



## **TIMELESS SOFTWARE LIMITED**

*(incorporated in Hong Kong with limited liability)*

**(Stock Code: 8028)**

### **RESULTS ANNOUNCEMENT**

**For the quarter ended 30 September 2011**

#### **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 full 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 the information contained in this announcement is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this announcement misleading.*

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 2011 together with the comparative unaudited figures for the corresponding periods in 2010 as follows:

### Condensed Consolidated Statement of Comprehensive Income

For the six months ended 30 September 2011

	Notes	(Unaudited)		(Unaudited)	
		Three months ended		Six months ended	
		30 September		30 September	
		2011	2010	2011	2010
		HK\$'000	HK\$'000	HK\$'000	HK\$'000
Turnover		5,095	3,090	11,810	7,568
Other income	4	216	302	514	489
Purchase costs		(5,970)	(2,999)	(11,606)	(6,649)
Staff costs		(4,506)	(3,614)	(8,510)	(7,327)
Depreciation		(203)	(194)	(434)	(390)
Other expenses		(2,697)	(1,622)	(5,758)	(3,431)
Gain on partial disposal of equity interests in a jointly controlled equity		12,706	—	12,706	—
Net (losses)/gains on investments held for trading		(3,953)	2,696	(2,601)	2,349
Net losses on equity- linked notes		—	—	—	(451)
Finance costs		(1)	(15)	(3)	(30)
Share of profits/(losses) of an associate		9	(46)	(53)	(129)
Profit/(loss) for the period		<u>696</u>	<u>(2,402)</u>	<u>(3,935)</u>	<u>(8,001)</u>
<b>Other comprehensive income/ (expense)</b>					
Exchange differences on translation of foreign operations		1,498	—	1,498	—
Share of other comprehensive income/(expense) of an associate		<u>1,453</u>	<u>162</u>	<u>1,020</u>	<u>(2,137)</u>

	<i>Notes</i>	<b>(Unaudited)</b>		<b>(Unaudited)</b>	
		<b>Three months ended</b>		<b>Six months ended</b>	
		<b>30 September</b>		<b>30 September</b>	
		<b>2011</b>	<b>2010</b>	<b>2011</b>	<b>2010</b>
		<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Other comprehensive income/(expense) for the period		<u>2,951</u>	<u>162</u>	<u>2,518</u>	<u>(2,137)</u>
Total comprehensive income/(expense) for the period		<u><u>3,647</u></u>	<u><u>(2,240)</u></u>	<u><u>(1,417)</u></u>	<u><u>(10,138)</u></u>
Profit/(loss) for the period attributable to:					
Owners of the Company		699	(2,394)	(3,924)	(7,987)
Non-controlling interests		(3)	(8)	(11)	(14)
		<u>696</u>	<u>(2,402)</u>	<u>(3,935)</u>	<u>(8,001)</u>
Total comprehensive income/(expense) attributable to:					
Owners of the Company		3,560	(2,232)	(1,496)	(10,124)
Non-controlling interests		87	(8)	79	(14)
		<u>3,647</u>	<u>(2,240)</u>	<u>(1,417)</u>	<u>(10,138)</u>
Earnings/(loss) per share	7				
- Basic		<u>0.06 cents</u>	<u>(0.21) cents</u>	<u>(0.35) cents</u>	<u>(0.70) cents</u>
- Diluted		<u>0.06 cents</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>

## Condensed Consolidated Statement of Financial Position

At 30 September 2011

	<i>Notes</i>	(Unaudited) 30 September 2011 <i>HK\$'000</i>	(Audited) 31 March 2011 <i>HK\$'000</i>
Non-current assets			
Investment properties		10,854	10,471
Property, plant and equipment	8	2,408	3,988
Goodwill		1,298	1,298
Interests in associates		4,183	3,103
Interests in jointly controlled entities	16	—	—
		<u>18,743</u>	<u>18,860</u>
Current assets			
Inventories	9	3,317	3,205
Trade and other receivables	10	11,002	9,762
Investments held for trading	11	11,757	14,562
Bank balances and cash		57,480	68,636
		<u>83,556</u>	<u>96,165</u>
Current liabilities			
Trade and other payables	12	6,901	5,938
Consideration received for disposal of interests in jointly controlled entities		—	12,706
Obligations under a finance lease due within one year		47	45
		<u>6,948</u>	<u>18,689</u>
Net current assets		<u>76,608</u>	<u>77,476</u>
Total assets less current liabilities		<u>95,351</u>	<u>96,336</u>

