



TIMELESS SOFTWARE LIMITED

(incorporated in Hong Kong with limited liability)

(Stock code: 8028)

RESULTS ANNOUNCEMENT

For the quarter ended 31 December 2009

Characteristics of The Growth Enterprise Market (“GEM”) of The Stock Exchange of Hong Kong Limited (the “Exchange”)

GEM has been positioned as a market designed to accommodate companies to which a higher investment risk may be attached than other companies listed on the Exchange. 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 2009 together with the comparative unaudited figures for the corresponding periods in 2008 as follows:

Condensed Consolidated Income Statement

For the three months and nine months ended 31 December 2009

	<i>Note</i>	(Unaudited)		(Unaudited)	
		Three months ended 31 December		Nine months ended 31 December	
		2009	2008	2009	2008
		HK\$'000	HK\$'000	HK\$'000	HK\$'000
Turnover		6,772	787	12,607	7,307
Other income		184	850	1,524	3,405
Purchase costs		(3,283)	(576)	(4,301)	(4,307)
Staff costs		(3,037)	(3,112)	(9,239)	(9,276)
Depreciation		(176)	(326)	(479)	(960)
Other expenses		(1,149)	(1,857)	(4,340)	(4,869)
Fair value changes on investment properties		—	—	—	(91)
Net gains (losses) on equity-linked notes		1,577	687	2,772	(5,497)
Net gains (losses) on investments held for trading		(637)	2,060	(147)	1,578
Impairment loss recognised on advance made to an associate		—	—	—	(183)
Impairment loss recognised on investments in a jointly controlled entity		—	—	—	(1,379)
Finance costs		(16)	(20)	(47)	(61)
Share of losses of associates		84	(372)	(438)	(157)
Profit (loss) for the period		<u>319</u>	<u>(1,879)</u>	<u>(2,088)</u>	<u>(14,490)</u>
Attributable to:					
Owners of the Company		321	(1,877)	(2,082)	(14,484)
Non-controlling interests		(2)	(2)	(6)	(6)
		<u>319</u>	<u>(1,879)</u>	<u>(2,088)</u>	<u>(14,490)</u>
Earnings (loss) per share	4				
- Basic		<u>0.03 cents</u>	<u>(0.17) cents</u>	<u>(0.18) cents</u>	<u>(1.28) cents</u>
- Diluted		<u>0.03 cents</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>

Condensed Consolidated Statement of Comprehensive Income

For the three months and nine months ended 31 December 2009

	(Unaudited)		(Unaudited)	
	Three months ended		Nine months ended	
	31 December		31 December	
	2009	2008	2009	2008
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Profit (loss) for the period	319	(1,879)	(2,088)	(14,490)
Other comprehensive income (expense)				
Share of post-acquisition reserve of associates	352	(352)	1,569	(1,796)
Realised on deemed disposal of partial interests in a jointly controlled entity	—	—	(44)	—
Exchange differences arising from translation of financial statements of foreign operations	—	25	—	428
Other comprehensive income (expense) for the period	352	(327)	1,525	(1,368)
Total comprehensive income (expense) for the period	671	(2,206)	(563)	(15,858)
Total comprehensive income (expense) attributable to:				
Owners of the Company	673	(2,204)	(557)	(15,905)
Non-controlling interests	(2)	(2)	(6)	47
	671	(2,206)	(563)	(15,858)

Condensed Consolidated Statement of Changes in Equity

For the nine months ended 31 December 2009

	Share capital <i>HK\$'000</i>	Share premium <i>HK\$'000</i>	Share options reserve <i>HK\$'000</i>	Investment revaluation reserve <i>HK\$'000</i>	Property revaluation reserve <i>HK\$'000</i>	Translation reserve <i>HK\$'000</i>	Accumulated deficit <i>HK\$'000</i>	Attributable to owners of the Company <i>HK\$'000</i>	Non- controlling interests <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1 April 2009 (audited)	56,663	637,927	2,371	—	1,061	4,452	(596,975)	105,499	2,598	108,097
Loss for the period	—	—	—	—	—	—	(2,082)	(2,082)	(6)	(2,088)
Share of post-acquisition reserve of associates	—	—	—	1,569	—	—	—	1,569	—	1,569
Realised on deemed disposal of partial interests in a jointly controlled entity	—	—	—	—	—	(44)	—	(44)	—	(44)
Total comprehensive income (expense) for the period	—	—	—	1,569	—	(44)	(2,082)	(557)	(6)	(563)
At 31 December 2009 (unaudited)	56,663	637,927	2,371	1,569	1,061	4,408	(599,057)	104,942	2,592	(107,534)
At 1 April 2008 (audited)	56,663	637,927	2,567	(395)	1,061	3,701	(573,173)	128,351	2,556	130,907
Loss for the period	—	—	—	—	—	—	(14,484)	(14,484)	(6)	(14,490)
Share of post-acquisition reserve of associates	—	—	—	(1,796)	—	—	—	(1,796)	—	(1,796)
Exchange differences arising from translation of financial statements of foreign operations	—	—	—	—	—	375	—	375	53	428
Total comprehensive (expense) income for the period	—	—	—	(1,796)	—	375	(14,484)	(15,905)	47	(15,858)
Transfer of share options reserve on forfeiture of share options	—	—	(196)	—	—	—	196	—	—	—
At 31 December 2008 (unaudited)	56,663	637,927	2,371	(2,191)	1,061	4,076	(587,461)	112,446	2,603	115,049

