



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

RESULTS ANNOUNCEMENT
For the quarter ended 30 September 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.

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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 six months ended 30 September 2007 together with the comparative unaudited figures for the corresponding periods in 2006 as follows:

Condensed Consolidated Income Statement
For the Six Months Ended 30 September 2007

	<i>Note</i>	(Unaudited) Three months ended 30 September		(Unaudited) Six months ended 30 September	
		2007	2006	2007	2006
		<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Turnover		562	733	1,156	843
Other income	4	5,345	2,114	8,291	3,715
Staff costs		(2,816)	(6,550)	(6,515)	(9,160)
Depreciation		(339)	(529)	(664)	(1,158)
Other expenses		(1,657)	(1,790)	(2,980)	(4,818)
Net (losses) gains on equity-linked notes		(88)	(558)	1,935	(558)
Net gains on investments held for trading		2,793	—	3,812	—
(Loss) gain on disposal of available-for-sale financial assets		—	—	(46)	111
Impairment loss recognised on investments in a jointly controlled entity		(474)	(103)	(474)	(103)
Impairment loss recognised on amount due from an associate		(278)	—	(278)	—
Impairment loss recognised on advance made to a jointly controlled entity		—	(1,226)	—	(1,226)
Discount on acquisition arising from purchase of additional interests in a subsidiary		—	745	—	745
Finance costs		(13)	(20)	(31)	(78)
Share of losses of associates		(1,759)	(22)	(2,150)	(409)
Profit (loss) for the period		<u>1,276</u>	<u>(7,206)</u>	<u>2,056</u>	<u>(12,096)</u>

		(Unaudited)		(Unaudited)	
		Three months ended		Six months ended	
		30 September		30 September	
	<i>Note</i>	2007	2006	2007	2006
		<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Attributable to:					
Equity holders of the Company		1,530	(6,947)	2,542	(11,785)
Minority interests		<u>(254)</u>	<u>(259)</u>	<u>(486)</u>	<u>(311)</u>
		<u>1,276</u>	<u>(7,206)</u>	<u>2,056</u>	<u>(12,096)</u>
Earnings (loss) per share	7				
- Basic		<u>0.14 cents</u>	<u>(0.67) cents</u>	<u>0.23 cents</u>	<u>(1.14) cents</u>
- Diluted		<u>0.13 cents</u>	<u>N/A</u>	<u>0.23 cents</u>	<u>N/A</u>

Condensed Consolidated Balance Sheet
At 30 September 2007

	<i>Notes</i>	(Unaudited) 30 September 2007 <i>HK\$'000</i>	(Audited) 31 March 2007 <i>HK\$'000</i>
Non-current assets			
Investment properties		2,187	2,100
Property, plant and equipment	8	6,578	6,632
Interests in associates		4,602	5,852
Interests in jointly controlled entities		—	—
Equity-linked notes	9	<u>95,405</u>	<u>51,483</u>
		<u>108,772</u>	<u>66,067</u>
Current assets			
Amounts due from customers for contract work		452	316
Trade and other receivables	10	4,471	7,974
Available-for-sale financial assets		—	4,290
Investments held for trading	11	14,010	—
Pledged bank deposits		10,688	10,500
Bank balances and cash		<u>18,846</u>	<u>56,848</u>
		<u>48,467</u>	<u>79,928</u>

	<i>Note</i>	(Unaudited) 30 September 2007 <i>HK\$'000</i>	(Audited) 31 March 2007 <i>HK\$'000</i>
Current liabilities			
Accounts payable		4,864	5,096
Obligations under a finance lease due within one year		—	51
Financial guarantee obligations		434	—
Current portion of secured long-term bank loan		<u>155</u>	<u>133</u>
		<u>5,453</u>	<u>5,280</u>
Net current assets		<u>43,014</u>	<u>74,648</u>
Total assets less current liabilities		151,786	140,715
Non-current liabilities			
Secured long-term bank loan		<u>1,123</u>	<u>1,148</u>
		<u>150,663</u>	<u>139,567</u>
Capital and reserves			
Share capital	12	56,504	52,693
Reserves		<u>91,248</u>	<u>83,626</u>
Equity attributable to equity holders of the Company		147,752	136,319
Minority interests		<u>2,911</u>	<u>3,248</u>
Total equity		<u>150,663</u>	<u>139,567</u>

