



## **TIMELESS SOFTWARE LIMITED**

*(incorporated in Hong Kong with limited liability)*

**(Stock Code: 8028)**

### **RESULTS ANNOUNCEMENT**

**For the quarter ended 30 September 2010**

#### **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 2010 together with the comparative unaudited figures for the corresponding periods in 2009 as follows:

### Condensed Consolidated Statement of Comprehensive Income

For the six months ended 30 September 2010

	Notes	(Unaudited)		(Unaudited)	
		Three months ended		Six months ended	
		30 September		30 September	
		2010	2009	2010	2009
		HK\$'000	HK\$'000	HK\$'000	HK\$'000
Turnover		3,090	3,354	7,568	5,835
Other income	4	302	852	489	1,340
Purchase costs		(2,999)	(494)	(6,649)	(1,018)
Staff costs		(3,614)	(3,081)	(7,327)	(6,202)
Depreciation		(194)	(152)	(390)	(303)
Other expenses		(1,622)	(1,784)	(3,431)	(3,191)
Net gains / (losses) on equity-linked notes		—	117	(451)	1,195
Net gains / (losses) on investments held for trading		2,696	(476)	2,349	490
Finance costs		(15)	(12)	(30)	(31)
Share of losses of an associate		(46)	(387)	(129)	(522)
Loss for the period		(2,402)	(2,063)	(8,001)	(2,407)
<b>Other comprehensive income</b>					
Share of other comprehensive income / (loss) of an associate		162	—	(2,137)	1,217
Exchange differences realised on deemed disposal of interests in a jointly controlled entity		—	(44)	—	(44)
Other comprehensive (loss) / income for the period		162	(44)	(2,137)	1,173

		<b>(Unaudited)</b>		<b>(Unaudited)</b>	
		<b>Three months ended</b>		<b>Six months ended</b>	
		<b>30 September</b>		<b>30 September</b>	
	<i>Notes</i>	<b>2010</b>	<b>2009</b>	<b>2010</b>	<b>2009</b>
		<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Total comprehensive (loss) for the period		(2,240)	(2,107)	(10,138)	(1,234)
Loss for the period attributable to:					
Owners of the Company		(2,394)	(2,061)	(7,987)	(2,403)
Non-controlling interests		(8)	(2)	(14)	(4)
		<u>(2,402)</u>	<u>(2,063)</u>	<u>(8,001)</u>	<u>(2,407)</u>
Total comprehensive (loss) attributable to:					
Owners of the Company		(2,232)	(2,105)	(10,124)	(1,230)
Non-controlling interests		(8)	(2)	(14)	(4)
		<u>(2,240)</u>	<u>(2,107)</u>	<u>(10,138)</u>	<u>(1,234)</u>
Loss per share	7				
- Basic		(0.21) cents	(0.18) cents	(0.70) cents	(0.21) cents
- Diluted		N/A	N/A	N/A	N/A

## Condensed Consolidated Statement of Financial Position

At 30 September 2010

	<i>Notes</i>	(Unaudited) 30 September 2010 <i>HK\$'000</i>	(Audited) 31 March 2010 <i>HK\$'000</i>
Non-current assets			
Investment properties		6,455	6,455
Property, plant and equipment	8	3,659	3,974
Goodwill		1,298	1,298
Interests in associates		2,099	4,365
Interests in jointly controlled entities	17	—	—
		<hr/> 13,511	<hr/> 16,092
Current assets			
Inventories	9	3,578	1,498
Trade and other receivables	10	5,646	7,424
Equity-linked notes	11	—	7,194
Investments held for trading	12	15,209	9,847
Bank balances and cash		87,957	74,322
		<hr/> 112,390	<hr/> 100,285
Current liabilities			
Trade and other payables	13	25,969	6,199
Obligations under a finance lease due within one year		44	42
Current portion of secured long-term bank loan		183	178
		<hr/> 26,196	<hr/> 6,419
Net current assets		<hr/> 86,194	<hr/> 93,866
Total assets less current liabilities		<hr/> 99,705	<hr/> 109,958