		<b>(Unaudited)</b>	<b>(Audited)</b>
		<b>30 September</b>	<b>31 March</b>
	<i>Notes</i>	<b>2011</b>	<b>2011</b>
		<i>HK\$'000</i>	<i>HK\$'000</i>
Non-current liabilities			
Obligations under a finance lease due after one year		—	24
Net assets		<u>95,351</u>	<u>96,312</u>
Capital and reserves			
Share capital	13	56,868	56,728
Reserves		<u>35,748</u>	<u>36,928</u>
Equity attributable to owners of the Company		92,616	93,656
Non-controlling interests		<u>2,735</u>	<u>2,656</u>
Total equity		<u><u>95,351</u></u>	<u><u>96,312</u></u>

## Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 September 2011

	Share capital	Share premium	Share options reserve	Investment revaluation reserve	Property revaluation reserve	Translation reserve	Accumulated deficit	Attributable to owners of the Company	Non-controlling interests	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 April 2011 (audited)	56,728	637,996	2,165	1,176	1,061	5,627	(611,097)	93,656	2,656	96,312
Loss for the period	—	—	—	—	—	—	(3,924)	(3,924)	(11)	(3,935)
Other comprehensive income for the period	—	—	—	1,020	—	1,408	—	2,428	90	2,518
Total comprehensive expense for the period	—	—	—	1,020	—	1,408	(3,924)	(1,496)	79	(1,417)
Recognition of equity-settled share based payments	—	—	241	—	—	—	—	241	—	241
Issue of ordinary shares under employee share option plan	140	240	(131)	—	—	—	—	249	—	249
Transaction costs attributable to issue of new ordinary shares	—	(34)	—	—	—	—	—	(34)	—	(34)
Transfer of share options reserve on forfeiture of share options	—	—	(5)	—	—	—	5	—	—	—
At 30 September 2011 (unaudited)	56,868	638,202	2,270	2,196	1,061	7,035	(615,016)	92,616	2,735	95,351
At 1 April 2010 (audited)	56,663	637,927	2,109	3,923	1,061	4,396	(599,577)	106,502	2,590	109,092
Loss for the period	—	—	—	—	—	—	(7,987)	(7,987)	(14)	(8,001)
Other comprehensive expense for the period	—	—	—	(2,137)	—	—	—	(2,137)	—	(2,137)
Total comprehensive expense for the period	—	—	—	(2,137)	—	—	(7,987)	(10,124)	(14)	(10,138)
At 30 September 2010 (unaudited)	56,663	637,927	2,109	1,786	1,061	4,396	(607,564)	96,378	2,576	98,954

## Condensed Consolidated Statement of Cash Flows

For the six months ended 30 September 2011

	<b>(Unaudited)</b>	
	<b>Six months ended</b>	
	<b>30 September</b>	
	<b>2011</b>	<b>2010</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Net cash (used in)/generated by operating activities	<u>(13,278)</u>	<u>13,569</u>
Net cash generated by investing activities		
Purchase of property, plant and equipment	(708)	(75)
Proceeds on disposal of a property	2,073	—
Other investing cash flows	<u>(113)</u>	<u>279</u>
	<u>1,252</u>	<u>204</u>
Net cash generated by/(used in) financing activities		
Proceeds from issue of equity shares	250	—
Payment for transaction costs attributable to issue of new ordinary shares	(34)	—
Interest paid	(4)	(30)
Repayment of obligations under a finance lease	(22)	(20)
Repayment of bank loans	<u>—</u>	<u>(88)</u>
	<u>190</u>	<u>(138)</u>
Net (decrease)/increase in cash and cash equivalents	(11,836)	13,635
Cash and cash equivalents at 1 April	68,636	74,322
Effect of foreign exchange rate changes	<u>680</u>	<u>—</u>
Cash and cash equivalents at 30 September, representing bank balances and cash	<u><u>57,480</u></u>	<u><u>87,957</u></u>

## Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 September 2011

### 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 “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 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 2011.

