

Quarterly Report
for the quarter ended 30 June
2007

Platform Products

Platform Solutions

Originals

GuangCunYuan **GuangCunYuan**

ZiWangYuan ZiWangYuan

ZiFaYuan ZiFaYuan

SouSuoYuan SouSuoYuan

ShiXiangYuan
ShiXiangYuan



TIMELESS SOFTWARE LTD

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 months ended 30 June 2007 together with the comparative unaudited figures for the corresponding period in 2006 as follows:

Condensed Consolidated Income Statement

For the three months ended 30 June 2007

		(Unaudited)	
		Three months ended	
		30 June	
		2007	2006
	Notes	HK\$'000	HK\$'000
Turnover		594	110
Other income		2,183	1,823
Staff costs		(3,699)	(2,611)
Depreciation and amortisation		(325)	(629)
Other expenses		(1,323)	(3,138)
Fair value change on equity-linked notes		2,786	0
Gain on disposal of available-for-sale financial assets		974	0
Finance costs		(18)	(58)
Share of losses of associates		(391)	(387)
		<hr/>	<hr/>
Profit (loss) for the period	3	781	(4,890)
		<hr/> <hr/>	<hr/> <hr/>
Attributable to:			
Equity holders of the Company		1,013	(4,838)
Minority interests		(232)	(52)
		<hr/>	<hr/>
		781	(4,890)
		<hr/> <hr/>	<hr/> <hr/>
Earnings (loss) per share	4		
- Basic		0.095 cents	(0.467) cents
		<hr/> <hr/>	<hr/> <hr/>
- Diluted		0.090 cents	N/A
		<hr/> <hr/>	<hr/> <hr/>

Condensed Consolidated Statement of Changes in Equity

For the three months ended 30 June 2007

	(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 2006	51,574	631,122	1,770	1,183	1,256	(540,804)	146,101	6,765	152,866
Share of post-acquisition reserve of associates	—	—	—	(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
At 1 April 2007	52,693	632,518	4,793	(147)	1,990	(555,528)	136,319	3,248	139,567
Fair value change in available-for-sale financial assets	—	—	—	371	—	—	371	—	371
Share of post-acquisition reserve of associates	—	—	—	4,815	—	—	4,815	—	4,815
Net income recognised in equity	—	—	—	5,186	—	—	5,186	—	5,186
Profit (loss) for the period	—	—	—	—	—	1,013	1,013	(232)	781
Total recognised income and expenses for the period	—	—	—	5,186	—	1,013	6,199	(232)	5,967
Issue of shares	2,504	1,409	—	—	—	—	3,913	—	3,913
Expenses incurred in connection with the issue of shares	—	(1)	—	—	—	—	(1)	—	(1)
Transfer of share option reserve on exercise of share options	—	1,793	(1,793)	—	—	—	—	—	—
Recognition of equity settled share-based payments	—	—	832	—	—	—	832	—	832
	2,504	3,201	(961)	—	—	—	4,744	—	4,744
At 30 June 2007	55,197	635,719	3,832	5,039	1,990	(554,515)	147,262	3,016	150,278

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 2007.

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 ended 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. Earnings (loss) per share

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

	(Unaudited)	
	Three months ended	
	30 June	
	2007	2006
Profit (loss) attributable to equity holders of the Company for the purposes of basic and diluted earnings (loss) per share	HK\$1,013,000	HK\$(4,838,000)
Weighted average number of ordinary shares for the purpose of basic earnings (loss) per share	1,071,373,701	1,035,315,749
Effect of dilutive potential ordinary shares in respect of share options granted	49,009,194	
Weighted average number of ordinary shares for the purpose of diluted earnings per share	1,120,382,895	

No diluted loss per share for the three months ended 30 June 2006 has 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 three months ended 30 June 2007 (2006: 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 2007, the Group recorded unaudited turnover of approximately HK\$594,000. The profit attributable to equity holders of the Company was approximately HK\$1,013,000, as compared to a loss of approximately HK\$4,838,000 for the three months ended 30 June 2006.

The other income mainly comprised interest income from equity-linked notes of approximately HK\$1,779,000 and bank interest income of approximately HK\$370,000.

The increase by 42% in staff costs to approximately HK\$3,699,000 as compared with that for the corresponding period in last year was mainly due to the recognition of share-based payments of approximately HK\$832,000 to expense the fair value of share options granted during the period to directors and employees of the Group.

The other expenses was decreased by 58% to HK\$1,323,000 as compared with that for the corresponding period in last year. It was mainly due to significant decrease in rental expenses and building management fee from approximately HK\$2,213,000 to approximately HK\$379,000.