Notes to the Condensed Consolidated Financial Statements

For the nine months ended 31 December 2009

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. Principal accounting policies

The condensed consolidated financial statements have been prepared under the historical cost basis except for investment properties and certain 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 2009.

In the current period, the Group has applied, for the first time, a number of new and revised standards, amendments and interpretations ("new and revised HKFRSs") issued by the HKICPA, which are effective for the Group's financial year beginning on 1 April 2009.

HKAS 1 (Revised 2007) has introduced a number of terminology changes, including revised titles for the condensed consolidated financial statements, and has resulted in a number of changes in presentation and disclosure. The adoption of the new and revised HKFRSs had no material effect on the reported results and 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 following new or revised standards, amendments or interpretations that have been issued but are not yet effective.

HKFRSs (Amendments)	Amendment to HKFRS 5 as part of improvements to HKFRSs issued in 2008 ¹
HKFRSs (Amendments)	Improvements to HKFRSs issued in 2009 ²
HKAS 27 (Revised)	Consolidated and separate financial statements ¹
HKAS 39 (Amendment)	Eligible hedged items ¹
HKFRS 1 (Amendment)	First-time adoption of Hong Kong Financial Reporting Standards ¹
HKFRS 2 (Amendment)	Group cash-settled share based payments transactions ³
HKFRS 3 (Revised)	Business combinations ¹
HK(IFRIC) - INT 17	Distributions of non-cash assets to owners ¹
HK(IFRIC) - INT 18	Transfers of assets from customers ⁴

- ¹ Effective for annual periods beginning on or after 1 July 2009.
- ² Amendments that are effective for annual periods beginning on or after 1 July 2009 or 1 January 2010, as appropriate.
- ³ Effective for annual periods beginning on or after 1 January 2010.
- ⁴ Effective for transfers on or after 1 July 2009.

The application of HKFRS 3 (Revised) may affect the Group's accounting for business combination for which the acquisition date is on or after 1 April 2010. HKAS 27 (Revised) will affect the accounting treatment for changes in the Group's ownership interest in a subsidiary that do not result in loss of control of the subsidiary. Changes in the Group's ownership interest that do not result in loss of control of the subsidiary will be accounted for as equity transactions. The directors of the Company anticipate that the application of the other new or revised standards, amendments or interpretations will have no material impact on the results and financial position of the Group.

3. Taxation

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for both periods. Taxation arising on other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.

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

4. Earnings (loss) per share

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

	Three months ended		Nine months ended	
	31 December		31 December	
	2009	2008	2009	2008
Profit (loss) attributable to owners of the Company for the purposes of basic and diluted earnings per share	<u>HK\$321,000</u>	<u>HK\$(1,877,000)</u>	<u>HK\$(2,082,000)</u>	<u>HK\$(14,484,000)</u>
Number of ordinary shares:				
Weighted average number of ordinary shares for the purpose of basic earnings (loss) per share	1,133,261,503	<u>1,133,261,503</u>	<u>1,133,261,503</u>	<u>1,133,261,503</u>
Effect of dilutive potential ordinary shares in respect of share options granted	<u>1,821,264</u>			
Weighted average number of ordinary shares for the purposes of diluted earnings per share	<u>1,135,082,767</u>			

No diluted loss per share for the three months ended 31 December 2008 and nine months ended 31 December 2009 and 2008 had been presented as the assumed exercise of share options granted by the Company would decrease the loss per share during those periods.