In the current interim 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 2011.

The adoption of these 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.

HKFRS 1 (Amendments)	Severe hyperinflation and removal of fixed dates for first-time adopters <sup>1</sup>
HKFRS 7 (Amendments)	Financial instruments: Disclosures – Transfers of financial assets <sup>1</sup>
HKFRS 9	Financial instruments <sup>4</sup>
HKFRS 10	Consolidated financial statements <sup>4</sup>
HKFRS 11	Joint arrangements <sup>4</sup>
HKFRS 12	Disclosure of interests in other entities <sup>4</sup>
HKFRS 13	Fair value measurement <sup>4</sup>
HKAS 1 (Amendments)	Presentation of items of other comprehensive income <sup>3</sup>
HKAS 12 (Amendments)	Deferred tax: Recovery of underlying assets <sup>2</sup>
HKAS 19 (as revised in 2011)	Employee benefits <sup>4</sup>
HKAS 27 (as revised in 2011)	Separate financial statements <sup>4</sup>
HKAS 28 (as revised in 2011)	Investments in associates and joint venture <sup>4</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1 July 2011

<sup>2</sup> Effective for annual periods beginning on or after 1 January 2012

<sup>3</sup> Effective for annual periods beginning on or after 1 July 2012

<sup>4</sup> Effective for annual periods beginning on or after 1 January 2013



### 3. Segment information

Management has determined the operating segments based on the reports reviewed by the directors of the Company that are used to assess performance and allocate resources. The segment information provided to the directors of the Company for the reportable segments for the period under review is as follows:

	Three months ended		Six months ended	
	30 September		30 September	
	2011	2010	2011	2010
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Turnover				
Software development	1,840	980	4,303	1,742
Hardware sales	1,399	6	3,227	131
Software sales	1,856	2,104	4,280	5,695
	<u>5,095</u>	<u>3,090</u>	<u>11,810</u>	<u>7,568</u>
Results				
Software development	(5,478)	(4,182)	(9,956)	(7,652)
Hardware sales	(1,502)	(192)	(3,029)	(357)
Software sales	(265)	(508)	(73)	(875)
	<u>(7,245)</u>	<u>(4,882)</u>	<u>(13,058)</u>	<u>(8,884)</u>
Interest income	39	101	80	132
Other income	177	201	434	357
Unallocated corporate expenses	(1,036)	(457)	(1,440)	(1,345)
Gain on partial disposal of equity interests in a jointly controlled equity	12,706	—	12,706	—
Net (losses)/gains on investments held for trading	(3,953)	2,696	(2,601)	2,349
Net losses on equity-linked notes	—	—	—	(451)
Finance costs	(1)	(15)	(3)	(30)
Share of profits/(losses) of an associate	9	(46)	(53)	(129)
Profit/(loss) for the period	<u>696</u>	<u>(2,402)</u>	<u>(3,935)</u>	<u>(8,001)</u>

#### 4. Other income

	Three months ended		Six months ended	
	30 September		30 September	
	2011	2010	2011	2010
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Interest income	39	101	80	132
Rental income from investment properties	164	189	317	336
Gain on disposal of a property	—	—	104	—
Others	13	12	13	21
	<u>216</u>	<u>302</u>	<u>514</u>	<u>489</u>

#### 5. Taxation

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

PRC subsidiaries are subject to PRC Enterprise Income Tax at 25% for both periods. Taxation arising in other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.

#### 6. Interim dividend

The directors do not recommend the payment of an interim dividend (nil for the six months ended 30 September 2010).