		<b>(Unaudited)</b>	<b>(Audited)</b>
		<b>30 September</b>	<b>31 March</b>
	<i>Notes</i>	<b>2010</b>	<b>2010</b>
		<i>HK\$'000</i>	<i>HK\$'000</i>
Non-current liabilities			
Obligations under a finance lease due after one year		47	69
Secured long-term bank loan		704	797
		<u>751</u>	<u>866</u>
Net assets		<u>98,954</u>	<u>109,092</u>
Capital and reserves			
Share capital	14	56,663	56,663
Reserves		39,715	49,839
		<u>96,378</u>	<u>106,502</u>
Equity attributable to owners of the Company		96,378	106,502
Non-controlling interests		2,576	2,590
		<u>98,954</u>	<u>109,092</u>
Total equity		<u>98,954</u>	<u>109,092</u>

## Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 September 2010

	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 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 loss for the period	—	—	—	(2,137)	—	—	—	(2,137)	—	(2,137)
Total comprehensive loss for the period	—	—	—	(2,137)	—	—	(7,987)	(10,124)	(14)	(10,138)
At 30 September 2010 (unaudited)	<u>56,663</u>	<u>637,927</u>	<u>2,109</u>	<u>1,786</u>	<u>1,061</u>	<u>4,396</u>	<u>(607,564)</u>	<u>96,378</u>	<u>2,576</u>	<u>98,954</u>
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	—	—	—	—	—	—	(2,403)	(2,403)	(4)	(2,407)
Other comprehensive income / (loss) for the period	—	—	—	1,217	—	(44)	—	1,173	—	1,173
Total comprehensive income / (loss) for the period	—	—	—	1,217	—	(44)	(2,403)	(1,230)	(4)	(1,234)
At 30 September 2009 (unaudited)	<u>56,663</u>	<u>637,927</u>	<u>2,371</u>	<u>1,217</u>	<u>1,061</u>	<u>4,408</u>	<u>(599,378)</u>	<u>104,269</u>	<u>2,594</u>	<u>106,863</u>

## Condensed Consolidated Statement of Cash Flows

For the six months ended 30 September 2010

	(Unaudited)	
	Six months ended	
	30 September	
	2010	2009
	<i>HK\$'000</i>	<i>HK\$'000</i>
Net cash generated by / (used in) operating activities	13,569	(1,022)
Net cash generated by investing activities		
Purchase of property, plant and equipment	(75)	(108)
Decrease in pledged bank deposits	—	6,191
Other investing cash flows	279	274
	<u>204</u>	<u>6,357</u>
Net cash used in financing activities		
Repayment of bank loans	(88)	(83)
Interest paid	(30)	(31)
Repayment of obligations under a finance lease	(20)	(19)
	<u>(138)</u>	<u>(133)</u>
Net increase in cash and cash equivalents	13,635	5,202
Cash and cash equivalents at 1 April	74,322	72,208
Cash and cash equivalents at 30 September, representing bank balances and cash	<u>87,957</u>	<u>77,410</u>

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 September 2010

## 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 2010.

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 2010.

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.

HKFRSs (Amendments)	Improvements to HKFRSs 2010 <sup>1</sup>
HKAS 24 (Revised)	Related party disclosures <sup>3</sup>
HKFRS 1 (Amendments)	Limited exemption from comparative HKFRS 7 disclosure for first-time adopters <sup>2</sup>
HKFRS 9	Financial instruments <sup>4</sup>
HK(IFRIC) - INT 14 (Amendment)	Prepayments of minimum funding requirement <sup>3</sup>
HK(IFRIC) - INT 19	Extinguishing financial liabilities with equity instruments <sup>2</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1 July 2010 and 1 January 2011, as appropriate

<sup>2</sup> Effective for annual periods beginning on or after 1 July 2010

<sup>3</sup> Effective for annual periods beginning on or after 1 January 2011

<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	
	2010	2009	2010	2009
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Turnover				
Software development	980	3,354	1,742	5,626
Hardware sales	6	—	131	209
Software sales	2,104	—	5,695	—
	<u>3,090</u>	<u>3,354</u>	<u>7,568</u>	<u>5,835</u>
Results				
Software development	(4,182)	(1,446)	(7,652)	(3,363)
Hardware sales	(192)	(91)	(357)	(168)
Software sales	(508)	—	(875)	—
	<u>(4,882)</u>	<u>(1,537)</u>	<u>(8,884)</u>	<u>(3,531)</u>
Interest income	101	554	132	598
Other income	201	183	357	282
Unallocated corporate expenses	(457)	(620)	(1,345)	(1,348)
Amortisation of financial guarantee obligations	—	115	—	460
Net gains / (losses) on equity-linked notes	—	117	(451)	1,195
Net gains / (losses) on investments held for trading	2,696	(476)	2,349	490
Finance costs	(15)	(12)	(30)	(31)
Share of losses of an associate	(46)	(387)	(129)	(522)
Loss for the period	<u>(2,402)</u>	<u>(2,063)</u>	<u>(8,001)</u>	<u>(2,407)</u>

