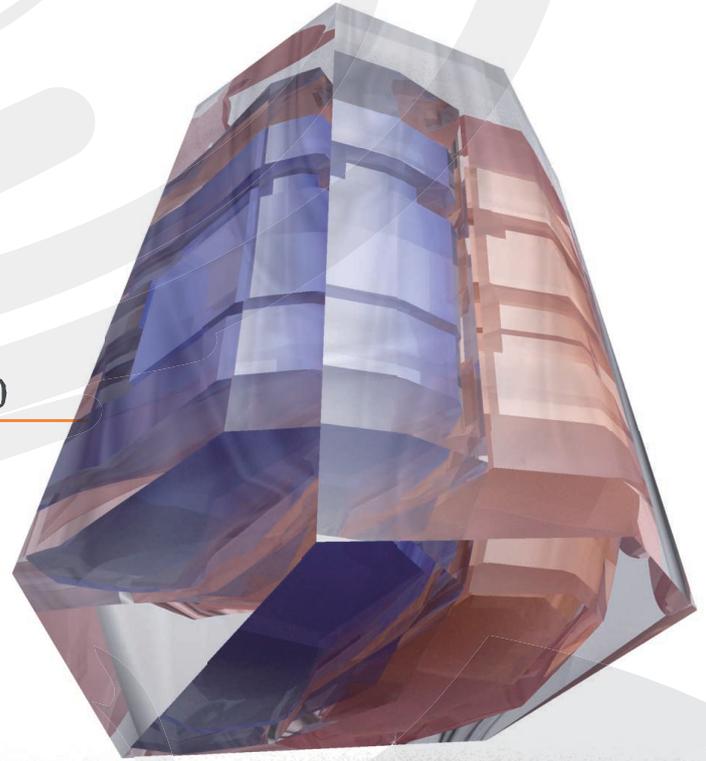




TIMELESS SOFTWARE LTD



Agile Consolidation

Wide Compatibility

Sturdy Technology

Platform Products

Platform Solutions

Originals

GuangCunYuan GuangCunYuan

ZiWangYuan ZiWangYuan

ZiFaYuan ZiFaYuan

SouSuoYuan SouSuoYuan

ShiXiangYuan
ShiXiangYuan

Quarterly Report

for the quarter ended 30 June 2006

Characteristics of The Growth Enterprise Market (“GEM”) of The Stock Exchange of Hong Kong Limited (the “Stock 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 Stock 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 2006 together with the comparative unaudited figures for the corresponding period in 2005 as follows:

Condensed Consolidated Income Statement

For the three months ended 30 June 2006

		(Unaudited)	
		Three months ended	
		30 June	
	Notes	2006	2005
		HK\$'000	HK\$'000
Turnover		110	1,563
Other income		1,823	2,357
Cost of computer software and hardware sold		0	(644)
Staff costs		(2,611)	(2,820)
Depreciation and amortisation		(629)	(3,058)
Other expenses		(3,138)	(1,627)
Impairment in value of available-for-sale financial assets		0	(5)
Finance costs		(58)	(176)
Share of losses of associates		(387)	(1,402)
Share of losses of jointly controlled entities		0	(1,707)
Loss for the period	3	<u>(4,890)</u>	<u>(7,519)</u>
Attributable to:			
Equity holders of the Company		(4,838)	(7,433)
Minority interests		(52)	(86)
		<u>(4,890)</u>	<u>(7,519)</u>
Loss per share - Basic	4	<u>(0.47) cents</u>	<u>(0.73) cents</u>

Condensed Consolidated Statement of Changes in Equity

For the three months ended 30 June 2006

	(Unaudited) Share capital HK\$'000	(Unaudited) Share premium HK\$'000	(Unaudited) Share options reserve HK\$'000	(Unaudited) Investment revaluation reserve HK\$'000	(Unaudited) Translation reserve HK\$'000	(Unaudited) Deficit HK\$'000	(Unaudited) Attributable to equity holders of the Company HK\$'000	(Unaudited) Minority interests HK\$'000	(Unaudited) Total HK\$'000
At 1 April 2005	50,474	630,625	—	—	—	(543,159)	137,940	6,787	144,727
Loss for the period and total recognised expenses	—	—	—	—	—	(7,433)	(7,433)	(86)	(7,519)
Issue of shares	528	240	—	—	—	—	768	—	768
Expenses incurred in connection with the issue of shares	—	(6)	—	—	—	—	(6)	—	(6)
	528	234	—	—	—	—	762	—	762
At 30 June 2005	51,002	630,859	—	—	—	(550,592)	131,269	6,701	137,970
At 1 April 2006	51,574	631,122	1,770	1,183	1,256	(540,804)	146,101	6,765	152,866
Share of associates' reserve movement during the period	—	—	—	(1,326)	—	—	(1,326)	—	(1,326)
Loss for the period	—	—	—	—	—	(4,838)	(4,838)	(52)	(4,890)
Total recognised expenses for the period	—	—	—	(1,326)	—	(4,838)	(6,164)	(52)	(6,216)
Issue of shares	215	183	—	—	—	—	398	—	398
Expenses incurred in connection with the issue of shares	—	(1)	—	—	—	—	(1)	—	(1)
	215	182	—	—	—	—	397	—	397
At 30 June 2006	51,789	631,304	1,770	(143)	1,256	(545,642)	140,334	6,713	147,047

