



TIMELESS
SOFTWARE LIMITED

QUARTERLY REPORT

for the quarter ended
31 December 2010





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

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This report, for which the directors of Timeless Software Limited collectively and individually accept full 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 the information contained in this report is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this report misleading.



Condensed Consolidated Statement of Comprehensive Income

For the three months and nine months ended 31 December 2010

	(Unaudited)		(Unaudited)	
	Three months ended		Nine months ended	
	31 December		31 December	
Note	2010	2009	2010	2009
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Turnover	14,290	6,772	21,858	12,607
Other income	267	184	756	1,524
Purchase costs	(10,056)	(3,283)	(16,705)	(4,301)
Staff costs	(4,021)	(3,037)	(11,348)	(9,239)
Depreciation	(217)	(176)	(607)	(479)
Other expenses	(1,524)	(1,149)	(4,955)	(4,340)
Net gains/(losses) on equity-linked notes	—	1,577	(451)	2,772
Net (losses)/gains on investments held for trading	(186)	(637)	2,163	(147)
Finance costs	(14)	(16)	(44)	(47)
Share of results of associates	1,244	84	1,115	(438)
(Loss)/profit for the period	(217)	319	(8,218)	(2,088)
Other comprehensive income/(loss)				
Exchange differences arising from translation of financial statements of foreign operations	1,315	—	1,315	—
Share of other comprehensive (loss)/income of an associate	(637)	352	(2,774)	1,569
Exchange differences realised on deemed disposal of interests in a jointly controlled entity	—	—	—	(44)
Other comprehensive income/(loss) for the period	678	352	(1,459)	1,525
Total comprehensive income/(loss) for the period	461	671	(9,677)	(563)

Condensed Consolidated Statement of Comprehensive Income (Continued)

For the three months and nine months ended 31 December 2010

	Note	(Unaudited)		(Unaudited)	
		Three months ended		Nine months ended	
		31 December		31 December	
		2010	2009	2010	2009
		HK\$'000	HK\$'000	HK\$'000	HK\$'000
(Loss)/profit for the period attributable to:					
Owners of the Company		(215)	321	(8,202)	(2,082)
Non-controlling interests		(2)	(2)	(16)	(6)
		(217)	319	(8,218)	(2,088)
Total comprehensive income/(loss) attributable to:					
Owners of the Company		379	673	(9,745)	(557)
Non-controlling interests		82	(2)	68	(6)
		461	671	(9,677)	(563)
(Loss)/earnings per share					
– Basic	4	(0.02) cents	0.03 cents	(0.72) cents	(0.18) cents
– Diluted		N/A	0.03 cents	N/A	N/A

Condensed Consolidated Statement of Changes in Equity

For the nine months ended 31 December 2010

	Share capital HK\$'000	Share premium HK\$'000	Share options reserve HK\$'000	Investment revaluation reserve HK\$'000	Property revaluation reserve HK\$'000	Translation reserve HK\$'000	Accumulated deficit HK\$'000	Attributable to owners of the Company HK\$'000	Non- controlling interests HK\$'000	Total HK\$'000
At 1 April 2010 (audited)	56,663	637,927	2,109	3,923	1,061	4,396	(599,577)	106,502	2,590	109,092
Loss for the period	—	—	—	—	—	—	(8,202)	(8,202)	(16)	(8,218)
Other comprehensive (loss)/ income for the period	—	—	—	(2,774)	—	1,231	—	(1,543)	84	(1,459)
Total comprehensive (loss)/ income for the period	—	—	—	(2,774)	—	1,231	(8,202)	(9,745)	68	(9,677)
Issue of shares	25	18	—	—	—	—	—	43	—	43
At 31 December 2010 (unaudited)	56,688	637,945	2,109	1,149	1,061	5,627	(607,779)	96,800	2,658	99,458
At 1 April 2009 (audited)	56,663	637,927	2,371	—	1,061	4,452	(596,975)	105,499	2,598	108,097
Loss for the period	—	—	—	—	—	—	(2,082)	(2,082)	(6)	(2,088)
Other comprehensive income/ (loss) for the period	—	—	—	1,569	—	(44)	—	1,525	—	1,525
Total comprehensive income/ (loss) for the period	—	—	—	1,569	—	(44)	(2,082)	(557)	(6)	(563)
At 31 December 2009 (unaudited)	56,663	637,927	2,371	1,569	1,061	4,408	(599,057)	104,942	2,592	107,534

Notes to the Condensed Consolidated Financial Statements

For the nine months ended 31 December 2010

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. Principal accounting policies

The condensed consolidated financial statements have been prepared under the historical cost basis except for investment properties and certain financial instruments, which are measured at fair values.

The accounting policies used in the condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 March 2010.

In the current period, the Group has applied, for the first time, a number of new and revised standards, amendments and interpretations ("new and revised HKFRSs") issued by the HKICPA, which are effective for the Group's financial year beginning on 1 April 2010. The adoption of the new and revised HKFRSs had no material effect on the reported results and financial position of the Group for the current or prior accounting periods. Accordingly, no prior period adjustment has been recognised.

The Group has not early applied the following new or revised standards, amendments or interpretations that have been issued but are not yet effective.