#### 4. Other income

	Three months ended		Six months ended	
	30 September		30 September	
	2010	2009	2010	2009
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Interest income	101	554	132	598
Rental income from investment properties	189	143	336	238
Amortisation of financial guarantee obligations	—	115	—	460
Others	12	40	21	44
	<u>302</u>	<u>852</u>	<u>489</u>	<u>1,340</u>

#### 5. Taxation

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for the interim periods. No provision for taxation has been made in the condensed consolidated financial statements as the Group had no assessable profit for the 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 2009).

#### 7. Loss per share

The calculation of the basic loss per share is based on the following data:

	Three months ended		Six months ended	
	30 September		30 September	
	2010	2009	2010	2009
Loss attributable to owners of the Company for the purpose of basic loss per share	<u>HK\$(2,394,000)</u>	<u>HK\$(2,061,000)</u>	<u>HK\$(7,987,000)</u>	<u>HK\$(2,403,000)</u>
Number of ordinary shares:				
Weighted average number of ordinary shares for the purpose of basic loss per share	<u>1,133,261,503</u>	<u>1,133,261,503</u>	<u>1,133,261,503</u>	<u>1,133,261,503</u>

No diluted loss per share has been presented for the three months and six months ended 30 September 2010 and 2009 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 2010, the Group incurred HK\$75,000 (HK\$108,000 for the six months ended 30 September 2009) on acquisition of property, plant and equipment.

## 9. Inventories

	<b>30 September</b> <b>2010</b> <i>HK\$'000</i>	<b>31 March</b> <b>2010</b> <i>HK\$'000</i>
Computer hardware and software	3,578	1,498

## 10. Trade and other receivables

	<b>30 September</b> <b>2010</b> <i>HK\$'000</i>	<b>31 March</b> <b>2010</b> <i>HK\$'000</i>
Trade receivables	1,039	2,254
Accrued revenue	397	538
Other receivables	4,210	4,632
	<u>5,646</u>	<u>7,424</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 reporting date:

	<b>30 September</b> <b>2010</b> <i>HK\$'000</i>	<b>31 March</b> <b>2010</b> <i>HK\$'000</i>
Age		
0 to 30 days	815	1,717
31 to 60 days	140	102
61 to 90 days	4	24
More than 90 days	80	411
	<u>1,039</u>	<u>2,254</u>

## 11. Equity-linked notes

The equity-linked notes are analysed for reporting purposes as:

	<b>30 September</b>	<b>31 March</b>
	<b>2010</b>	<b>2010</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Current asset	<u>—</u>	<u>7,194</u>

Equity-linked notes are designated as financial assets at fair value through profit or loss upon the initial recognition as they contain embedded derivatives, and HKAS 39 permits the entire combined contract to be designated as at fair value through profit or loss. Major terms of the equity-linked notes at 31 March 2010 are as follows:

<b>Principal amount</b>	<b>Maturity</b>
HK\$12,000,000	May 2010

The equity-linked notes are denominated in Hong Kong dollars and the obligation of interest accrual on a daily basis is at a predetermined equation. The equity-linked notes are subject to mandatory redemption at various intervals until maturity dates. The manner in which it is settled at mandatory termination or redemption at maturity are linked to the performance of an individual or a basket of Hong Kong listed equity securities by comparing the market prices with the pre-determined prices of those equity securities. Accrued interest is paid on a bi-monthly basis. The notes may be mandatory terminated in full amount of the principal amount for cash or, redeemed at maturity either in full amount of the principal amount for cash or equity securities at a pre-determined price in round lots and residue in cash, which may be lower than the principal amount.

The equity-linked notes are measured at fair value at the end of reporting date. Their fair values of HK\$7,194,000 as at 31 March 2010 are determined based on the valuation provided by the counterparty bank at that date.