#### 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	
	2011	2010	2011	2010
Profit/(loss) attributable to owners of the Company for the purpose of basic earnings/(loss) per share	<u>HK\$699,000</u>	<u>HK\$(2,394,000)</u>	<u>HK\$(3,924,000)</u>	<u>HK\$(7,987,000)</u>
Number of ordinary shares:				
Weighted average number of ordinary shares for the purpose of basic earnings/(loss) per share	1,134,922,373	<u>1,133,261,503</u>	<u>1,134,804,401</u>	<u>1,133,261,503</u>
Effect of dilutive potential ordinary shares in respect of share options granted	<u>3,281,601</u>			
Weighted average number of ordinary shares for the purpose of diluted earnings per share	<u>1,138,203,974</u>			

No diluted loss per share for the three months ended 30 September 2010 and six months ended 30 September 2011 and 2010 had been presented as the assumed exercise of share options granted by the Company would decrease the loss per share during those periods.

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

During the six months ended 30 September 2011, the Group incurred HK\$708,000 (HK\$75,000 for the six months ended 30 September 2010) on acquisition of property, plant and equipment.

#### 9. Inventories

	<b>30 September 2011</b>	<b>31 March 2011</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Computer hardware and software	3,317	3,205
	<u>          </u>	<u>          </u>

#### 10. Trade and other receivables

	<b>30 September 2011</b>	<b>31 March 2011</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Trade receivables	1,351	1,168
Other receivables	9,651	8,594
	<u>          </u>	<u>          </u>
	<u>11,002</u>	<u>9,762</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 which are payable within 180 days of issuance. The following is an aged analysis of trade receivables at the end of each reporting period:

	<b>30 September 2011</b>	<b>31 March 2011</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Age		
0 to 30 days	902	650
31 to 60 days	158	82
61 to 90 days	—	205
More than 90 days	291	231
	<u>          </u>	<u>          </u>
	<u>1,351</u>	<u>1,168</u>

#### 11. Investments held for trading

At 30 September 2011, the investments held for trading of approximately HK\$11,757,000 (31 March 2011: HK\$14,562,000) represent Hong Kong listed equity securities. The fair value of these investments is determined based on the quoted market bid prices of securities available on the market.

## 12. Trade and other payables

	<b>30 September 2011</b>	<b>31 March 2011</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Trade payables	725	614
Customers' deposits received	2,002	2,012
Other payables	4,174	3,312
	<u>6,901</u>	<u>5,938</u>

The following is an aged analysis of trade payables presented based on the invoice date at the end of each reporting period.

	<b>30 September 2011</b>	<b>31 March 2011</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Age		
0 to 30 days	637	361
31 to 60 days	—	—
61 to 90 days	3	235
More than 90 days	85	18
	<u>725</u>	<u>614</u>

## 13. Share capital

During the six months ended 30 September 2011, certain employees of the Group exercised share options granted to them under the 2003 share option scheme and 2,800,000 (nil for the six months ended 30 September 2010) share of the Company were issued and allotted thereof.

## 14. Share-based payment arrangement

During the six months ended 30 September 2011, the Company granted 2,700,000 (nil for the six months ended 30 September 2010) share options to its employees.

## 15. Related party transactions

### *Advance to an associate*

During the six months ended 30 September 2011, the Group made an advance to an associate amounting to approximately HK\$53,000 (30 September 2010: HK\$13,000). The amount is unsecured, non-interest bearing and repayable by 20 December 2011. The balance at 30 September 2011 amounting to approximately HK\$1,511,000 (31 March 2011: HK\$1,458,000) is included in trade and other receivables.

## **16. Significant event**

*Interest in a jointly controlled entity – Zhuhai Southern Software Park Development Company Limited (“ZSSP”)*

On 27 May 2010, the Company entered into a sale and purchase agreement with an independent third party to sell approximately 12% equity interest in ZSSP (“Sales Transaction”) at a consideration of RMB10,800,000 (equivalent to approximately HK\$12,706,000). The Sales Transaction was completed in August 2011. The Company retain a 3.31% equity interest of ZSSP.