**Condensed Consolidated Statement of Changes in Equity
For the Six Months Ended 30 September 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	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 financial assets	—	—	—	(39)	—	—	(39)	—	(39)
Share of post-acquisition reserve of associates	—	—	—	(1,794)	—	—	(1,794)	—	(1,794)
Net (expense) income recognised in equity	—	—	—	(1,833)	670	—	(1,163)	194	(969)
Loss for the period	—	—	—	—	—	(11,785)	(11,785)	(311)	(12,096)
Total recognised income and expense for the period	—	—	—	(1,833)	670	(11,785)	(12,948)	(117)	(13,065)
Issue of shares	215	183	—	—	—	—	398	—	398
Expenses incurred in connection with the issue of shares	—	(9)	—	—	—	—	(9)	—	(9)
Acquisition of additional interests in a subsidiary	—	—	—	—	—	—	—	(2,943)	(2,943)
Transfer of share option reserve on exercise of share options	—	97	(97)	—	—	—	—	—	—
Recognition of equity settled share-based payments	—	—	3,774	—	—	—	3,774	—	3,774
	215	271	3,677	—	—	—	4,163	(2,943)	1,220
At 30 September 2006	51,789	631,393	5,447	(650)	1,926	(552,572)	137,333	3,705	141,038

	(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 2007	52,693	632,518	4,793	(147)	1,990	(555,528)	136,319	3,248	139,567
Exchange differences arising from translation of financial statements of overseas operations recognised directly in equity	—	—	—	—	251	—	251	149	400
Exchange differences arising from translation of associates	—	—	—	—	244	—	244	—	244
Share of post-acquisition reserve of associates	—	—	—	701	—	—	701	—	701
Net income recognised in equity	—	—	—	701	495	—	1,196	149	1,345
Transfer to profit or loss on sale of available-for-sale financial assets	—	—	—	578	—	—	578	—	578
Profit (loss) for the period	—	—	—	—	—	2,542	2,542	(486)	2,056
Total recognised income and expense for the period	—	—	—	1,279	495	2,542	4,316	(337)	3,979
Issue of shares	3,811	2,591	—	—	—	—	6,402	—	6,402
Expenses incurred in connection with the issue of shares	—	(10)	—	—	—	—	(10)	—	(10)
Transfer of share option reserve on exercise of share options	—	2,682	(2,682)	—	—	—	—	—	—
Recognition of equity settled share-based payments	—	—	725	—	—	—	725	—	725
	3,811	5,263	(1,957)	—	—	—	7,117	—	7,117
At 30 September 2007	56,504	637,781	2,836	1,132	2,485	(552,986)	147,752	2,911	150,663

**Condensed Consolidated Cash Flow Statement
For the Six Months Ended 30 September 2007**

	(Unaudited)	
	Six months ended	
	30 September	
	2007	2006
	<i>HK\$'000</i>	<i>HK\$'000</i>
Net cash used in operating activities	<u>(14,725)</u>	<u>(7,841)</u>
Investing activities		
Purchase of property, plant and equipment	(431)	(5,717)
Purchase of equity-linked notes	(116,440)	(66,961)
Purchase of available-for-sale financial assets	—	(8,140)
Purchase of additional interests in a subsidiary	—	(2,198)
Proceeds from redemption of equity-linked notes	76,220	24,831
Proceeds from disposal of available-for-sale financial assets	4,822	4,862
Other investing cash flows	<u>6,242</u>	<u>1,965</u>
Net cash used in investing activities	<u>(29,587)</u>	<u>(51,358)</u>
Financing activities		
Proceeds from issue of shares	6,402	398
Other financing activities	<u>(149)</u>	<u>(172)</u>
Net cash from financing activities	<u>6,253</u>	<u>226</u>
Net decrease in cash and cash equivalents	(38,059)	(58,973)
Cash and cash equivalents at 1 April	56,848	132,461
Effect of foreign exchange rate changes	<u>57</u>	<u>387</u>
Cash and cash equivalents at 30 September	<u><u>18,846</u></u>	<u><u>73,875</u></u>