Our current quarter performs as we expected; that is because our "prudent yet aggressive" market strategy has been cogently carried out. By prudence we mean a stringent control on cash flow and by aggressive we mean speedily turning every opportunity into material benefit. Such strategy helps to improve our cash flow continuously and our core business develops and progresses along our confirmed path.

Specifically, we are launching our ten newly built services sub-platforms according to priorities, of which contracts deploying the education services sub-platform (ESP) and search management sub-platform (SMSP) have initially been obtained while progress for the other eight service sub-platforms are advancing effectively.

Outlook

From now on, Timeless operation will focus on launching the ten services sub-platforms (*note*) according to market trend and changes. It looks like, in future, those sub-platforms relevant to 2008 Olympics, and among the others, elderly care services sub-platform (ECSP), medical care services sub-platform (MCSP), workflow services sub-platform (WFSP) and multi-media entertainment sub-platform (MMEP) stand a better chance of commanding.

Such series of web-services sub-platforms are nurtured out of our ten plus years of development, they are prestigious and valuable; Timeless Consolidated Platform, a branding out of Chinese innovation originality, is flexing its value-adding capability; compounding the above two facts together, we have reasons to believe in our future with more concrete confidence.

Note: the ten sub-platforms that derive out of Timeless Consolidated Platforms are: tourism development services sub-platform (TDSP), education Services Sub-platform (ESP), multi-media entertainment sub-platform (MMEP), elderly care services sub-platform (ECSP), medical Care Services Sub-platform (MCSP), workflow services sub-platform (WFSP), value-add services sub-platform (VASP), aero-s pace technology sub-platform (ASTP), cross network information sub-platform (CNIS), search management sub-platform (SMSP).

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

At 30 June 2007, the interests and short positions of the directors and the chief executive of the Company and their associates in the shares, underlying shares or debentures of the Company and its associated corporations, as recorded in the register maintained by the Company pursuant to Section 352 of the Securities and Futures Ordinance ("SFO"), or otherwise notified to the Company and the Stock Exchange pursuant to Rule 5.46 of the GEM Listing Rules, were as follows:

Long positions

(a) Ordinary shares of HK\$0.05 each of the Company

Name of directors	Number of ordinary shares held in the capacity of			
	Beneficial owner	Controlled corporation	Total number of shares	Percentage of shareholding
Cheng Kin Kwan	215,378,000	—	215,378,000	19.51%
Law Kwai Lam	10,000,000	28,325,000*	38,325,000	3.47%
Chung Yiu Fai	12,416,000	—	12,416,000	1.12%
Leung Mei Sheung, Eliza	6,000,000	—	6,000,000	0.54%
Zheng Ying Yu	2,850,000	—	2,850,000	0.26%
Fung Chun Pong, Louis	2,088,000	—	2,088,000	0.19%
Liao Yun	4,510,000	—	4,510,000	0.41%
Ng Kwok Tung	1,000,000	—	1,000,000	0.09%

* 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 1.4.2007	Granted during the period	Exercised during the period	Lapsed during the period	Outstanding at 30.6.2007
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
Chung Yiu Fai	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	3,000,000	—	(3,000,000)	—	—
	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	1,500,000	—	—	—	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	—	(6,000,000)	—	3,500,000	
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	7,000,000	—	(900,000)	—	6,100,000
	13.12.2004	13.12.2004 - 12.12.2014	0.0982	500,000	—	(450,000)	—	50,000
	28.2.2005	28.2.2005 - 27.2.2015	0.0722	650,000	—	(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	1,000,000	—	(1,000,000)	—	—

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 1.4.2007	Granted during the period	Exercised during the period	Lapsed during the period	Outstanding at 30.6.2007
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)	—	—
	18.6.2007	18.6.2007 - 17.6.2017	0.2980	—	300,000	—	—	300,000
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
	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	300,000	—	—	—	300,000
26.9.2006	26.9.2006 - 25.9.2016	0.0772	2,000,000	—	(2,000,000)	—	—	
Ng Kwok Tung	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>119,480,000</u>	<u>1,100,000</u>	<u>(29,200,000)</u>	<u>—</u>	<u>91,380,000</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 June 2007, 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 2007, 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 June 2007
Educational Information Technology (H.K.) Company Limited *	108,057,374	—	108,057,374	9.79%
Crimson Asia Capital Limited, L.P.**	105,203,591	—	105,203,591	9.53%
Kan Ji Ran, Laurie ** (formerly known as Kan Siu Kei, Laurie)	41,978,000	17,000,000	58,978,000	5.34%

* 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 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 2007, 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 2007, 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 under review, 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 2007.

On behalf of the Board

Cheng Kin Kwan

Chairman & Chief Executive Officer

Hong Kong, 9 August 2007