alleged breach of the tenancy agreement in failing to refund the deposit of HK\$1,790,000. Concurrently, the Landlord resisted the claim and counterclaimed against the Company on, including but not limited to, reinstatement work and rental losses. The Company was in the process of gathering further details of the Landlord’s claim. The Company did not see any grounds for withholding the deposit and, accordingly, the directors of the Company took the view that no contingency arises for which a provision is required to be made nor no allowance is required to be made to the deposit included in the financial statements as at 31 March 2007.

Employee information

As at 31 March 2007, the Group employed a total staff of 44. 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 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.

Audit Committee

The audit committee comprises three independent non-executive directors, Mr. Ng Kwok Tung, Ms. Tsang Wai Chun Marianna and Mr. Chan Mei Ying Spencer. The audit committee has reviewed the audited financial results of the Group for the year ended 31 March 2007.

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, except that Mr. Cheng Kin Kwan holds the dual roles of being the chairman and the chief executive officer of the Company. The Board considers that this structure will not impair the balance of power and authority between the Board and the management of the Company. The Board also believes that Mr. Cheng’s appointment as both the chairman and chief executive officer is beneficial to the business prospects of the Company, better facilitates the execution of the Group’s business strategies and maximizes effectiveness of its operations. 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, 18 June 2007

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).