Notes to the Condensed Consolidated Financial Statements

1. Basis of preparation

The condensed consolidated financial statements have been prepared in accordance with the Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards and Interpretations issued by the Hong Kong Institute of Certified Public Accountants and complied with the applicable disclosure requirements of Chapter 18 of the Rules Governing the Listing of Securities on the Growth Enterprise Market of the Stock Exchange ("GEM Listing Rules").

2. Principal accounting policies

The accounting policies used in the condensed consolidated financial statements are consistent with those followed in the preparation of the annual financial statements of the Group for the year ended 31 March 2006.

3. 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 Beijing is entitled to exemption from PRC income tax for the two years ended 31 December 2003 and a 50% relief for the three years ending 31 December 2006. No provision for taxation has been made in the financial statements as the PRC subsidiaries had no assessable profit the period.

4. Loss per share

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

	(Unaudited)	
	Three months ended	
	30 June	
	2006	2005
Loss attributable to equity holders of the Company	<u>HK\$(4,838,000)</u>	<u>HK\$(7,433,000)</u>
Number of ordinary shares:		
Weighted average number of ordinary shares for the purpose of basic loss per share	<u>1,035,315,749</u>	<u>1,018,748,536</u>

No diluted loss per share has been presented for the three months ended 30 June 2006 and 2005 as the share options granted by the Company are anti-dilutive.

Interim Dividend

The Board does not recommend the payment of any interim dividend for the three months ended 30 June 2006 (2005: Nil).

Business Review and Outlook

Review

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 three months ended 30 June 2006, the Group recorded unaudited turnover of approximately HK\$110,000. The loss attributable to equity holders of the Company was approximately HK\$4,838,000 representing a decrease of 34.9% as compared to the loss of approximately HK\$7,433,000 over the same period in 2005.

The other income mainly comprises interest income from bank deposits and equity-linked notes of approximately HK\$1,389,000, gain on disposals of investments held-for-trading of approximately HK\$111,000 and written back of long outstanding payables of approximately HK\$303,000.

The other expenses was increased by 92.9% to approximately HK\$3,138,000 as compared with that of last year. The increase was mainly due to lease payment of office premises during the period of approximately HK\$1,586,000. Such lease was terminated on 1 July 2006.

The share of losses of associates was reduced by 72.4% to approximately HK\$387,000 as compared with that of last year. For the jointly controlled entities, no share of losses was recorded during the period, while an amount of approximately HK\$1,707,000 was accounted over the same period in 2005.

Outlook

After securing stability and safety for our financial grounds, we persist along our prudent pragmatic yet progressive approach as in the past, strive to perfect our core business — software development; further, upon the Consolidated Platform we have basically founded, derive a series of sub-platforms, namely: 1) the Web-Services sub-platform pinpointing user needs and practical applications; 2) the Design sub-platform empowering individual users to personalize style, layout and likings and 3) the blogger sub-platform which serves as a cyberspace for netizens to speak and share images and feelings with the public, openly and freely. These sub-platforms truly demonstrate the technology power of the Consolidated Platform, the backing and support behind our success.

At present, the fusion between the Consolidated Platform and Market has already taken form; for a longer time to come, our specific strategies still remain as:

- Continuous bettering our cash flow,
- Work hard to augment our core business revenue and
- Explore to achieve progress in the Capital Market.