In May 2010, the equity-linked notes were redeemed at maturity for Hong Kong listed equity securities which were transferred to investments held for trading at their fair values of HK\$6,749,957, which were determined based on the quoted market bid prices on the Stock Exchange.

## 12. Investments held for trading

At 30 September 2010, the investments held for trading of approximately HK\$15,209,000 (HK\$9,847,000 for the six months ended 30 September 2009) 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.

## 13. Trade and other payables

	<b>30 September 2010</b>	<b>31 March 2010</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Trade payables	684	999
Customers' deposits received	10,135	1,846
Other payables	15,150	3,354
	<u>25,969</u>	<u>6,199</u>

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

	<b>30 September 2010</b>	<b>31 March 2010</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Age		
0 to 30 days	666	875
31 to 60 days	—	103
61 to 90 days	—	—
More than 90 days	18	21
	<u>684</u>	<u>999</u>

#### **14. Share capital**

During the six months ended 30 September 2010 and 2009, no share option was exercised.

#### **15. Share-based payment arrangement**

During the six months ended 30 September 2010 and 2009, no share option was granted.

#### **16. Related party transactions**

##### *Advance to an associate*

During the six months ended 30 September 2010, the Group has made an advance to an associate amounting to HK\$13,000 (30 September 2009: HK\$54,000). The amount is unsecured, non-interest bearing and repayable on demand. The balance at 30 September 2010 amounting to HK\$158,000 (31 March 2010: HK\$145,000) is included in trade and other receivables.

#### **17. 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 of ZSSP (“Sales Transaction”) at a consideration of RMB10,800,000 (equivalent to HK\$12,273,000) (“Sales Consideration”). Upon completion of the Sales Transaction, the Company will retain a 3.31% equity interest of ZSSP. At the date of this report, the Sales Transaction was not yet completed. The Sales Consideration is included in trade and other payables.

## **Business Review and Outlook**

### **Results for the six months ended 30 September 2010**

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 2010, the Group recorded unaudited turnover of approximately HK\$7,568,000, representing an increase of 29.7% as compared to approximately HK\$5,835,000 in the corresponding period in 2009. The loss attributable to owners of the Company for the six months ended 30 September 2010 was approximately HK\$7,987,000, as compared to the loss of approximately HK\$2,403,000 over the same period in 2009.

For the six months ended 30 September 2010, the other income mainly comprised bank interest income of approximately HK\$132,000 (six months ended 30 September 2009: HK\$598,000) and rental income from investment properties of approximately HK\$336,000 (six months ended 30 September 2009: HK\$238,000).

### **Liquidity and financial resources**

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

As at 30 September 2010, the Group had bank balances and cash of approximately HK\$87,957,000 (31 March 2010: HK\$74,322,000).

As at 30 September 2010, the Group had total outstanding borrowings of approximately HK\$978,000 (31 March 2010: HK\$1,086,000). The borrowings comprised a bank loan of approximately HK\$887,000 (31 March 2010: HK\$975,000), which is repayable by monthly installment and will be fully repaid on 15 March 2015, and obligations under a finance lease of approximately HK\$91,000 (31 March 2010: HK\$111,000), which will be fully repaid on 30 September 2012.

### **Gearing ratio**

As at 30 September 2010, the Group's gearing ratio was approximately 1.01% (31 March 2010: 1.02%), based on total borrowings of approximately HK\$978,000 (31 March 2010: HK\$1,086,000) and equity attributable to owners of the Company of approximately HK\$96,378,000 (31 March 2010: HK\$106,502,000).

### **Charge on the Group's assets**

As at 30 September 2010, a commercial property with a carrying value of approximately HK\$1,956,000 (31 March 2010: HK\$2,038,000) situated in Guangzhou held by a PRC subsidiary was pledged to a bank to secure the loan of approximately HK\$887,000 (31 March 2010: HK\$975,000).

### **Capital structure**

As at 30 September 2010, the Company's total number of issued shares was 1,133,261,503 (31 March 2010: 1,133,261,503).

### **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 23% (six months ended 30 September 2009: 96.4%), 1.7% (six months ended 30 September 2009: 3.6%) and 75.3% (six months ended 30 September 2009: Nil) 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\$11,390,000 as at 30 September 2010.