## **17. Event after the date of reporting period**

On 21 October 2011, the Company entered into a placing and subscription agreement with Shenyin Wanguo Capital (H.K.) Limited, the placing agent, and Mr. Cheng Kin Kwan, the subscriber and a substantial shareholder of the Company, for the placing of an aggregate of 168,000,000 placing shares to the places at a placing price of HK\$0.15 per placing share and a top-up subscription of 168,000,000 subscription shares by Mr. Cheng at a subscription price of HK\$0.15 per subscription share. The net proceeds, after deducting the commission for the placing and related fees and expenses, of approximately HK\$24.3 million will be used as the general working capital of the Group. The placing was completed on 26 October 2011 and the subscription was completed on 3 November 2011.

## **Business Review and Outlook**

### **Results for the six months ended 30 September 2011**

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 2011, the Group recorded unaudited turnover of approximately HK\$11,810,000, representing an increase of 56.1% as compared to approximately HK\$7,568,000 in the corresponding period in 2010. The loss attributable to owners of the Company for the six months ended 30 September 2011 was approximately HK\$3,924,000, as compared to the loss of approximately HK\$7,987,000 for the period ended 30 September 2010.

For the six months ended 30 September 2011, the other income mainly comprised interest income of approximately HK\$80,000 (six months ended 30 September 2010: HK\$132,000), rental income from investment properties of approximately HK\$317,000 (six months ended 30 September 2010: HK\$336,000) and gain on disposal of a commercial property situated in Guangzhou held by a PRC subsidiary of approximately HK\$104,000 (nil for six months ended 30 September 2010).

## **Review**

All along, the strategies the Group has been persisting on are: autonomous innovative software development as the core business; consolidating Chinese Culture into scientific development as the core value; Hong Kong Growth Enterprise Market as the base and Chinese Market as the dominant. We strive, during the course of continuously strengthening Chinese Soft Power, to materialize the actual return for our share holders.

Recently, especially the nearby six months, the abovementioned Group's insight and effectiveness finally gained significant recognition and achievement.

The Sixth Plenary Session just held in Beijing in mid October 2011, unprecedented stated that "Strengthening Soft Power as the new development engine" and "Culture" as the pillar industry. These statements fitted harmoniously with the themes of several famous speeches delivered by our Chairman in the Great Hall of the People and National People's Congress Center in Beijing dating as far back to 29 November 2008, 13 December 2008 and January 2011 rippling off much echo. As such, Timeless grasps the important first mover business advantage and opportunities because of the foreseeable historic prosperity of the Chinese Cultural industry.

Specifically the Cultural Management system, commenced by the GuangZhou Municipal Government which Timeless developed and had been continuously enhancing for years, is exactly the model of Chinese Culture Industry. Such Cultural Management System shall be deployed nationwide.

At the same time, our "OS Qun" technologies continue on perfecting; they are recognized by internationally well-known customer, intending to promote the mobile device application we developed to world-wide locations; at the same time, "OS Qun" technologies are being appointed as the mobile technology for certain department of the HKSAR government. As for web-logistics, we are actively developing and deploying; though the related cost has risen, but we believe that the investment in these aspects will bring in long-term and stable income for the Group.

Based on “core business, core value and multi-discipline co-existence” enterprise operation principles we advocated for years, the Group has been seeking other growth opportunities in order to further create value for the Shareholders. Given the continuous strong global demand for both base and precious metals showing a good prospect of mining industry and mining companies are expected to experience rapid growth, therefore, after series of selections and negotiations, the Group has inked-in an Acquisition agreement with a Xinjiang based mining company as the starting point for the mining business. The Board also believes that the overview of the mining industry in the PRC to be favourable and views the Acquisition as providing the growth opportunity for the Group and enhancing value for Shareholders. At the date of report, the Acquisition circular is still at the review and comment stage. The Board expects that, upon completion of Acquisition, the Enlarged Group will still be operating under the previously mentioned multi-discipline enterprise operation principle.

Other investors in-line with the Group’s direction, showed their support by subscribing with cash for the Group’s newly issued shares. The Placement was completed in late October and our financial base was further strengthened.