Notes to the Condensed Consolidated Financial Statements For the Six Months Ended 30 September 2007

1. Basis of preparation

The condensed consolidated financial statements have been prepared in accordance with the applicable disclosure requirements of Chapter 18 of the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited and with Hong Kong Accounting Standard 34 (HKAS 34) “Interim financial reporting” issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”).

2. Principal accounting policies

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

The accounting policies used in the condensed consolidated financial statements are consistent with those followed in the preparation of the Group’s annual financial statements for the year ended 31 March 2007 except as described below.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss have 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.

In the current interim period, the Group has applied, for the first time, the following new standard, amendment and interpretations (“new HKFRSs”) issued by the HKICPA, which are effective for the Group’s financial year beginning on 1 April 2007.

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

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

² Effective for annual periods beginning on or after 1 May 2006.

³ Effective for annual periods beginning on or after 1 June 2006.

⁴ Effective for annual periods beginning on or after 1 November 2006.

⁵ Effective for annual periods beginning on or after 1 March 2007.

The adoption of these new HKFRSs had no material effect on the results or financial position of the Group for the current or prior accounting periods. Accordingly, no prior period adjustment has been recognised.

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

3. Segment information

In prior periods, the Group used business segment as primary segment information. As the Group's software development operation became substantially the sole business segment, the Group changed to report geographical segment as primary segment information. The Group's customers are mainly located in Hong Kong and Mainland China ("PRC"). These geographical markets are the basis on which the Group reports its primary segment information.

Geographical segments for the period are as follows:

	Three months ended		Six months ended	
	30 September		30 September	
	2007	2006	2007	2006
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Turnover				
Hong Kong	490	534	988	617
PRC	<u>72</u>	<u>199</u>	<u>168</u>	<u>226</u>
	<u>562</u>	<u>733</u>	<u>1,156</u>	<u>843</u>
Results				
Hong Kong	(2,575)	(7,218)	(5,922)	(11,936)
PRC	<u>(1,016)</u>	<u>(458)</u>	<u>(2,010)</u>	<u>(1,460)</u>
	(3,591)	(7,676)	(7,932)	(13,396)
Interest income from				
- bank	375	842	745	1,949
- equity-linked notes	4,712	1,176	7,254	1,458
Unallocated corporate expenses	(401)	(364)	(779)	(589)
Impairment loss recognised on investments in a jointly controlled entity	(474)	(103)	(474)	(103)
Impairment loss recognised on amount due from an associate	(278)	—	(278)	—
Impairment loss recognised on advance made to a jointly controlled entity	—	(1,226)	—	(1,226)
Discount on acquisition arising from purchase of additional interests in a subsidiary	—	745	—	745
Finance costs	(13)	(20)	(31)	(78)

	Three months ended		Six months ended	
	30 September		30 September	
	2007	2006	2007	2006
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Net (losses) gains on equity-linked notes	(88)	(558)	1,935	(558)
Net gains on investments held for trading	2,793	—	3,812	—
(Loss) gain on disposal of available-for-sale financial assets	—	—	(46)	111
Share of losses of associates - PRC	<u>(1,759)</u>	<u>(22)</u>	<u>(2,150)</u>	<u>(409)</u>
Profit (loss) for the period	<u>1,276</u>	<u>(7,206)</u>	<u>2,056</u>	<u>(12,096)</u>

4. Other income

Included in other income is interest income of HK\$7,999,000 for the six months ended 30 September 2007 (HK\$3,407,000 for the six months ended 30 September 2006).

5. Taxation

No provision for Hong Kong Profits Tax has been made in the condensed consolidated financial statements as the Group had no assessable profit for both periods.