HKFRSs (Amendments)	Improvements to HKFRSs 2010 ¹
HKAS 24 (Revised)	Related party disclosures ³
HKFRS 1 (Amendments)	Limited exemption from comparative HKFRS 7 disclosure for first-time adopters ²
HKFRS 9	Financial instruments ⁴
HK(IFRIC) - INT 14 (Amendment)	Prepayments of minimum funding requirement ³
HK(IFRIC) - INT 19	Extinguishing financial liabilities with equity instruments ²

¹ Effective for annual periods beginning on or after 1 July 2010 and 1 January 2011, as appropriate

² Effective for annual periods beginning on or after 1 July 2010

³ Effective for annual periods beginning on or after 1 January 2011

⁴ Effective for annual periods beginning on or after 1 January 2013

Notes to the Condensed Consolidated Financial Statements (Continued)

For the nine months ended 31 December 2010

3. Taxation

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for both periods. No provision for taxation has been made in the condensed consolidated financial statements as the Group had no assessable profit in both periods.

PRC subsidiaries are subject to PRC Enterprise Income Tax at 25% for both periods. Taxation arising in other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.

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 2010		2009		Nine months ended 31 December 2010		2009	
(Loss)/profit attributable to owners of the Company for the purposes of basic and diluted earnings per share	<u>HK\$(215,000)</u>	<u>HK\$321,000</u>			<u>HK\$(8,202,000)</u>	<u>HK\$(2,082,000)</u>		
Number of ordinary shares:								
Weighted average number of ordinary shares for the purpose of basic (loss)/earnings per share	<u>1,133,379,685</u>	1,133,261,503			<u>1,133,614,764</u>	<u>1,133,261,503</u>		
Effect of dilutive potential ordinary shares in respect of share options granted		<u>1,821,264</u>						
Weighted average number of ordinary shares for the purposes of diluted earnings per share		<u>1,135,082,767</u>						

No diluted loss per share for the three months ended 31 December 2010 and nine months ended 31 December 2010 and 2009 had been presented as the assumed exercise of share options granted by the Company would decrease the loss per share during those periods.

Interim Dividend

The Board does not recommend the payment of any interim dividend for the nine months ended 31 December 2010 (2009: 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 2010, the Group recorded unaudited turnover of approximately HK\$21,858,000, representing an increase of 73.4% as compared to approximately HK\$12,607,000 in the corresponding period in 2009. The loss attributable to owners of the Company for the nine months ended 31 December 2010 was approximately HK\$8,202,000, as compared to the loss of approximately HK\$2,082,000 over the same period in 2009.

For the nine months ended 31 December 2010, the other income mainly comprised bank interest income of approximately HK\$218,000 (nine months ended 31 December 2009: HK\$641,000) and rental income from investment properties of approximately HK\$517,000 (nine months ended 31 December 2009: HK\$379,000).

For the past quarter, Timeless continued to develop according to the direction as indicated by our nation's "Twelfth Five Year Plan": for example, Talent Valley Company Limited, a wholly-owned subsidiary of Timeless, assisted the hosting of the Sixteenth Asian Games in Guangzhou in mid November 2010 by providing the Group's vertical search technology; in mid-December, together with Guangzhou Municipal Cultural Market Management Office, our joint effort spent on anti pornographic and illegal publications was affirmed by the national office in Beijing. More encouraging news came in mid-Jan 2011. Timeless held a two-day training event for Lufeng Longsan Middle School in Guangdong, attended by 400 people ranging from management to front-line teachers, trumpeting the march for "Digital Longsan".

Everything being said above well illustrated Timeless' answering to the nation's call of "Revitalize through Technological Education" and "Strengthen through Talents" and putting them into practice through education information network, talent fostering, and autonomous innovation; these initiatives can all bring along long term revenues for Timeless and that is why we persist on expanding.

Timeless is actively strategizing, urging for an eyebrow raise in the Year of Rabbit. Once we stabilized in digital informatization, we would flex our years of abundant technological advantages and make use of our vast partner network as base to expand to other areas, such as logistics network and environment protection, so as to capitalize on riding the nation's tide of "village informatization" and "green information", pressing for maximum return for our shareholders.

Other Information

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

At 31 December 2010, 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			Percentage of shareholding
	Beneficial owner	Controlled corporation	Total number of shares	
Cheng Kin Kwan	221,440,000	—	221,440,000	19.53%
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%

* 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)

(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 1.4.2010	Lapsed during the period	Outstanding at 31.12.2010
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

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 directors	Date of grant	Exercisable period	Exercise price per share HK\$	Number of share options and number of underlying shares		
				Outstanding at 1.4.2010	Lapsed during the period	Outstanding at 31.12.2010
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
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
				60,400,000	—	60,400,000

Save as disclosed above and other than nominee shares in certain wholly-owned subsidiaries held by certain directors in trust for the Group, at 31 December 2010, 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 2010, 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 2010
Educational Information Technology (H.K.) Company Limited *	108,057,374	—	108,057,374	9.53%
Crimson Asia Capital Limited, L.P.**	68,169,591	—	68,169,591	6.01%

* 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 31 December 2010, the Company had not been notified of any other interests or short positions 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 2010, 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 2010.

On behalf of the Board

Cheng Kin Kwan

Chairman & Chief Executive Officer

Hong Kong, 11 February 2011