Interim Dividend

The Board does not recommend the payment of any interim dividend for the nine months ended 31 December 2009 (2008: 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 2009, the loss attributable to owners of the Company was approximately HK\$2,082,000, representing a decrease of 85.6% as compared to the loss of approximately HK\$14,484,000 over the same period in 2008. The substantial decrease in net loss was mainly due to the following items:

1. The unaudited turnover of approximately HK\$12,607,000 was significantly increased by 72.5% as compared to approximately HK\$7,307,000 in the corresponding period in 2008;
2. Net gains on equity-linked notes of approximately HK\$2,772,000 was recorded for the period under review while net losses on equity-linked notes of approximately HK\$5,497,000 was recorded in the corresponding period in 2008; and
3. An impairment loss recognised on investments in a jointly controlled entity of approximately HK\$1,379,000 was recorded in the corresponding period in 2008 while no such impairment loss was recognised during the period under review.

For the nine months ended 31 December 2009, the other income mainly comprised bank interest income of approximately HK\$641,000 (nine months ended 31 December 2008: HK\$1,213,000), amortisation of financial guarantee obligations of approximately HK\$460,000 (nine months ended 31 December 2008: HK\$1,657,000) and rental income of approximately HK\$379,000 (nine months ended 31 December 2008: HK\$535,000).

The Group's insight into China's ability to flexibly and successfully ride through the global economic crisis has paid off nicely in building a strong foundation for future growth in the market. The mainland government's economic stimulus packages boosting domestic demand has helped the Group's business in the China market, especially in sectors like the Justice & Law Enforcement and Education where Timeless has already had solid presence.

Further, our technology strength has gained recognition from well-known software vendors. This, together with our recent acquisition of Encore Trading Limited, a major software distributor, will further widen our market coverage and deepen market penetration in the PRC. Therefore, the Board is optimistic about the Group's future performance and bringing a higher return to the shareholders. Going forward, the Board will continue looking for appropriate investment opportunities in China to diversify and expand the Group's business portfolio.

Directors' and Chief Executive's Interests and Short Positions in Shares and Underlying Shares of the Company

At 31 December 2009, the interests and short positions of the directors and the chief executive of the Company and their associates in the shares, underlying shares or debentures of the Company and its associated corporations, as recorded in the register maintained by the Company pursuant to Section 352 of the Securities and Futures Ordinance ("SFO"), or otherwise notified to the Company and the Stock Exchange pursuant to Rule 5.46 of the GEM Listing Rules, were as follows:

Long positions

(a) Ordinary shares of HK\$0.05 each of the Company

Name of directors	Number of ordinary shares held in the capacity of			
	Beneficial owner	Controlled corporation of	Total number shares	Percentage of shareholding
Cheng Kin Kwan	221,440,000	—	221,440,000	19.54%
Law Kwai Lam	10,000,000	28,325,000*	38,325,000	3.38%
Leung Mei Sheung, Eliza	13,000,000	—	13,000,000	1.15%
Zheng Ying Yu	4,900,000	—	4,900,000	0.43%
Fung Chun Pong, Louis	1,488,000	—	1,488,000	0.13%
Liao Yun	4,510,000	—	4,510,000	0.40%

* These shares were held by a private company which is wholly-owned by Mr. Law Kwai Lam.

(b) Options to subscribe for ordinary shares of the Company

Particulars of the directors' interests in share options to subscribe for shares in the Company pursuant to the Company's 2003 share option scheme were as follows:

Name of directors	Date of grant	Exercisable period	Exercise price per share <i>HK\$</i>	Number of share options and number of underlying shares		
				Outstanding at 1.4.2009	Lapsed during the period	Outstanding at 31.12.2009
Cheng Kin Kwan	5.9.2003	5.9.2003 - 4.9.2013	0.2280	6,960,000	—	6,960,000
	8.12.2003	8.12.2003 - 7.12.2013	0.2130	800,000	—	800,000
	25.2.2004	25.2.2004 - 24.2.2014	0.1900	7,700,000	—	7,700,000
Law Kwai Lam	5.9.2003	5.9.2003 - 4.9.2013	0.2280	2,000,000	—	2,000,000
	9.1.2004	9.1.2004 - 8.1.2014	0.1900	1,000,000	—	1,000,000
	28.2.2005	28.2.2005 - 27.2.2015	0.0722	1,000,000	—	1,000,000
	26.9.2006	26.9.2006 - 25.9.2016	0.0772	3,500,000	—	3,500,000
	18.6.2007	18.6.2007 - 17.6.2017	0.2980	800,000	—	800,000
Leung Mei Sheung, Eliza	5.9.2003	5.9.2003 - 4.9.2013	0.2280	5,500,000	—	5,500,000
	8.12.2003	8.12.2003 - 7.12.2013	0.2130	4,300,000	—	4,300,000
	25.2.2004	25.2.2004 - 24.2.2014	0.1900	5,800,000	—	5,800,000
	24.3.2006	24.3.2006 - 23.3.2016	0.1530	300,000	—	300,000
Zheng Ying Yu	5.9.2003	5.9.2003 - 4.9.2013	0.2280	2,000,000	—	2,000,000
	8.12.2003	8.12.2003 - 7.12.2013	0.2130	400,000	—	400,000
	9.1.2004	9.1.2004 - 8.1.2014	0.1900	6,100,000	—	6,100,000
	13.12.2004	13.12.2004 - 12.12.2014	0.0982	50,000	—	50,000
Fung Chun Pong, Louis	5.9.2003	5.9.2003 - 4.9.2013	0.2280	2,000,000	—	2,000,000
	9.1.2004	9.1.2004 - 8.1.2014	0.1900	1,000,000	—	1,000,000
	19.4.2004	19.4.2004 - 18.4.2014	0.2096	300,000	—	300,000
	24.3.2006	24.3.2006 - 23.3.2016	0.1530	300,000	—	300,000
	18.6.2007	18.6.2007 - 17.6.2017	0.2980	300,000	—	300,000
Liao Yun	5.9.2003	5.9.2003 - 4.9.2013	0.2280	800,000	—	800,000
	26.11.2003	26.11.2003 - 25.11.2013	0.2300	400,000	—	400,000
	9.1.2004	9.1.2004 - 8.1.2014	0.1900	790,000	—	790,000
	19.4.2004	19.4.2004 - 18.4.2014	0.2096	300,000	—	300,000
	16.9.2004	16.9.2004 - 15.9.2014	0.0870	500,000	—	500,000
	30.9.2004	30.9.2004 - 29.9.2014	0.0900	500,000	—	500,000
	13.12.2004	13.12.2004 - 12.12.2014	0.0982	300,000	—	300,000
	22.9.2005	22.9.2005 - 21.9.2015	0.0920	400,000	—	400,000
	24.3.2006	24.3.2006 - 23.3.2016	0.1530	300,000	—	300,000

Name of directors	Date of grant	Exercisable period	Exercise price per share HK\$	Number of share options and number of underlying shares		
				Outstanding at 1.4.2009	Lapsed during the period	Outstanding at 31.12.2009
Tsang Wai Chun,	24.3.2006	24.3.2006 - 23.3.2016	0.1530	500,000	—	500,000
Marianna	26.9.2006	26.9.2006 - 25.9.2016	0.0772	3,000,000	—	3,000,000
Chan Mei Ying, Spencer	24.3.2006	24.3.2006 - 23.3.2016	0.1530	500,000	—	500,000
				60,400,000	—	60,400,000

Save as disclosed above and other than nominee shares in certain wholly-owned subsidiaries held by certain directors in trust for the Group, at 31 December 2009, none of the directors or chief executive or any of their respective associates had any interests or short positions in the shares, underlying shares or debentures of the Company or its associated corporations which fall to be notified to the Company and the Stock Exchange pursuant to Part XV of the SFO, or which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein or which were required to be notified to the Company and the Stock Exchange pursuant to Rule 5.46 of the GEM Listing Rules.

Substantial Shareholders' Interests and Short Positions in Shares and Underlying Shares

As at 31 December 2009, according to the register maintained by the Company pursuant to Section 336 of the SFO, the following persons (not being a director or the chief executive of the Company) were, directly or indirectly, interested in 5% or more of the nominal value of any class of share capital of the Company.

Name of substantial shareholders	Number of ordinary shares held	Number of share options and underlying shares held	Aggregate long position	Percentage of the issued share capital as at 31 December 2009
Educational Information Technology (H.K.) Company Limited *	108,057,374	—	108,057,374	9.54%
Crimson Asia Capital Limited, L.P.**	105,203,591	—	105,203,591	9.28%

* These shares were held in trust for 寧夏教育信息技術股份有限公司 (Ningxia Educational Information Technology Company Limited), a company in which the Group has 25% equity interest.

** These shares were beneficially owned.

Save as disclosed in the section "Directors' and chief executive's interests and short positions in shares and underlying shares of the Company", at 31 December 2009, the Company had not been notified of any other interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company and the Stock Exchange under Part XV of the SFO.

Competing Interest

As at 31 December 2009, 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 2009.

On behalf of the Board

Cheng Kin Kwan

Chairman & Chief Executive Officer

Hong Kong, 9 February 2010

As at the date of this announcement, the executive Directors are Mr. Cheng Kin Kwan (Chairman), Mr. Law Kwai Lam, 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 Ms. Tsang Wai Chun Marianna, Mr. Chan Mei Ying Spencer and Mr. Lam Kwai Yan.

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).