



TIMELESS
SOFTWARE LIMITED

QUARTERLY REPORT

for the quarter ended
30 June 2012

Characteristics of The Growth Enterprise Market (“GEM”) of The Stock Exchange of Hong Kong Limited (the “Stock 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 ended 30 June 2012

		(Unaudited)	
		Three months ended	
		30 June	
	Notes	2012	2011
		HK\$'000	HK\$'000
Turnover		25,484	6,715
Other income and gain		314	298
Purchase and production costs		(11,266)	(5,636)
Staff costs		(7,107)	(4,004)
Depreciation and amortisation		(4,179)	(231)
Acquisition-related costs		(7,145)	—
Other expenses		(4,616)	(3,061)
Net losses on disposal of investment properties		(546)	—
Net (losses)/gains on investments held for trading		(1,452)	1,352
Finance costs		(1)	(2)
Share of loss of an associate		(35)	(62)
Loss before tax		(10,549)	(4,631)
Income tax expense	3	(3,896)	—
Loss for the period		(14,445)	(4,631)
Other comprehensive income, net of income tax			
Share of other comprehensive income of an associate		1,028	(433)
Other comprehensive income for the period, net of income tax		1,028	(433)
Total comprehensive income for the period		(13,417)	(5,064)
Loss attributable to:			
Owners of the Company		(16,579)	(4,623)
Non-controlling interests		2,134	(8)
		(14,445)	(4,631)
Total comprehensive income attributable to:			
Owners of the Company		(15,551)	(5,056)
Non-controlling interests		2,134	(8)
		(13,417)	(5,064)
		HK cents	HK cents
Loss per share			
– Basic and diluted	4	(1.211)	(0.407)

Condensed consolidated statement of changes in equity

For the three months ended 30 June 2012

	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
Balance at 1 April 2011 (audited)	56,728	637,996	2,165	1,176	1,061	5,627	(611,097)	93,656	2,656	96,312
Loss for the period	-	-	-	-	-	-	(4,623)	(4,623)	(8)	(4,631)
Other comprehensive income for the period	-	-	-	(433)	-	-	-	(433)	-	(433)
Total comprehensive income for the period	-	-	-	(433)	-	-	(4,623)	(5,056)	(8)	(5,064)
Issue of ordinary shares under employee share option plan	13	26	(17)	-	-	-	-	22	-	22
Transactions costs attributable to issue of new ordinary shares	-	(30)	-	-	-	-	-	(30)	-	(30)
Release of reserve upon share options forfeited	-	-	(5)	-	-	-	5	-	-	-
Balance at 30 June 2011 (unaudited)	56,741	637,992	2,143	743	1,061	5,627	(615,715)	88,592	2,648	91,240
Balance at 1 April 2012 (audited)	65,316	654,107	2,191	2,111	1,061	8,104	(622,580)	110,310	199	110,509
Loss for the period	-	-	-	-	-	-	(16,579)	(16,579)	2,134	(14,445)
Other comprehensive income for the period	-	-	-	1,028	(1,061)	-	1,061	1,028	-	1,028
Total comprehensive income for the period	-	-	-	1,028	(1,061)	-	(15,518)	(15,551)	2,134	(13,417)
Issue of ordinary shares under employee share option plan	57	112	(46)	-	-	-	-	123	-	123
Issue of consideration shares upon acquisition of Goffers Management Limited	13,500	31,590	-	-	-	-	-	45,090	-	45,090
Non-controlling interests arising on the acquisition of Goffers Management Limited	-	-	-	-	-	-	-	-	211,108	211,108
Transactions costs attributable to issue of new ordinary shares	-	(124)	-	-	-	-	-	(124)	-	(124)
Balance at 30 June 2012 (unaudited)	78,873	685,685	2,145	3,139	-	8,104	(638,098)	139,848	213,441	353,289

Notes to the condensed consolidated financial statements

For the three months ended 30 June 2012

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 (the "GEM Listing Rules").

2. Significant accounting policies

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 2012.