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

At 30 June 2006, 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 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 director	Number of ordinary shares held in the capacity of			Total number of shares	Percentage of shareholding
	Beneficial owner	Controlled corporation			
Cheng Kin Kwan	180,976,000	—		180,976,000	17.47%
Law Kwai Lam	10,000,000	28,325,000*		38,325,000	3.70%
Chung Yiu Fai	6,170,000	—		6,170,000	0.60%
Leung Mei Sheung, Eliza	6,330,000	—		6,330,000	0.61%
Zheng Ying Yu	1,350,000	—		1,350,000	0.13%
Fung Chun Pong, Louis	2,488,000	—		2,488,000	0.24%
Liao Yun	1,010,000	—		1,010,000	0.10%

* 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 and number of underlying shares				
				Outstanding at 1.4.2006	Granted during the period	Exercised during the period	Lapsed during the period	Outstanding at 30.6.2006
Cheng Kin Kwan	22.4.2002	22.4.2003 - 21.4.2006	0.4550	650,000	—	—	(650,000)	—
	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
	24.3.2006	24.3.2006 - 23.3.2016	0.1530	800,000	—	(800,000)	—	—
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
Chung Yiu Fai	22.4.2002	22.4.2003 - 21.4.2006	0.4550	300,000	—	—	(300,000)	—
	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	400,000	—	—	—	400,000
	25.2.2004	25.2.2004 - 24.2.2014	0.1900	6,450,000	—	—	—	6,450,000
	16.9.2004	16.9.2004 - 15.9.2014	0.0870	2,300,000	—	—	—	2,300,000
	13.12.2004	13.12.2004 - 12.12.2014	0.0982	300,000	—	—	—	300,000
	28.2.2005	28.2.2005 - 27.2.2015	0.0722	5,000,000	—	(1,000,000)	—	4,000,000
	22.9.2005	22.9.2005 - 21.9.2015	0.0920	2,400,000	—	—	—	2,400,000
24.3.2006	24.3.2006 - 23.3.2016	0.1530	300,000	—	—	—	300,000	

Directors' and Chief Executive's Interests and Short Positions in Shares and Underlying Shares of the Company (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 and number of underlying shares					
				Outstanding at 1.4.2006	Granted during the period	Exercised during the period	Lapsed during the period	Outstanding at 30.6.2006	
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	
	13.12.2004	13.12.2004 - 12.12.2014	0.0982	3,430,000	—	—	—	3,430,000	
	28.2.2005	28.2.2005 - 27.2.2015	0.0722	2,500,000	—	(1,000,000)	—	1,500,000	
	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	
	Zheng Ying Yu	22.4.2002	22.4.2003 - 21.4.2006	0.4550	300,000	—	—	(300,000)	—
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	7,000,000	—	—	—	7,000,000	
13.12.2004		13.12.2004 - 12.12.2014	0.0982	500,000	—	—	—	500,000	
28.2.2005		28.2.2005 - 27.2.2015	0.0722	1,000,000	—	(350,000)	—	650,000	
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	
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	
	30.9.2004	30.9.2004 - 29.9.2014	0.0900	300,000	—	—	—	300,000	
	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	
	Liao Yun	22.4.2002	22.4.2003 - 21.4.2006	0.4550	200,000	—	—	(200,000)	—
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	
28.2.2005		28.2.2005 - 27.2.2015	0.0722	2,000,000	—	—	—	2,000,000	
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	300,000	—	—	—	300,000	
Ng Kwok Tung		28.2.2005	28.2.2005 - 27.2.2015	0.0722	1,000,000	—	—	—	1,000,000
		24.3.2006	24.3.2006 - 23.3.2016	0.1530	500,000	—	—	—	500,000
Tsang Wai Chun, Marianna	24.3.2006	24.3.2006 - 23.3.2016	0.1530	500,000	—	—	—	500,000	
Chan Mei Ying, Spencer	24.3.2006	24.3.2006 - 23.3.2016	0.1530	500,000	—	—	—	500,000	
				91,580,000	—	(3,150,000)	(1,450,000)	86,980,000	

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 2006, 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 June 2006, 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 shareholder	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 June 2006
Educational Information Technology (H.K.) Company Limited *	108,057,374	—	108,057,374	10.43%
Crimson Asia Capital Limited, L.P.**	105,203,591	—	105,203,591	10.16%
Kan Siu Kei, Laurie**	41,978,000	17,000,000	58,978,000	5.69%

* 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% interest.

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

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 June 2006, 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 Stock Exchange under Part XV of the SFO.

Competing Interest

As at 30 June 2006, none of the directors or management shareholders (as defined in the GEM Listing Rules) of the Company or their respective associates had any interest in a business which competes or may compete with the business of the Group.

Purchase, Sale or Redemption of the Company's Listed Securities

During the period, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

Audit Committee

The audit committee has reviewed with management the accounting principles and practices adopted by the Group and discussed internal control and financial reporting matters including a review of the unaudited quarterly report for the quarter ended 30 June 2006.

On behalf of the Board

Cheng Kin Kwan

Chairman & Chief Executive Officer

Hong Kong, 9 August 2006