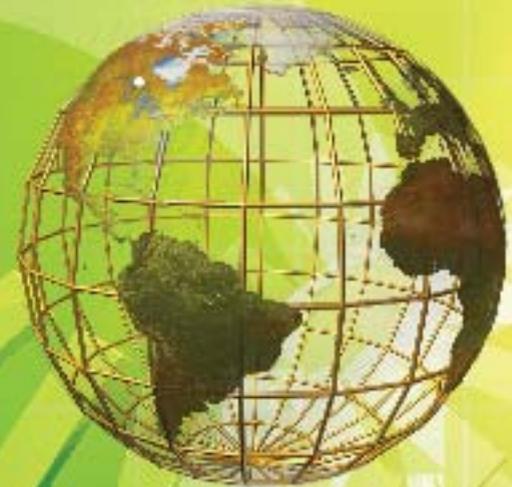




TIMELESS SOFTWARE LTD.



Quarterly Report

for the quarter ended 30 June 2005



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

GEM has been established as a market designed to accommodate companies to which a high investment risk may be attached. In particular, companies may list on GEM with neither a track record of profitability nor any obligation to forecast future profitability. Furthermore, there may be risks arising out of the emerging nature of companies listed on GEM and the business sectors or countries in which the companies operate. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.

Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board and no assurance is given that there will be a liquid market in the securities traded on GEM.

The principal means of information dissemination on GEM is publication on the internet website operated by the Exchange. Listed companies are not generally required to issue paid announcements in gazetted newspapers. Accordingly, prospective investors should note that they need to have access to the GEM website in order to obtain up-to-date information on GEM-listed issuers.

This Quarterly Report, 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 Quarterly Report 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 Quarterly Report misleading; and (3) all opinions expressed in this Quarterly Report 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 months ended 30 June 2005 together with the comparative unaudited figures for the corresponding period in 2004 as follows:

Condensed Consolidated Income Statement

For the three months ended 30 June 2005

		(Unaudited)	
		Three months ended	
		30 June	
	Notes	2005	2004
		HK\$'000	HK\$'000
Turnover		1,563	773
Other operating income	3	2,357	138
Cost of computer software and hardware sold		(644)	—
Staff costs		(2,820)	(3,397)
Depreciation and amortisation		(3,058)	(3,462)
Other operating expenses		(1,627)	(1,859)
Impairment in value of investment securities		(5)	(129)
		<hr/>	<hr/>
Loss from operations		(4,234)	(7,936)
Finance costs		(176)	(147)
Share of results of associates		(1,402)	(328)
Share of results of jointly controlled entities		(1,707)	(3,529)
		<hr/>	<hr/>
Loss before taxation		(7,519)	(11,940)
Taxation	4	—	—
		<hr/>	<hr/>
Loss for the period		(7,519)	(11,940)
		<hr/> <hr/>	<hr/> <hr/>
Attributable to:			
Equity holders of the Company		(7,433)	(11,936)
Minority interests		(86)	(4)
		<hr/>	<hr/>
		(7,519)	(11,940)
		<hr/> <hr/>	<hr/> <hr/>
Loss per share – Basic	5	(0.73) cents	(1.21) cents
		<hr/> <hr/>	<hr/> <hr/>

Condensed Consolidated Statement of Changes in Equity

For the three months ended 30 June 2005

	(Unaudited) Share capital HK\$'000	(Unaudited) Share premium HK\$'000	(Unaudited) Goodwill reserve HK\$'000	(Unaudited) Deficit HK\$'000	(Unaudited) Total HK\$'000
At 1 April 2004	49,503	629,932	(9,080)	(460,681)	209,674
Issue of share	56	158	—	—	214
Expenses incurred in connection with the issue of shares	—	(1)	—	—	(1)
Net loss attributable to equity holders	—	—	—	(11,936)	(11,936)
At 30 June 2004	<u>49,559</u>	<u>630,089</u>	<u>(9,080)</u>	<u>(472,617)</u>	<u>197,951</u>
At 1 April 2005	50,474	630,625	—	(543,159)	137,940
Issue of shares	528	240	—	—	768
Expenses incurred in connection with the issue of shares	—	(6)	—	—	(6)
Net loss attributable to equity holders	—	—	—	(7,433)	(7,433)
At 30 June 2005	<u>51,002</u>	<u>630,859</u>	<u>—</u>	<u>(550,592)</u>	<u>131,269</u>

Notes to the Condensed Consolidated Financial Information

1. Basis of preparation

The condensed consolidated financial information 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 ("GEM Listing Rules").

2. Principal accounting policies

The condensed consolidated financial information have been prepared under the historical cost convention and in accordance with accounting principles generally accepted in Hong Kong.

The accounting policies adopted are consistent with those followed in the preparation of the annual financial statements for the year ended 31 March 2005.

