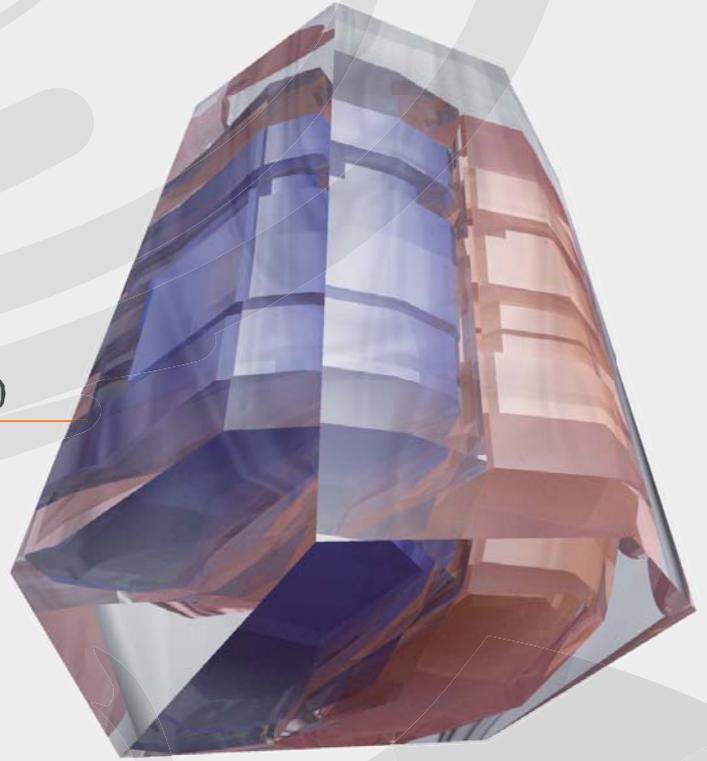




TIMELESS SOFTWARE LTD



Agile Consolidation

Wide Compatibility

Sturdy Technology

Platform Products

Platform Solutions

Originals

GuangCunYuan GuangC

ZiWangYuan ZiWangYu

ZiFaYuan ZiFaYuan

SouSuoYuan SouSuoYuan

ShiXiangYuan
ShiXiangYuan

Quarterly Report

for the quarter ended 31 December 2006

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.

The Stock Exchange of Hong Kong Limited takes no responsibility for the contents of This Quarterly Report, makes no representation as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this Quarterly Report.

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 and nine months ended 31 December 2006 together with the comparative unaudited figures for the corresponding periods in 2005 as follows:

Condensed Consolidated Income Statements

For the three months and nine months ended 31 December 2006

	Note	(Unaudited) Three months ended 31 December 2006		(Unaudited) Nine months ended 31 December 2006	
		HK\$'000	2005 HK\$'000	HK\$'000	2005 HK\$'000
Turnover		828	650	1,671	3,022
Other income		3,580	38,405	7,406	40,959
Cost of computer software and hardware sold		—	(4)	—	(696)
Staff costs		(2,818)	(2,648)	(11,978)	(9,163)
Depreciation and amortisation		(397)	(2,243)	(1,555)	(6,884)
Other expenses		(1,844)	(1,978)	(6,662)	(5,535)
Impairment in value of available-for-sale financial assets		—	—	—	(1,187)
Fair value change on equity-linked notes		558	—	—	—
Impairment loss recognised on investments in a jointly controlled entity		—	—	(103)	—
Allowance for advance made to a jointly controlled entity		—	—	(1,226)	—
Finance costs		(166)	(395)	(244)	(736)
Discount on acquisition arising from purchase of minority shares of a subsidiary		—	—	745	—
Share of losses of associates		(571)	(395)	(980)	(1,427)
Share of losses of jointly controlled entities		—	(620)	—	(4,165)
(Loss)profit for the period		(830)	30,772	(12,926)	14,188
Attributable to:					
Equity holders of the Company		(575)	30,804	(12,360)	14,361
Minority interests		(255)	(32)	(566)	(173)
		(830)	30,772	(12,926)	14,188
(Loss)earnings per share	4				
– Basic		(0.06) cents	3.01 cents	(1.19) cents	1.41 cents
– Diluted		N/A	2.99 cents	N/A	1.40 cents