6. Interim dividend

The directors do not recommend the payment of an interim dividend (nil for the six months ended 30 September 2006).

7. Earnings (loss) per share

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

	Three months ended		Six months ended	
	30 September		30 September	
	2007	2006	2007	2006
Profit (loss) attributable to equity holders of the Company for the purposes of basic and diluted earnings per share	<u>HK\$1,530,000</u>	<u>HK\$(6,947,000)</u>	<u>HK\$2,542,000</u>	<u>HK\$(11,785,000)</u>

	Three months ended		Six months ended	
	30 September		30 September	
	2007	2006	2007	2006
Number of ordinary shares:				
Weighted average number of ordinary shares for the purposes of basic earnings (loss) per share				
	1,118,927,699	<u>1,035,781,503</u>	1,095,280,629	<u>1,034,852,540</u>
Effect of dilutive potential ordinary shares in respect of share options granted				
	<u>27,034,804</u>		<u>32,251,385</u>	
Weighted average number of ordinary shares for the purposes of diluted earnings per share				
	<u>1,145,962,503</u>		<u>1,127,532,014</u>	

No diluted loss per share for the three months and six months ended 30 September 2006 had been presented as the share options granted by the Company were anti-dilutive during those periods.

8. **Movements in property, plant and equipment**

During the six months ended 30 September 2007, the Group incurred HK\$431,000 (HK\$5,717,000 for the six months ended 30 September 2006) on acquisition of property, plant and equipment.

9. **Equity-linked notes**

Equity-linked notes are designated as financial assets at fair value through profit or loss. Major terms of the equity-linked notes are as follows:

Principal amount	Maturity
US\$2,500,000	2010
US\$1,400,000	2010
US\$1,000,000	2010
HK\$10,000,000	2009
HK\$15,000,000	2009
HK\$30,000,000	2010

Until the maturity dates, the equity-linked notes will entitle the noteholders to receive coupon payments on a bi-monthly basis and on those dates, they are also subject to mandatory redemption clauses depending on the market prices of an individual or a basket of Hong Kong listed equity securities underlying the equity-linked notes. Before maturity date, if the issuers exercise the early redemption option when the market price of the underlying share or, in the case of a basket of listed equity securities, the worst performing share is equal to or greater than the pre-determined price level, the equity-linked notes will be redeemed based on the principal amounts. The equity-linked notes bear interest at pre-determined interest rates ranging from 17% to 50% per annum with reference to market prices of an individual or a basket of Hong Kong listed equity securities. However, interest will be calculated with reference to the number of trading days of the Hong Kong Stock Exchange during the bi-monthly coupon period on which the market price of the underlying share or, in the case of a basket of listed equity securities, the worst performing share is equal to or greater than its pre-determined price level.

At maturity dates, if the equity-linked notes are still outstanding and the market price of the underlying share or, in the case of a basket of listed equity securities, the worst performing share is equal to or greater than its pre-determined price level, the equity-linked notes will be redeemed at the principal amounts in cash. If the market price of the underlying share or, in the case of a basket of listed equity securities, the worst performing share is lower than its pre-determined price level, the equity-linked notes will be redeemed in shares of which the market prices of the shares will be lower than the principal amounts.

The equity-linked notes are measured at fair value at the balance sheet date. Their fair values of HK\$95,405,000 as of 30 September 2007 (31 March 2007: HK\$51,483,000) are determined based on the valuation provided by the bank at the balance sheet date.

10. Trade and other receivables

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:

	30 September	31 March
	2007	2007
	<i>HK\$'000</i>	<i>HK\$'000</i>
Age		
0 to 30 days	65	89
31 to 60 days	36	115
61 to 90 days	<u>54</u>	<u>—</u>
	<u><u>155</u></u>	<u><u>204</u></u>

11. Investments held for trading

Investments held for trading at the balance sheet date represent Hong Kong listed equity securities which are stated at fair value with reference to quoted bid price.

