



TIMELESS SOFTWARE LIMITED
(incorporated in Hong Kong with limited liability)
(Stock Code: 8028)

RESULTS ANNOUNCEMENT
For the quarter ended 30 June 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 unaudited consolidated results of the Company and its subsidiaries (“Group”) for the three months ended 30 June 2007 together with the comparative unaudited figures for the corresponding period in 2006 as follows:

Condensed Consolidated Income Statement

For the three months ended 30 June 2007

		(Unaudited)	
		Three months ended	
		30 June	
	Notes	2007 HK\$'000	2006 HK\$'000
Turnover		594	110
Other income		2,183	1,823
Staff costs		(3,699)	(2,611)
Depreciation and amortisation		(325)	(629)
Other expenses		(1,323)	(3,138)
Fair value change on equity-linked notes		2,786	0
Gain on disposal of available-for-sale financial assets		974	0
Finance costs		(18)	(58)
Share of losses of associates		<u>(391)</u>	<u>(387)</u>
Profit (loss) for the period	3	<u>781</u>	<u>(4,890)</u>
Attributable to:			
Equity holders of the Company		1,013	(4,838)
Minority interests		<u>(232)</u>	<u>(52)</u>
		<u>781</u>	<u>(4,890)</u>
Earnings (loss) per share	4		
- Basic		<u>0.095 cents</u>	<u>(0.467) cents</u>
- Diluted		<u>0.090 cents</u>	<u>N/A</u>

Condensed Consolidated Statement of Changes in Equity

For the three months ended 30 June 2007

	(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 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 of post-acquisition reserve of associates	—	—	—	(1,326)	—	—	(1,326)	—	(1,326)
Loss for the period	—	—	—	—	—	(4,838)	(4,838)	(52)	(4,890)
Total recognised expenses for the period	—	—	—	(1,326)	—	(4,838)	(6,164)	(52)	(6,216)
Issue of shares	215	183	—	—	—	—	398	—	398
Expenses incurred in connection with the issue of shares	—	(1)	—	—	—	—	(1)	—	(1)
	<u>215</u>	<u>182</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>397</u>	<u>—</u>	<u>397</u>
At 30 June 2006	<u>51,789</u>	<u>631,304</u>	<u>1,770</u>	<u>(143)</u>	<u>1,256</u>	<u>(545,642)</u>	<u>140,334</u>	<u>6,713</u>	<u>147,047</u>
At 1 April 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>
Fair value change in available-for-sale financial assets	—	—	—	371	—	—	371	—	371
Share of post-acquisition reserve of associates	—	—	—	4,815	—	—	4,815	—	4,815
Net income recognised in equity	—	—	—	5,186	—	—	5,186	—	5,186
Profit (loss) for the period	—	—	—	—	—	1,013	1,013	(232)	781
Total recognised income and expenses for the period	—	—	—	5,186	—	1,013	6,199	(232)	5,967
Issue of shares	2,504	1,409	—	—	—	—	3,913	—	3,913
Expenses incurred in connection with the issue of shares	—	(1)	—	—	—	—	(1)	—	(1)

	(Unaudited) Share capital <i>HK\$'000</i>	(Unaudited) Share premium <i>HK\$'000</i>	(Unaudited) Share options reserve <i>HK\$'000</i>	(Unaudited) Investment revaluation reserve <i>HK\$'000</i>	(Unaudited) Translation reserve <i>HK\$'000</i>	(Unaudited) Deficit <i>HK\$'000</i>	(Unaudited) Attributable to equity holders of the Company <i>HK\$'000</i>	(Unaudited) Minority interests <i>HK\$'000</i>	(Unaudited) Total <i>HK\$'000</i>
Transfer of share option reserve on exercise of share options	—	1,793	(1,793)	—	—	—	—	—	—
Recognition of equity settled share-based payments	—	—	832	—	—	—	832	—	832
	<u>2,504</u>	<u>3,201</u>	<u>(961)</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>4,744</u>	<u>—</u>	<u>4,744</u>
At 30 June 2007	<u>55,197</u>	<u>635,719</u>	<u>3,832</u>	<u>5,039</u>	<u>1,990</u>	<u>(554,515)</u>	<u>147,262</u>	<u>3,016</u>	<u>150,278</u>

Notes to the Condensed Consolidated Financial Statements

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 (“GEM Listing Rules”).