Condensed Consolidated Statement of Changes in Equity

For the nine months ended 31 December 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
Exchange differences arising from translation of financial statements of overseas operations recognised directly in equity	—	—	—	—	777	—	777	—	777
Profit(loss) for the period	—	—	—	—	—	14,361	14,361	(173)	14,188
Total recognised income and expense for the period	—	—	—	—	777	14,361	15,138	(173)	14,965
Issue of shares	753	340	—	—	—	—	1,093	—	1,093
Expenses incurred in connection with the issue of shares	—	(10)	—	—	—	—	(10)	—	(10)
Recognition of equity settled share-based payments	—	—	1,020	—	—	—	1,020	—	1,020
	753	330	1,020	—	—	—	2,103	—	2,103
At 31 December 2005	51,227	630,955	1,020	—	777	(528,798)	155,181	6,614	161,795

Condensed Consolidated Statement of Changes in Equity (Continued)

For the nine months ended 31 December 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 31 March 2006	51,574	631,122	1,770	1,183	1,256	(540,804)	146,101	6,765	152,866
Effects of changes in accounting policies	—	—	—	—	—	17	17	—	17
As restated	51,574	631,122	1,770	1,183	1,256	(540,787)	146,118	6,765	152,883
Exchange differences arising from translation of financial statements of overseas operations recognised directly in equity	—	—	—	—	469	—	469	194	663
Exchange differences arising from translation of associates	—	—	—	—	201	—	201	—	201
Fair value change in available-for-sale investments	—	—	—	63	—	—	63	—	63
Share of post acquisition reserve of associates	—	—	—	(955)	—	—	(955)	—	(955)
Net income (expense) recognised in equity	—	—	—	(892)	670	—	(222)	194	(28)
Loss for the period	—	—	—	—	—	(12,360)	(12,360)	(566)	(12,926)
Total recognised income and expense for the period	—	—	—	(892)	670	(12,360)	(12,582)	(372)	(12,954)
Issue of shares	740	463	—	—	—	—	1,203	—	1,203
Expenses incurred in connection with the issue of shares	—	(9)	—	—	—	—	(9)	—	(9)
Acquisition of additional interest in a subsidiary	—	—	—	—	—	—	—	(2,943)	(2,943)
Transfer of share option reserve on exercise of share options	—	526	(526)	—	—	—	—	—	—
Recognition of equity settled share-based payments	—	—	3,774	—	—	—	3,774	—	3,774
	740	980	3,248	—	—	—	4,968	(2,943)	2,025
At 31 December 2006	52,314	632,102	5,018	291	1,926	(553,147)	138,504	3,450	141,954

Notes to the Condensed Consolidated Financial Statements

For the nine months ended 31 December 2006

1. Basis of preparation

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

2. Significant accounting policies

The condensed consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments, which are measured at fair values, as appropriate.

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 except as described below.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss has two subcategories, including financial assets held for trading and those designated at fair value through profit or loss on initial recognition. At each balance sheet date subsequent to initial recognition, financial assets at fair value through profit or loss are measured at fair value, with changes in fair value recognised directly in profit or loss in the period in which they arise. Accordingly, the equity-linked notes are designated at fair value through profit or loss on initial recognition.

Financial guarantee contracts

In the current period, the Group has applied HKAS39 and HKFRS4 (Amendments) "Financial guarantee contracts" which is effective for annual periods beginning on or after 1 January 2006.

A financial guarantee contract is defined by HKAS 39 "Financial instruments: Recognition and Measurement" as "a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument".

The Group acts as the issuer of the financial guarantee contracts

Prior to 1 April 2006, financial guarantee contracts were not accounted for in accordance with HKAS 39 and those contracts were disclosed as contingent liabilities. A provision for financial guarantee was only recognised when it was probable that an outflow of resources would be required to settle the financial guarantee obligation and the amount can be estimated reliably.