12. Share capital

During the period, the following number of share options were exercised:

Number of share options exercised	Subscription price per share HK\$
10,950,000	0.0722
45,430,000	0.0772
3,900,000	0.0870
2,200,000	0.0900
3,600,000	0.0920
4,480,000	0.0982
3,000,000	0.1038
1,050,000	0.1530
1,300,000	0.1900
300,000	0.2550

As a result, an aggregate of 76,210,000 (4,300,000 for the six months ended 30 September 2006) new ordinary shares of HK\$0.05 each were issued.

All the shares issued during the period rank pari passu with the then existing shares in all respects.

13. Share-based payment arrangement

During the period, the Company granted 4,100,000 (83,500,000 for the six months ended 30 September 2006) share options to its employees, including 1,100,000 (46,000,000 for the six months ended 30 September 2006) share options granted to the directors of the Company.

14. Related party transaction

Guarantee given to a jointly control entity

A subsidiary of the Company, Timeless Software (Guangzhou) Limited, has given a guarantee to the extent of RMB4.9 million in favour of a bank to secure an aggregate RMB4.9 million loan facility granted to 珠海南方軟件園發展有限公司 (Zhuhai Southern Software Park Development Company Limited) (“ZSSP”), a jointly controlled entity of the Company. The amount utilised as at 30 September 2007 amounted to RMB4.9 million. The fair value of the financial guarantee contract at the date of grant of approximately HK\$474,000, 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.

15. **Contingent liabilities**

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 condensed consolidated financial statements at 30 September 2007.

Guarantees given

Details of the guarantee given by the Group to a bank to secure the credit facilities granted to ZSSP are set out in note 14.

Business review and outlook

Results for the six months ended 30 September 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 six months ended 30 September 2007, the profit attributable to equity holders of the Company was approximately HK\$2,542,000, as compared to a loss of approximately HK\$11,785,000 over the same period in 2006. The Group recorded unaudited turnover of approximately HK\$1,156,000, representing an increase of 37.1% as compared to approximately HK\$843,000 in the corresponding period in 2006.

The other income mainly comprised interest income from equity-linked notes of approximately HK\$7,254,000 and bank interest income of approximately HK\$745,000 for the six months ended 30 September 2007.

The decrease by 28.9% in staff costs to approximately HK\$6,515,000 as compared with that for the corresponding period in 2006 was mainly due to significant decrease in recognition of share-based payments from approximately HK\$3,774,000 to approximately HK\$725,000.

The other expenses was decreased by 38.2% to HK\$2,980,000 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\$2,553,000 to approximately HK\$772,000.

Liquidity and financial resources

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

As at 30 September 2007, the Group had bank balances and cash (excluding pledged bank deposits) of approximately HK\$18,846,000 (31 March 2007: HK\$56,848,000). The significant decrease in bank balances as compared with that of last year were mainly due to net purchase of equity-linked notes of HK\$40,220,000 during the period under review.

As at 30 September 2007, the Group outstanding borrowings of approximately HK\$1,278,000 (31 March 2007: HK\$1,332,000). The borrowings comprised a bank loan, which is repayable by monthly installment and will be fully repaid on 15 March 2015.

Gearing ratio

As at 30 September 2007, the Group's gearing ratio was approximately 0.86% (31 March 2007: 0.98%), based on total borrowings of approximately HK\$1,278,000 (31 March 2007: HK\$1,332,000) and equity attributable to equity holders of the Company of approximately HK\$147,752,000 (31 March 2007: 136,319,000).

Charge on the Group's assets

As at 30 September 2007, a commercial property with net book value of approximately HK\$2,244,000 (31 March 2007: HK\$2,226,000) situated in Guangzhou held by a PRC subsidiary was pledged to a bank to secure the loan of approximately HK\$1,278,000 (31 March 2007: HK\$1,281,000).

Bank deposits totaling approximately HK\$10,688,000 (31 March 2007: HK\$10,500,000) were pledged to banks to secure the banking facilities. In which, credit facilities of HK\$5,000,000 (31 March 2007: HK\$5,000,000) were available to its subsidiaries and loan facility of RMB4,900,000 (31 March 2007: RMB4,900,000) were available to a jointly controlled entity.