### **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 of ZSSP ("Sales Transaction") at a consideration of RMB10,800,000 (equivalent to HK\$12,273,000). Upon completion of the Sales Transaction, the Company will retain a 3.31% equity interest of ZSSP. At the date of this report, the Sales Transaction was not yet completed.

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**

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**

As at 30 September 2010, there were no material contingent liabilities incurred by the Group.

### **Employee information**

As at 30 September 2010, the Group employed a total staff of 56. 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**

In October 2010 China published the Twelfth National Economic and Social Development Five-Year Plan ("twelfth Five-Year Plan"); which refers to – by adhering to the scientific and technological progress and innovation as the important support to speed up the transformation of economic development, deepening the implementation of “Rejuvenate our Nation through Science, Technology and Talents” strategies, fully flex productivity first through technology and talent first resources initiative, so as to uplift education modernization level, strengthen independent innovation capability, substantiate innovation team talent, advocate development through technology progress, uplift labour quality, transform management innovation and accelerate the construction of an innovative country.

For the past six months, Timeless, in response to our country's call in this regard, continued our development along the track. For example, we have concluded the third development agreement with Chinese Academy of Sciences; we joined hand with Guangdong Provincial Science and Technology and Ministry of Education to apply for combining production education and development project, the outcome of such project would be implemented to various secondary and primary schools; we signed co-operation agreement with Guangzhou Municipal Industry and Trade Technicians College to incubate practical software development talents for the industry; further we worked with Nanfang Zhoumo New Media to promote digital newsstand.

Given Timeless' years of effort spent on search technology, Timeless was selected by the Hong Kong Open University ("HKOU") as a development partner, to jointly promote the application of technology research in education aspect. In October 2010, Timeless was invited by HKOU to participate in a global education seminar held in US.

All being said are different aspects of illustrating Timeless aiming for "Rejuvenate our Nation through Science, Technology and Talents" and to materialize it through Education Informatization, incubate talents and Autonomous Innovation. These projects and initiatives would bring in long term revenue for Timeless and that is why we persist on expanding.

Given China's economic indicators are still going strongly our long term strategy remains unchanged. We are well positioned to explore into emerging frontiers other than education informatization and justice enforcement informatization, to be specific, they are digital publication, e-book and e-Logistics projects. Of course, we are always on close looks, reaching out for other possible promising investment opportunities that could bring in additional revenue and profit for the Group. We do, however, expect continuous improvement in productivity across our operations, which should allow us to achieve better profitability year on year.

## **Other Information**

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

At 30 September 2010, 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*

<b>Name of directors</b>	<b>Number of ordinary shares held in the capacity of</b>			
	<b>Beneficial owner</b>	<b>Controlled corporation</b>	<b>Total number of shares</b>	<b>Percentage of shareholding</b>
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	Number of share options and number of underlying shares			
			Exercise price per share <i>HK\$</i>	Outstanding at 1.4.2010	Lapsed during the period	Outstanding at 30.9.2010
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	Number of share options and number of underlying shares			
			Exercise price per share <i>HK\$</i>	Outstanding at 1.4.2010	Lapsed during the period	Outstanding at 30.9.2010
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	—	3,000,000
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>—</u>	<u>60,400,000</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 2010, 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 2010, 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 2010
Educational Information Technology (H.K.) Company Limited *	108,057,374	—	108,057,374	9.54%
Crimson Asia Capital Limited, L.P.**	68,169,591	—	68,169,591	6.02%

\* 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 30 September 2010, 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	Number of share options			
			Exercise price per share <i>HK\$</i>	Outstanding at 1.4.2010	Lapsed during the period	Outstanding at 30.9.2010
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	—	1,900,000
	26.9.2006	26.9.2006 - 25.9.2016	0.0772	6,500,000	—	6,500,000
	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	23,700,000	—	23,700,000
	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	5,396,000	—	5,396,000
	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	3,250,000	—	3,250,000
	30.9.2004	30.9.2004 - 29.9.2014	0.0900	1,500,000	—	1,500,000
	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	11,100,000	—	11,100,000
18.6.2007	18.6.2007 - 17.6.2017	0.2980	2,200,000	—	2,200,000	
				146,946,000	—	146,946,000

### **Competing interest**

As at 30 September 2010, 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 2010.

### **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 2010.



## **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 2010.

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

Hong Kong, 11 November 2010

*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)).*