Upon the application of these amendments, a financial guarantee contract issued by the Group and not designated as at fair value through profit or loss is recognised initially at its fair value less transaction costs that are directly attributable to the issue of the financial guarantee contract. Subsequent to initial recognition, the Group measures the financial guarantee contract at the higher of: (i) the amount determined in accordance with HKAS 37 "Provisions, contingent liabilities and contingent assets"; and (ii) the amount initially recognised less, when appropriate, cumulative amortisation recognised in accordance with HKAS 18 "Revenue".

Notes to the Condensed Consolidated Financial Statements (Continued)

For the nine months ended 31 December 2006

2. Significant accounting policies (Continued)

Financial guarantee contracts (Continued)

The Group acts as the issuer of the financial guarantee contracts (Continued)

In relation to a financial guarantee granted to a bank over the repayment of a loan by a jointly controlled entity, the Group has applied the transitional provisions in HKAS 39. The fair value of the financial guarantee contract at the date of grant of approximately HK\$103,000, representing a deemed capital contribution to the jointly controlled entity, has been adjusted to the carrying amount of interests in jointly controlled entities and recognised as a financial guarantee obligation. The cumulative amortisation as at 1 April 2006 of HK\$17,000 has been adjusted against profit or loss in the prior year. This change in accounting policy has resulted in a decrease in loss for the period. The financial impact on the adoption of HKAS 39 and HKFRS 4 (Amendments) is described below.

Summary of the effects of the changes in accounting policies

The effects of the changes in the accounting policies described above on the results for the current period and prior year are as follows:

	Nine months ended 31 December 2006 HK\$'000	For the year ended 31 March 2006 HK\$'000
Income from amortisation of financial guarantee contract and decrease in loss for the period	78	17
Impairment loss recognised on investments in a jointly controlled entity	(103)	—
	(25)	17

The cumulative effect of the application of the new HKFRSs as at 31 March 2006 is summarised below:

	As at 31 March 2006 (originally stated) HK\$'000	Adjustment HK\$'000	As at 31 March 2006 (restated) HK\$'000
Balance sheet items			
Interests in jointly controlled entities	1,226	103	1,329
Financial guarantee obligations	—	(86)	(86)
Total effects on assets and liabilities	<u>1,226</u>	<u>17</u>	<u>1,243</u>
Deficit	<u>(540,804)</u>	<u>17</u>	<u>(540,787)</u>
Total effects on equity	<u>(540,804)</u>	<u>17</u>	<u>(540,787)</u>

Notes to the Condensed Consolidated Financial Statements (Continued)

For the nine months ended 31 December 2006

3. Taxation

No provision for Hong Kong Profits Tax has been made in the financial statements as the Group had no assessable profit for the period.

4. (Loss)earnings per share

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

	Three months ended 31 December 2006		Nine months ended 31 December 2006	
		2005		2005
(Loss)earnings attributable to equity holders of the Company for the purposes of basic and diluted (loss)earnings per share	<u>HK\$(575,000)</u>	<u>HK\$30,804,000</u>	<u>HK\$(12,360,000)</u>	<u>HK\$14,361,000</u>
Weighted average number of ordinary shares for the purpose of basic (loss)earnings per share	<u>1,036,694,547</u>	1,024,281,503	<u>1,037,797,866</u>	1,021,194,229
Effect of dilutive potential ordinary shares in respect of share options granted		<u>5,296,819</u>		<u>6,910,482</u>
Weighted average number of ordinary shares for the purpose of diluted earnings per share		<u>1,029,578,322</u>		<u>1,028,104,711</u>

No diluted loss per share for the three months and nine months ended 31 December 2006 have been presented 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 nine months ended 31 December 2006 (2005: Nil).

Business Review and Outlook

The directors continued to take a conservative approach for accounting purposes and a stringent view on recognising revenue was still being adopted especially for contracts of relatively longer term in nature in Mainland China. For the nine months ended 31 December 2006, the loss attributable to equity holders of the Company was approximately HK\$12.4 million (a profit of approximately HK\$14.4 million for the nine months ended 31 December 2005). The Group recorded unaudited turnover of approximately HK\$1.7 million, representing a decrease of 44.7% as compared with that for the corresponding period in 2005.

The other income mainly comprised gain on disposal of available-for-sale investments of approximately HK\$1.3 million and interest income from bank deposits and equity-linked notes of approximately HK\$2.4 million and HK\$3.2 million respectively.