The condensed consolidated financial statements have been prepared under the historical cost basis except for investment properties and certain financial instruments that are measured at fair values, as described in the Group's annual financial statements for the year ended 31 March 2012.

3. Income tax expense

	(Unaudited)	
	Three months ended	
	30 June	
	2012	2011
	HK\$'000	HK\$'000
Current tax:		
People's Republic of China ("PRC") Enterprise Income Tax	4,527	–
Deferred tax:		
Current period	(631)	–
Total income tax charged in profit or loss	3,896	–

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

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

	(Unaudited)	
	Three months ended	
	30 June	
	2012	2011
Loss for the period attributable to owners of the Company for the purpose of basic and diluted loss per share	<u>HK\$(16,579,000)</u>	<u>HK\$(4,623,000)</u>
Number of ordinary shares:		
Weighted average number of ordinary shares for the purpose of basic and diluted loss per share	<u>1,369,529,086</u>	<u>1,134,685,129</u>

The computation of diluted loss per share did not assume the exercise of the Company's outstanding share options existed for the three months ended 30 June 2012 and 2011 since their exercises would result in a decrease in loss per share.

INTERIM DIVIDEND

The Board does not recommend the payment of any interim dividend for the three months ended 30 June 2012 (2011: nil).

Management Discussion and Analysis

BUSINESS REVIEW AND OUTLOOK

Acquisition of Goffers Management Limited and its subsidiaries (collectively, the “Goffers Group”)

During the period under review, the Group has completed the acquisition of the Goffers Group on 11 May 2012. The major assets of the Goffers Group comprise of its 51% controlling interests in 新疆天目礦業資源開發有限公司 (“Xinjiang Tianmu”), a Sino-foreign equity joint venture company established in the PRC which is principally engaged in exploration and exploitation of gold, iron, nickel-copper mines in the Xinjiang Uygur Autonomous Region (“Xinjiang”) of the PRC and the processing and sale of the outputs from the mines.

The Board considers that the acquisition represents a strategic move providing the Group with an opportunity to enter the mining industry in the PRC, which is expected to broaden the Group’s revenue base and create value for the shareholders of the Company. It is expected that the synergies arising from the acquisition will be realised in the near future.

After completion of the acquisition, the Group has further expanded its lines of business to the mining industry and is principally engaged in two business lines, namely (i) the provision of computer consultancy and software maintenance services, software development and sales of computer hardware and software (hereinafter collectively referred to as the “Computer Hardware and Software Business”); and (ii) the exploration and exploitation of various mines in Xinjiang, PRC (hereinafter collectively referred to as the “Mining Business”).

Computer Hardware and Software Business

Global economy is still on-and-off being impact by the Europe debt crisis, the U.S. presidential election and crop failure myriad uncertainties, light on the other side tunnel is yet to be seen in short term; whereas in China, economy is being twined between rising property prices and policies dictation. Under a sentiment flickering between red and green, Timeless persists on our strategy, prudently progress forward.

The eCommerce platform under OSQun is in form, customers of various industries have joined in to strengthen our momentum. Our eCommerce Platform will continue to extend to cover, but not limited to, warehouse management, inventory control, CRM etc. whereas mobile technologies and users devices would be added as additional flavor. Furthermore, our development in intelligent appliance will be maturing soon, which we believe will become additional source of income.

Mining Business

As for the Mining Business, its main product sold is gold dores. The gold dores are priced at the time of sales after production with reference to the applicable spot prices of gold in the Shanghai Gold Exchange ("SGE"), with adjustment for the gold content and refining cost of the gold dores. As at 30 June 2012, the SGE gold market price has increased by about 2.91% against the price on 30 June 2011 and about 0.75% against the price on 31 December 2011. Despite the recent weakness in the gold market, we remain positive on the outlook of gold price. We expect strong price swings in the short run but gold price will go much higher in the long run. The turnover and so the profit of the Mining Business in future will be benefited accordingly.