2. Principal accounting policies

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 2007.

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

4. Earnings (loss) per share

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

	(Unaudited)	
	Three months ended	
	30 June	
	2007	2006
Profit (loss) attributable to equity holders of the Company for the purposes of basic and diluted earnings (loss) per share	<u>HK\$1,013,000</u>	<u>HK\$(4,838,000)</u>
Weighted average number of ordinary shares for the purpose of basic earnings (loss) per share	1,071,373,701	<u>1,035,315,749</u>
Effect of dilutive potential ordinary shares in respect of share options granted	<u>49,009,194</u>	
Weighted average number of ordinary shares for the purpose of diluted earnings per share	<u>1,120,382,895</u>	

No diluted loss per share for the three months ended 30 June 2006 has 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 three months ended 30 June 2007 (2006: Nil).

BUSINESS REVIEW AND OUTLOOK

Review

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 three months ended 30 June 2007, the Group recorded unaudited turnover of approximately HK\$594,000. The profit attributable to equity holders of the Company was approximately HK\$1,013,000, as compared to a loss of approximately HK\$4,838,000 for the three months ended 30 June 2006.

The other income mainly comprised interest income from equity-linked notes of approximately HK\$1,779,000 and bank interest income of approximately HK\$370,000.

The increase by 42% in staff costs to approximately HK\$3,699,000 as compared with that for the corresponding period in last year was mainly due to the recognition of share-based payments of approximately HK\$832,000 to expense the fair value of share options granted during the period to directors and employees of the Group.

The other expenses was decreased by 58% to HK\$1,323,000 as compared with that for the corresponding period in last year. It was mainly due to significant decrease in rental expenses and building management fee from approximately HK\$2,213,000 to approximately HK\$379,000.

Our current quarter performs as we expected; that is because our “prudent yet aggressive” market strategy has been cogently carried out. By prudence we mean a stringent control on cash flow and by aggressive we mean speedily turning every opportunity into material benefit. Such strategy helps to improve our cash flow continuously and our core business develops and progresses along our confirmed path.

Specifically, we are launching our ten newly built services sub-platforms according to priorities, of which contracts deploying the education services sub-platform (ESP) and search management sub-platform (SMSP) have initially been obtained while progress for the other eight service sub-platforms are advancing effectively.

Outlook

From now on, Timeless operation will focus on launching the ten services sub-platforms (*note*) according to market trend and changes. It looks like, in future, those sub-platforms relevant to 2008 Olympics, and among the others, elderly care services sub-platform (ECSP), medical care services sub-platform (MCSP), workflow services sub-platform (WFSP) and multi-media entertainment sub-platform (MMEP) stand a better chance of commanding.

Such series of web-services sub-platforms are nurtured out of our ten plus years of development, they are prestigious and valuable; Timeless Consolidated Platform, a branding out of Chinese innovation originality, is flexing its value-adding capability; compounding the above two facts together, we have reasons to believe in our future with more concrete confidence.

Note: the ten sub-platforms that derive out of Timeless Consolidated Platforms are: tourism development services sub-platform (TDSP), education Services Sub-platform (ESP), multi-media entertainment sub-platform (MMEP), elderly care services sub-platform (ECSP), medical Care Services Sub-platform (MCSP), workflow services sub-platform (WFSP), value-add services sub-platform (VASP), aero-s pace technology sub-platform (ASTP), cross network information sub-platform (CNIS), search management sub-platform (SMSP).

COMPETING INTEREST

As at 30 June 2007, 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 under review, 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 30 June 2007.

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

Hong Kong, 9 August 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, 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).