The increase by 30.7% in staff costs to approximately HK\$12.0 million as compared with that for the corresponding period in 2005 was mainly due to the recognition of share-based payments of approximately HK\$3.8 million to expense the fair value of share options granted during the period to directors and employees of the Group. In comparison, an amount of approximately HK\$1.0 million was recognised in the corresponding period in 2005.

The other expenses were increased by 20.4% to approximately HK\$6.7 million as compared with that for the corresponding period in 2005. The increase was mainly due to a lease payment of office premises of approximately HK\$1.6 million for the period from 1 April to 30 June 2006. Such lease was terminated on 1 July 2006.

Allowance for advance made to a jointly controlled entity was approximately HK\$1.2 million for the nine months ended 31 December 2006.

For the quarter ended 31 December 2006, the Group's operation continued on with firm and steady strides: both the quality and the quantum of the Group's core businesses as well as operating loss had shown signs of improvement; development costs were down whereas cash flow and reserves were at comfortable level. In the quarter, major progress was made in the development of the Timeless web service platform, a functional extension of the Timeless Consolidated Platform.

Looking further ahead, the Group is positive on the practical applicability of the Timeless Web Service Platform, and enthusiastic about its revenue potential. The Group is actively endeavouring its adaptation toward that end.

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

At 31 December 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 directors	Number of ordinary shares held in the capacity of			
	Beneficial owner	Controlled corporation	Total number of shares	Percentage of shareholding
Cheng Kin Kwan	209,616,000	—	209,616,000	20.03%
Law Kwai Lam	10,000,000	28,325,000*	38,325,000	3.66%
Chung Yiu Fai	6,170,000	—	6,170,000	0.59%
Leung Mei Sheung, Eliza	6,330,000	—	6,330,000	0.60%
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%
Ng Kwok Tung	1,000,000	—	1,000,000	0.10%

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

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

Long positions (Continued)

(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 directors	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 31.12.2006
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)	—	—
	26.9.2006	26.9.2006 - 25.9.2016	0.0772	—	9,500,000	(9,500,000)	—	—
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
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
	26.9.2006	26.9.2006 - 25.9.2016	0.0772	—	9,500,000	—	—	9,500,000
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
	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
	26.9.2006	26.9.2006 - 25.9.2016	0.0772	—	9,500,000	—	—	9,500,000
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
	26.9.2006	26.9.2006 - 25.9.2016	0.0772	—	2,000,000	—	—	2,000,000

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

Long positions (Continued)

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

Name of directors	Date of grant	Exercisable period	Exercise price per share HK\$	Number of share options and number of underlying shares				
				Outstanding at 1.4.2006	Granted during the period	Exercised during the period	Lapsed during the period	Outstanding at 31.12.2006
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
	26.9.2006	26.9.2006 - 25.9.2016	0.0772	—	1,000,000	—	—	1,000,000
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	
26.9.2006	26.9.2006 - 25.9.2016	0.0772	—	2,000,000	—	—	2,000,000	
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
	26.9.2006	26.9.2006 - 25.9.2016	0.0772	—	3,000,000	—	—	3,000,000
Tsang Wai Chun, Marianna	24.3.2006	24.3.2006 - 23.3.2016	0.1530	500,000	—	—	—	500,000
	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
	26.9.2006	26.9.2006 - 25.9.2016	0.0772	—	3,000,000	—	—	3,000,000
				<u>91,580,000</u>	<u>46,000,000</u>	<u>(13,650,000)</u>	<u>(1,450,000)</u>	<u>122,480,000</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 31 December 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 31 December 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 shareholders	Number of ordinary shares held	Number of share options and underlying shares held	Aggregate long position	Percentage of the issued share capital as at 31 December 2006
Educational Information Technology (H.K.) Company Limited*	108,057,374	—	108,057,374	10.33%
Crimson Asia Capital Limited, L.P.**	105,203,591	—	105,203,591	10.05%
Kan Siu Kei Laurie**	41,978,000	17,000,000	58,978,000	5.64%

* 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 31 December 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 31 December 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 31 December 2006.

On behalf of the Board

Cheng Kin Kwan

Chairman & Chief Executive Officer

Hong Kong, 8 February 2007