### **Liquidity and financial resources**

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

As at 30 September 2011, the Group had bank balances and cash of approximately HK\$57,480,000 (31 March 2011: HK\$68,636,000).

As at 30 September 2011, the Group had outstanding borrowing of approximately HK\$47,000 (31 March 2011: HK\$69,000), which was an obligations under a finance lease and will be fully repaid on 30 September 2012.

### **Gearing ratio**

As at 30 September 2011, the Group’s gearing ratio was approximately 0.05% (31 March 2011: 0.07%), based on total borrowings of approximately HK\$47,000 (31 March 2011: HK\$69,000) and equity attributable to owners of the Company of approximately HK\$92,616,000 (31 March 2011: HK\$93,656,000).

### **Charge on the Group’s assets**

As at 30 September 2011, the Group has pledged bank deposits with carrying amounts of approximately HK\$55,000 to secure the general credit facilities granted to a subsidiary.

## **Capital structure**

As at 30 September 2011, the Company's total number of issued shares was 1,137,361,503 (31 March 2011: 1,134,561,503). During the period, certain employees of the Group exercised share options granted to them under the 2003 share option scheme and 2,800,000 shares of the Company were issued and allotted thereof.

## **Segmental information**

The Group is currently organised into three operating divisions – software development, hardware sales and software sales. Turnover generated from software development, hardware sales and software sales accounted for 36.5% (six months ended 30 September 2010: 23.0%), 27.3% (six months ended 30 September 2010: 1.7%) and 36.2% (six months ended 30 September 2010: 75.3%) 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\$7,290,000 as at 30 September 2011.

## **Material acquisitions and disposal of subsidiaries and affiliated companies**

On 27 May 2010, the Company entered into a sale and purchase agreement with an independent third party to sell approximately 12% equity interest in ZSSP (“Sales Transaction”) at a consideration of RMB10,800,000 (equivalent to approximately HK\$12,706,000). The Sales Transaction was completed in August 2011. The Company retain a 3.31% equity interest of ZSSP.

Save as disclosed above, there was no material disposal or acquisition of subsidiaries and affiliated companies for the period under review.

## **Future plans for material investments**

As announced in the announcement of the Company dated 7 September 2011, Time Kingdom Limited (the “Purchaser”), a wholly-owned subsidiary of the Company, entered into an agreement on the same date with Starmax Holdings Limited (the “Vendor”) and Mr. Felipe Tan (as the Guarantor), the major shareholder of the Vendor, pursuant to which the Vendor has conditionally agreed to sell and the Purchaser has conditionally agreed to purchase 102 shares (the “Sale Shares”) representing 51% of the issued share capital of Goffers Management Limited (the “Target Company”) for HK\$103,500,000 (subject to adjustment) (the “Consideration”). The Consideration shall be satisfied at completion: (i) as to HK\$43,500,000 by the Purchaser procuring the Company to allot and issue 290,000,000 shares to the Vendor credited as fully paid at the issue price of HK\$0.15 per share to the Vendor; and (ii) as to HK\$60,000,000 by the Purchaser issuing the promissory note in the principal amount of HK\$60,000,000 to the Vendor.



The Target Company and its subsidiaries are principally engaged in the exploration and exploitation of 12 gold, iron and nickel-copper mines in Xinjiang, PRC and the processing and sale of the outputs from the mines. Xinjiang Tianmu, a 51% owned subsidiary of the Target Company, holds exploration licences for five gold mines and one nickel-copper mine, and exploitation licences for another five gold mines and one iron mine in Xinjiang, PRC. Among the five gold mines and one iron mine for which Xinjiang Tianmu has exploitation licences, two gold mines and one iron mine are operating and generating revenue whereas the remaining three gold mines are at the stage of pre-production exploration meaning that they are not in production and are yet to generate revenue.

Upon completion of the sale and purchase of the Sale Shares, the Target Company together with its subsidiaries will be consolidated into the Group in respect of their financial statements. The acquisition constitutes a very substantial acquisition for the Company under Chapter 19 of the GEM Listing Rules. An extraordinary general meeting of the Company will be convened and held to seek approval from the shareholders for the agreement and the transactions contemplated thereunder.