The Goffers Group currently has two operating mines in Xinjiang, PRC, namely Heishiliang gold mine and Hongshannan gold mine. For the period from 11 May 2012, being the date of completion of acquisition of the Mining Business, up to 30 June 2012, gold ores of about 12,800 tonnes were extracted. The processing plant processed gold ores of about 12,600 tonnes with an average grade of 4.65 grams per tonne. The processed output of gold dores totaled to about 41 kilogram, which were all sold and contributed for a turnover of about HK\$17 million. The sale of the iron ores from the trial run of the iron mine also contributed slightly for the turnover.

For the Baishiquan nickel-copper mine, the mining infrastructure are in process and it is planned to start trial production in 2013 and commercial production in 2014. By converting the probable reserves of Baishiquan nickel-copper mine of approximately 1.2 million tonnes of ores with average grade of Ni 0.52% and Cu 0.34% into production, it is expected that nickel-copper mining operation will become a vital part of profit contribution to the Group on top of the existing gold mining and processing operation.

FINANCIAL PERFORMANCE REVIEW

For the three months ended 30 June 2012, the Group recorded turnover of approximately HK\$25,484,000, representing an increase of 279.5% against the corresponding period in 2011. Loss for the period under review was approximately HK\$14,445,000, an increase of 211.9% as compared to the corresponding period in 2011. The fluctuations in turnover and result for the Group was mainly contributed by (i) the newly acquired Mining Business for which recorded turnover and profit for the period under review of approximately HK\$17,931,000 and HK\$2,894,000 respectively; (ii) non-recurring acquisition related-costs of the Goffers Group incurred during the period under review of approximately HK\$7,145,000; (iii) income tax expense amounting to approximately HK\$1,973,000 arising from the disposal of certain investment properties located in the PRC; and (iv) fair value loss of approximately HK\$1,452,000 on listed equity investments.

For the Computer Hardware and Software business, the Group recorded turnover of approximately HK\$7,553,000 for the period under review, representing an increase of 12.5% as compared to approximately HK\$6,715,000 in the corresponding period in 2011.

Loss attributable to owners of the Company was approximately HK\$16,579,000, as compared to HK\$4,623,000 over the same period in 2011.

Other Information

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

At 30 June 2012, 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	14.04%
Law Kwai Lam	10,000,000	28,325,000*	38,325,000	2.43%
Leung Mei Sheung, Eliza	13,492,000	–	13,492,000	0.86%
Zheng Ying Yu	4,900,000	–	4,900,000	0.31%
Fung Chun Pong, Louis	488,000	–	488,000	0.03%
Liao Yun	4,510,000	–	4,510,000	0.29%

* 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 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 1.4.2012	Granted during the period	Exercised during the period	Forfeited during the period	Outstanding at 30.6.2012
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
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
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	1,500,000	-	-	-	1,500,000
Chan Mei Ying, Spencer	24.3.2006	24.3.2006 - 23.3.2016	0.1530	500,000	-	-	-	500,000
				58,600,000	-	-	-	58,600,000

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 2012, 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 2012, 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.

Long positions in the shares and underlying shares

Name of substantial shareholders	Capacity	Number of ordinary shares held	Number of underlying shares held	Approximate percentage of the issued share capital as at 30 June 2012
Educational Information Technology (H.K.) Company Limited ^(note 1)	Trustee	108,057,374	—	6.85%
Starmax Holdings Limited ^(note 2)	Beneficial owner	270,000,000	—	17.12%
Mr. Felipe Tan	Interest in controlled corporation	270,000,000	—	17.12%
	Beneficial owner	29,314,000	—	1.86%

Notes:

- (1) 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 which is owned as to 25% by the Group.
- (2) Starmax Holdings Limited is beneficially owned as to 90.01% by Mr. Felipe Tan who also directly holds 29,314,000 shares.

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 2012, 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 2012, none of the directors or controlling 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 2012.

On behalf of the Board

Cheng Kin Kwan

Chairman & Chief Executive Officer

Hong Kong, 13 August 2012