In 2004, the Hong Kong Institute of Certified Public Accountants issued a number of new or revised Hong Kong Accounting Standards and Hong Kong Financial Reporting Standards (hereinafter collectively referred to as "new HKFRSs") which are effective for accounting periods beginning on or after 1 January 2005. The adoption of those new HKFRSs has no material impact on the preparation and presentation of results of operations and financial position of the Group.

3. Other operating income

Other operating income mainly comprises interest income from bank deposits and written back of allowance for other receivables.

4. Taxation

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

Pursuant to the relevant laws and regulations in the People's Republic of China (the "PRC"), the subsidiary in Guangzhou is entitled to a 50% tax relief for the three years ended 31 December 2004 while the subsidiary in Beijing is entitled to exemption from PRC income tax for the two years commencing the first profit-making year and entitled to a 50% relief for the three years thereafter. All of the Group's PRC subsidiaries incurred losses in the current period.

5. Loss per share

The calculation of the basic loss per share is based on the net loss attributable to equity holders for the three months ended 30 June 2005 of HK\$7,433,000 (2004: HK\$11,936,000) and the weighted average number of 1,018,748,536 (2004: 990,965,833) shares in issue during the period.

No diluted loss per share for the three months ended 30 June 2005 has been presented as the share options granted by the Company are anti-dilutive.

Interim Dividend

The Board does not recommend the payment of an interim dividend for the quarter ended 30 June 2005 (2004: Nil).

Business Review and Outlook

During this quarter, the directors continued to take a conservative approach for accounting purposes and a stringent view on recognizing revenue was still being adopted especially for contracts of relatively longer term in nature in the PRC. The net loss attributable to shareholders of the Company for the quarter ended 30 June 2005 was approximately HK\$7,400,000 representing a decrease of 37.7% as compared to the net loss of HK\$11,900,000 during the same quarter in previous year. The net loss was mainly attributable to the Group's share of losses of associates and jointly controlled entities of approximately HK\$1,400,000 and HK\$1,700,000 respectively.

The loss from operations was reduced from approximately HK\$7,900,000 in the same quarter in previous year to approximately HK\$4,200,000 in this quarter. The reduction in loss from operations was due to the increase in turnover from approximately HK\$800,000 in the same quarter in previous year to approximately HK\$1,600,000 in this quarter and the write-back of allowance for other receivables of approximately HK\$2,200,000 as included in other operating income.

In the period under review, the general economic climate continued to brighten. To take advantage of a much-improved property market, the Group had during the quarter engaged in various exercises and discussions about the Group's property at 79/F, The Center, in the hope of achieving a better value for it. As had been previously announced, the Group reached provisional agreement with an independent third party for the proposed sale of the property at a cash consideration of HK\$158,556,000 on 7 July 2005. Subsequently, the formal agreement for sale and purchase was signed on 2 August 2005 and deposits totaling HK\$15,855,600 were received by the Group's solicitors. Pursuant to the terms of the agreement, completion of the proposed sale and purchase, which in turn is subject to independent shareholders approval being first obtained on or before 30 September 2005, is expected to take place on 30 December 2005.

The Group has in the past years devoted much efforts and resources to the construction and development of the Timeless Consolidated Platform (the "TCP"). With the work on the technology side of the business now basically completed, as previously reported, the Group has in the quarter taken steps to implement a reorganization and redeployment of the Group's manpower and resources towards a more market-oriented approach. The Group is confident that as the market becomes more familiar with the technologies and benefits of the TCP, as the reorientation effort deepens and as the Group's financial position becomes strengthened the Group is set to achieve progressively better performance over the longer term.

Directors' and Chief Executives' Interests in Securities

At 30 June 2005, the interests and short positions of the directors and the chief executives 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 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 director	Number of ordinary shares held			Total number of shares	Percentage of shareholding
	Personal interest	Family interest	Corporate interest		
Cheng Kin Kwan	130,000,000	—	—	130,000,000	12.74%
Law Kwai Lam	10,000,000	—	28,325,000*	38,325,000	3.76%
Chung Yiu Fai	4,170,000	—	—	4,170,000	0.41%
Leung Mei Sheung, Eliza	4,330,000	—	—	4,330,000	0.42%
Wong Wai Ping, Mandy	3,000,000	—	—	3,000,000	0.29%
Zheng Ying Yu	500,000	—	—	500,000	0.05%
Tsang Wai Chun, Marianna	450,000	—	—	450,000	0.04%

* 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 2000 Share Option Scheme and 2003 Share Option Scheme were as follows:

Name of director	Date of grant	Exercisable period	Exercise price per share HK\$	Number of share options at 30 June 2005
Cheng Kin Kwan	3/10/2001	3/10/2002 – 2/10/2005	0.4450	800,000
	22/4/2002	22/4/2003 – 21/4/2006	0.4550	650,000
	5/9/2003	5/9/2003 – 4/9/2013	0.2280	6,960,000
	8/12/2003	8/12/2003 – 7/12/2013	0.2130	800,000
	25/2/2004	25/2/2004 – 24/2/2014	0.1900	7,700,000
Law Kwai Lam	3/10/2001	3/10/2002 – 2/10/2005	0.4450	200,000
	5/9/2003	5/9/2003 – 4/9/2013	0.2280	2,000,000
	9/1/2004	9/1/2004 – 8/1/2014	0.1900	1,000,000
	28/2/2005	28/2/2005 – 27/2/2015	0.0722	1,000,000

Directors' and Chief Executives' Interests in Securities (Continued)

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

Name of director	Date of grant	Exercisable period	Exercise price per share HK\$	Number of share options at 30 June 2005
Chung Yiu Fai	3/10/2001	3/10/2002 – 2/10/2005	0.4450	500,000
	22/4/2002	22/4/2003 – 21/4/2006	0.4550	300,000
	5/9/2003	5/9/2003 – 4/9/2013	0.2280	5,500,000
	8/12/2003	8/12/2003 – 7/12/2013	0.2130	400,000
	25/2/2004	25/2/2004 – 24/2/2014	0.1900	6,450,000
	16/9/2004	16/9/2004 – 15/9/2014	0.0870	2,300,000
	13/12/2004	13/12/2004 – 12/12/2014	0.0982	300,000
	28/2/2005	28/2/2005 – 27/2/2015	0.0722	6,000,000
Leung Mei Sheung, Eliza	3/10/2001	3/10/2002 – 2/10/2005	0.4450	500,000
	5/9/2003	5/9/2003 – 4/9/2013	0.2280	5,500,000
	8/12/2003	8/12/2003 – 7/12/2013	0.2130	4,300,000
	25/2/2004	25/2/2004 – 24/2/2014	0.1900	5,800,000
	13/12/2004	13/12/2004 – 12/12/2014	0.0982	3,430,000
	28/2/2005	28/2/2005 – 27/2/2015	0.0722	3,500,000
So Mi Ling, Winnie	3/10/2001	3/10/2002 – 2/10/2005	0.4450	200,000
	5/9/2003	5/9/2003 – 4/9/2013	0.2280	2,000,000
	9/1/2004	9/1/2004 – 8/1/2014	0.1900	1,000,000
	28/2/2005	28/2/2005 – 27/2/2015	0.0722	1,000,000
Wong Wai Ping, Mandy	3/10/2001	3/10/2002 – 2/10/2005	0.4450	500,000
	5/9/2003	5/9/2003 – 4/9/2013	0.2280	5,500,000
	8/12/2003	8/12/2003 – 7/12/2013	0.2130	400,000
	25/2/2004	25/2/2004 – 24/2/2014	0.1900	5,680,000
	13/12/2004	13/12/2004 – 12/12/2014	0.0982	300,000
	28/2/2005	28/2/2005 – 27/2/2015	0.0722	1,500,000
Zheng Ying Yu	3/10/2001	3/10/2002 – 2/10/2005	0.4450	300,000
	22/4/2002	22/4/2003 – 21/4/2006	0.4550	300,000
	5/9/2003	5/9/2003 – 4/9/2013	0.2280	2,000,000
	8/12/2003	8/12/2003 – 7/12/2013	0.2130	400,000
	9/1/2004	9/1/2004 – 8/1/2014	0.1900	7,000,000
	13/12/2004	13/12/2004 – 12/12/2014	0.0982	500,000
	28/2/2005	28/2/2005 – 27/2/2015	0.0722	2,000,000
Ng Kwok Tung	28/2/2005	28/2/2005 – 27/2/2015	0.0722	1,000,000

Save as disclosed above and other than nominee shares in certain wholly-owned subsidiaries held by certain directors in trust for the Group, at 30 June 2005, none of the directors or chief executives 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 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 Exchange pursuant to Rule 5.46 of the GEM Listing Rules.

Shareholders' Interests in Securities

As at 30 June 2005, 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 shareholder	Number of ordinary shares held	Number of share options held	Aggregate long position	Percentage of the issued share capital as at 30 June 2005
Educational Information Technology (HK) Company Limited*	108,057,374	—	108,057,374	10.59%
Crimson Asia Capital Limited, L.P.**	105,203,591	—	105,203,591	10.31%
Kan Siu Kei, Laurie**	41,978,000	17,000,000	58,978,000	5.78%

* 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 held 25% equity interest.

** These shares were beneficially owned by the respective parties.

Save as disclosed above, at 30 June 2005, the Company had not been notified of any other interests or short position in the shares or underlying shares of the Company which would fall to be disclosed to the Company and the Exchange under Part XV of the SFO.

Competing Interest

As at 30 June 2005, 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' 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 30 June 2005.

On behalf of the Board

Cheng Kin Kwan

Chairman & Chief Executive Officer

Hong Kong, 12 August 2005