### **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**

#### *Material litigation*

As announced in the announcement of the Company dated 23 September 2011, 天時北方軟件(北京)有限公司("Timeless Beijing") an indirect wholly-owned subsidiary of the Company, was served with a writ of civil proceedings on 13 September 2011 in respect of the civil proceedings commenced by 寧夏育信息技股份有限公司("Ningxia Educational"), an associated company of the Company in which the Company holds an equity interest of 25%, as plaintiff against Timeless Beijing as defendant for the claim of compensation for non-completion of the information engineering project by Timeless Beijing pursuant to the agreement between Ningxia Educational and Timeless Beijing made in 2001.

The following orders were sought to be granted by the Ningxia Higher People's Court against Timeless Beijing: (i) Timeless Beijing to return and pay to Ningxia Educational the project fee in the sum of RMB11,834,793.85 prepaid by Ningxia Educational, the interest in the sum of RMB6,265,915.16 and the interest accrued up to the date of full payment by Timeless Beijing; (ii) legal counsel fees incurred by Ningxia Educational in the sum of RMB250,000 to be borne by Timeless Beijing; and (iii) the costs of the proceedings and other costs to be borne by Timeless Beijing.

The first hearing was held on 19 October 2011 by the Ningxia Higher People's Court but no order was granted. Ningxia Educational and Timeless Beijing were requested by the Ningxia Higher People's Court to submit further evidence before the next hearing could be scheduled. As advised by the PRC legal advisers, the claim of Ningxia Educational is unlikely to be tenable. The directors of the Company considered that in view of the advice from the PRC legal advisers, the above litigation was unlikely to have any material impact on the operation and financial position of the Group.

### **Employee information**

As at 30 September 2011, the Group employed a total staff of 108. 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 Board considers that the possible Acquisition, Placing and the Subscription represent an opportunity to broaden its Shareholder base, strengthen the capital base and financial position for the Group's future business developments. In a way, it is in line with the Group's grand plan, striving to maximize interest of its shareholders through participation in various aspects of China's development, nationwide.

Hopefully, Timeless shall become one of the mainstays of the Chinese Culture Industry participants; and if so, business opportunities are beyond imagination.

## Other Information

### Directors' and chief executive's interests and short positions in shares and underlying shares of the Company

At 30 September 2011, 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	Total number of shares	Percentage of shareholding
Cheng Kin Kwan	221,440,000	—	221,440,000	19.47%
Law Kwai Lam	10,000,000	28,325,000*	38,325,000	3.37%
Leung Mei Sheung, Eliza	13,300,000	—	13,300,000	1.17%
Zheng Ying Yu	4,900,000	—	4,900,000	0.43%
Fung Chun Pong, Louis	688,000	—	688,000	0.06%
Liao Yun	4,510,000	—	4,510,000	0.40%
Tsang Wai Chun, Marianna	1,500,000	—	1,500,000	0.13%

\* 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 HK\$	Number of share options and number of underlying shares		
				Outstanding at 1.4.2011	Exercised during the period	Outstanding at 30.9.2011
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

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 1.4.2011	Exercised during the period	Outstanding at 30.9.2011
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
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	(1,500,000)	1,500,000
Chan Mei Ying, Spencer	24.3.2006	24.3.2006 - 23.3.2016	0.1530	500,000	—	500,000
				<u>60,400,000</u>	<u>(1,800,000)</u>	<u>58,600,000</u>

Save as disclosed above and other than nominee shares in certain wholly-owned subsidiaries held by certain directors in trust for the Group, at 30 September 2011, 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 30 September 2011, 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 30 September 2011
Educational Information Technology (H.K.) Company Limited *	108,057,374	—	108,057,374	9.50%

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

Save as disclosed in the section "Directors' and chief executive's interests and short positions in shares and underlying shares of the Company", at 30 September 2011, 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.

