



TIMELESS SOFTWARE LTD.

Quarterly Report
for the quarter ended 30 June 2008

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 trade on the Main Board and no assurance is given that there will be a liquid market in the securities traded on GEM.

The Exchange 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 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 report misleading; and (3) all opinions expressed in this report have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.

RESULTS

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 2008 together with the comparative unaudited figures for the corresponding period in 2007 as follows:

Condensed Consolidated Income Statement

For the three months ended 30 June 2008

		(Unaudited)	
		Three months ended	
		30 June	
	Notes	2008	2007
		HK\$'000	HK\$'000
Turnover		667	594
Other income		1,109	404
Staff costs		(3,013)	(3,699)
Depreciation		(313)	(325)
Other expenses		(1,258)	(1,323)
Net gains on equity-linked notes		369	4,565
Net gains on investments held for trading		77	1,097
Net losses on available-for-sale financial assets		—	(46)
Finance costs		(21)	(95)
Share of losses of associates		(721)	(391)
		<u>(3,104)</u>	<u>781</u>
(Loss) profit for the period	3	<u>(3,104)</u>	<u>781</u>
Attributable to:			
Equity holders of the Company		(3,102)	1,013
Minority interests		(2)	(232)
		<u>(3,104)</u>	<u>781</u>
		HK cents	HK cents
(Loss) earnings per share			
- Basic	4	<u>(0.274)</u>	<u>0.095</u>
- Diluted		<u>N/A</u>	<u>0.090</u>

Condensed Consolidated Statement of Changes in Equity

For the three months ended 30 June 2008

	(Unaudited) Share capital HK\$'000	(Unaudited) Share premium HK\$'000	(Unaudited) Share options reserve HK\$'000	(Unaudited) Investment revaluation reserve HK\$'000	(Unaudited) Property revaluation reserve HK\$'000	(Unaudited) Translation reserve HK\$'000	(Unaudited) Accumulated 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 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 directly 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
At 1 April 2008	56,663	637,927	2,567	(395)	1,061	3,701	(573,173)	128,351	2,556	130,907
Exchange differences arising from translation of financial statements of overseas operations recognised directly in equity	—	—	—	—	—	(55)	—	(55)	—	(55)
Share of post-acquisition reserve of associates	—	—	—	(514)	—	—	—	(514)	—	(514)
Net expenses recognised directly in equity	—	—	—	(514)	—	(55)	—	(569)	—	(569)
Loss for the period	—	—	—	—	—	—	(3,102)	(3,102)	(2)	(3,104)
At 30 June 2008	56,663	637,927	2,567	(909)	1,061	3,646	(576,275)	124,680	2,554	127,234

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 2008.

3. Taxation

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

On 16 March 2007, the PRC promulgated the Law of PRC on Enterprise Income Tax (the "New Law") by Order No. 63 of the President of the PRC. On 6 December 2007, the State Council of the PRC issued Implementation Regulations of the New Law. A PRC subsidiary of the Company is accredited as a High and New Tech Enterprise which was entitled to a reduced income tax rate of 15% up to 31 December 2007. The New Law and Implementation Regulations will change the tax rate from 15% to 25% from 1 January 2008. The enactment of the New Law is not expected to have any significant financial effect on the amounts accrued in the consolidated balance sheet in respect of taxation payable and deferred taxation as the PRC subsidiaries incurred tax loss during the period.

4. (Loss) earnings per share

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

	(Unaudited) Three months ended 30 June	
	2008	2007
(Loss) profit attributable to equity holders of the Company for the purposes of basic and diluted (loss) earnings per share	<u>HK\$(3,102,000)</u>	<u>HK\$1,013,000</u>
Weighted average number of ordinary shares for the purpose of basic (loss) earnings per share	<u>1,133,261,503</u>	1,071,373,701
Effect of dilutive potential ordinary shares in respect of share options granted		<u>49,009,194</u>
Weighted average number of ordinary shares for the purpose of diluted earnings per share		<u>1,120,382,895</u>

No diluted loss per share for the three months ended 30 June 2008 as the assumed exercise of share options granted by the Company would decrease the loss per share for that period.

INTERIM DIVIDEND

The Board does not recommend the payment of any interim dividend for the three months ended 30 June 2008 (2007: 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 2008, the Group recorded unaudited turnover of approximately HK\$667,000, representing an increase of 12.3% as compared to approximately HK\$594,000 in the corresponding period in 2007. The loss attributable to equity holders of the Company was approximately HK\$3,102,000. The other income mainly comprised bank interest income of approximately HK\$330,000 (three months ended 30 June 2007: HK\$370,000) and income from amortisation of financial guarantee obligations of approximately HK\$635,000 (three months ended 30 June 2007: Nil).

“One World, One Network”. The Internet has become part of our daily life. Less known to the public, Timeless Consolidated Platform (“TCP”) is actually a network-centric consolidated platform. Out of the TCP, sub-platforms are derived. Through subsequent resources maneuvering, step-wise consolidation and upgrading, these sub-platforms have evolved into sub-platform services.

These sub-platform services have earned recognition and support from various famous software resellers, telecom services providers and government agencies, inside and out of China. The industry spectrum served were wide-spread, spanning from tourism, educational services, multi-media and entertainment services, elderly services, medical services, telecom value-added services, aero-space mathematical services to cross network information management services. The uniqueness and value of these service sub-platforms lie in their ability to extend, both horizontally and vertically; to put it in another way, they possess cross-platform, cross-network and cross-services capabilities and may be even extended to customization to the specific environment and requirements for a particular industry or customer. From what we observe, such capability, backed by years of development effort, cannot be easily matched by most system integrators at present.

Out of which, the education services sub-platform, multi-media and entertainment services sub-platform, telecom value-added services sub-platform and cross network information management services sub-platform has deployed steadily and integrated into internet application systems, progressing satisfactorily. Eyeing on China, TCP shall look to these sub-platforms as springboard, steadily consolidate and upgrade, so as to create a network world of Chinese originality.

Outlook

We shall closely monitor any opportunity to materialize our past time, material and effort invested on TCP, strive to improve our revenue sources, maintain a healthy cash flow and aim for maximum profit. Nevertheless, shooting for best return remains our prime task.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES OF THE COMPANY

At 30 June 2008, 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 director	Number of ordinary shares held in the capacity of			Percentage of shareholding
	Beneficial owner	Controlled corporation	Total number of shares	
Cheng Kin Kwan	219,624,000	—	219,624,000	19.38%
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%
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 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 1.4.2008	Granted during the period	Exercised during the period	Forfeited during the period	Outstanding at 30.06.2008
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
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
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
				63,900,000	—	—	—	63,900,000

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES OF THE COMPANY (Continued)

Long positions (Continued)

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 2008, 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 2008, 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 2008
Educational Information Technology (H.K.) Company Limited*	108,057,374	—	108,057,374	9.54%
Crimson Asia Capital Limited, L.P.**	105,203,591	—	105,203,591	9.28%

* 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 June 2008, 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 2008, 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 2008.

On behalf of the Board

Cheng Kin Kwan

Chairman & Chief Executive Officer

Hong Kong, 12 August 2008