Capital structure

As at 30 September 2007, the Company's total number of issued shares was 1,130,061,503 (31 March 2007: 1,053,851,503). During the period under review, certain directors and employees of the Group exercised share options granted to them under the 2003 share option scheme and 76,210,000 shares of the Company were issued and allotted thereof.

Segmental information

In respect of geographical segments, turnover generated from Hong Kong and Mainland China accounted for 85.5% and 14.5% respectively during the period under review.

Order book and prospects for new business

The amount of orders on hand of the Group was over HK\$2,558,000 as at 30 September 2007.

Material acquisitions and disposal of subsidiaries and affiliated companies

There was no disposal or acquisition of subsidiaries and affiliated companies for the period 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 period under review, the exposure to foreign exchange rate fluctuations is minimal.

Contingent liabilities

Guarantee given

As at 30 September 2007, the Group has given guarantee of RMB4,900,000 (31 March 2007: RMB4,900,000) to a bank to secure the credit facilities granted to a jointly controlled entity. At 30 September 2007, the amount of facilities utilized was RMB4,900,000 (31 March 2007: RMB4,900,000).

As at 30 September 2007, the Company has given corporate guarantees of HK\$5,000,000 (31 March 2007: HK\$5,000,000) to certain banks to secure the credit facilities granted to its subsidiaries. No subsidiaries has utilized the credit facilities as at 30 September 2007.

Pending litigation

In January 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. In the period under review, 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 at 30 September 2007.

Employee information

As at 30 September 2007, the Group employed a total staff of 49. 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.

Outlook

The current quarter marks the second quarter after Timeless enters its new development phase, meaning the new phase after the Consolidated Platform is fundamentally built. At this point, we can better utilize the three resources possessed by Timeless: A stock code (8028), a platform (Consolidated Platform) and a service (Web Services).

By maneuvering these three resources interactively, at each stage of our new phase, we endeavor hard to make profit.

Our current quarter performs as we expected; our financial position is sound; our core business, though still under-perform in quantity terms, has improved in quality terms. Specifically, out of Timeless' ten services sub-platforms "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-added services sub-platform (VASP), aero-space technology sub-platform (ASTP), cross network information sub-platform (CNIS) and search management sub-platform (SMSP)" and five core sub-platforms (GuangCunYuan sub-platform, ZiFaYuan sub-platform, ZiWangYuan sub-platform, SouSuoYuan sub-platform and ShiXiangYuan sub-platform), the workflow services sub-platform (WFSP) and ZiFaYuan sub-platform have achieved breakthrough in quality terms.

We shall devote whole-heartedly to better utilize our three resources mentioned above and strive to turn our year round loss into continuous profit. Recently we have followed such approach for two quarters; we wish to be so for the third quarter and continue on to strive for profit.

Competing interest

As at 30 September 2007, none of the directors or management shareholder (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.

Code on Corporate Governance Practices

The Company has complied with the code provisions of the Code on Corporate Governance Practices contained in Appendix 15 to the GEM listing Rules, except that Mr. Cheng Kin Kwan holds the dual role 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. Save as disclosed above, the Company has met the code provisions set out in the Code on Corporate Governance Practices contained in Appendix 15 of the GEM Listing Rules throughout the six months ended 30 September 2007.

Code of conduct regarding securities transactions by directors

The Company has adopted a code of conduct regarding securities transactions by directors on terms no less exacting than the required standard of dealings set out in Rules 5.48 to 5.67 of the GEM Listing Rules. Having made specific enquiry of all directors, all directors confirmed that they have complied with the required standard of dealings and the code of conduct regarding securities transactions by directors adopted by the Company throughout the six months ended 30 September 2007.

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 unaudited interim financial report for the six months ended 30 September 2007 in conjunction with the Company's external auditors.

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

Hong Kong, 9 November 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).