## Share options

### 2003 share option scheme

A summary of the share options granted under the 2003 share option scheme are as follows:

Type of participants	Date of grant	Exercisable period	Exercise price per share HK\$	Number of share options				
				Outstanding at 1.4.2011	Granted during the period	Exercised during the period	Lapsed during the period	Outstanding at 30.9.2011
Directors	5.9.2003	5.9.2003 - 4.9.2013	0.2280	19,260,000	—	—	—	19,260,000
	26.11.2003	26.11.2003 - 25.11.2013	0.2300	400,000	—	—	—	400,000
	8.12.2003	8.12.2003 - 7.12.2013	0.2130	5,500,000	—	—	—	5,500,000
	9.1.2004	9.1.2004 - 8.1.2014	0.1900	8,890,000	—	—	—	8,890,000
	25.2.2004	25.2.2004 - 24.2.2014	0.1900	13,500,000	—	—	—	13,500,000
	19.4.2004	19.4.2004 - 18.4.2014	0.2096	600,000	—	—	—	600,000
	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	350,000	—	—	—	350,000
	28.2.2005	28.2.2005 - 27.2.2015	0.0722	1,000,000	—	—	—	1,000,000
	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	1,900,000	—	(300,000)	—	1,600,000
	26.9.2006	26.9.2006 - 25.9.2016	0.0772	6,500,000	—	(1,500,000)	—	5,000,000
	18.6.2007	18.6.2007 - 17.6.2017	0.2980	1,100,000	—	—	—	1,100,000
Employees	5.9.2003	5.9.2003 - 4.9.2013	0.2280	23,200,000	—	—	—	23,200,000
	15.9.2003	15.9.2003 - 14.9.2013	0.2550	8,000,000	—	—	—	8,000,000
	26.11.2003	26.11.2003 - 25.11.2013	0.2300	2,000,000	—	—	—	2,000,000
	8.12.2003	8.12.2003 - 7.12.2013	0.2130	800,000	—	—	—	800,000
	9.1.2004	9.1.2004 - 8.1.2014	0.1900	4,896,000	—	—	—	4,896,000
	25.2.2004	25.2.2004 - 24.2.2014	0.1900	20,000,000	—	—	—	20,000,000
	19.4.2004	19.4.2004 - 18.4.2014	0.2096	750,000	—	—	—	750,000
	16.9.2004	16.9.2004 - 15.9.2014	0.0870	2,750,000	—	—	—	2,750,000
	30.9.2004	30.9.2004 - 29.9.2014	0.0900	1,300,000	—	—	—	1,300,000
	13.12.2004	13.12.2004 - 12.12.2014	0.0982	1,600,000	—	—	—	1,600,000
	28.2.2005	28.2.2005 - 27.2.2015	0.0722	200,000	—	—	—	200,000
	22.9.2005	22.9.2005 - 21.9.2015	0.0920	4,800,000	—	—	—	4,800,000
	24.3.2006	24.3.2006 - 23.3.2016	0.1530	1,250,000	—	—	—	1,250,000
	26.9.2006	26.9.2006 - 25.9.2016	0.0772	10,300,000	—	—	—	10,300,000
	18.6.2007	18.6.2007 - 17.6.2017	0.2980	2,200,000	—	—	—	2,200,000
	14.2.2011	14.2.2011 - 13.2.2021	0.0882	3,450,000	—	(1,000,000)	(200,000)	2,250,000
9.9.2011	9.9.2011 - 8.9.2021	0.1500	—	2,700,000	—	—	2,700,000	
				147,896,000	2,700,000	(2,800,000)	(200,000)	147,596,000

### **Competing interest**

As at 30 September 2011, 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.

### **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 2011.

### **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 2011.



## **Audit committee**

The audit committee comprises three independent non-executive directors, Ms. Tsang Wai Chun Marianna, Mr. Chan Mei Ying Spencer and Mr. Lam Kwai Yan. The audit committee has reviewed the unaudited interim financial report for the six months ended 30 September 2011.

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

Hong Kong, 11 November 2011

*As at the date of this announcement, the executive Directors are Mr. Cheng Kin Kwan, 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](http://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](http://www.timeless.com.hk)).*