Timeless Software Limited

(incorporated in Hong Kong with limited liability)

(Stock code: 8028)

RESULTS ANNOUNCEMENT
For the year ended 31 March 2011

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.

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.

This announcement, 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 announcement 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 announcement misleading; and (3) all opinions expressed in this announcement 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 audited consolidated results of the Company and its subsidiaries ("Group") for the year ended 31 March 2011 together with the comparative audited figures for the corresponding period in 2010 as follows:

Consolidated statement of comprehensive income
For the year ended 31 March 2011

	Notes	**2011** *HK$'000*	**2010** *HK$'000*
Turnover	3	25,091	16,710
Other income		1,075	2,146
Purchase costs		(20,268)	(8,775)
Staff costs		(15,415)	(12,985)
Depreciation		(849)	(777)
Other expenses		(7,496)	(5,782)
Fair value changes on investment properties		3,788	160
Gain on partial disposal of equity interest in a jointly controlled entity		—	3,846
Net (losses) / gains on equity-linked notes		(451)	3,630
Net gains / (losses) on investments held for trading		1,710	(110)
Finance costs	4	(53)	(63)
Share of profits / (losses) of an associate		1,330	(872)
Loss for the year	5 & 6	(11,538)	(2,872)
Other comprehensive (expense) / income			
Exchange differences on translation of foreign operations		1,315	—
Exchange differences realised on deemed disposal of interests in a jointly controlled entity		—	(56)
Share of other comprehensive (expense) / income of an associate		(2,747)	3,923
Other comprehensive (expense) / income for the year		(1,432)	3,867
Total comprehensive (expense) / income for the year		(12,970)	995
Loss for the year attributable to:			
Owners of the Company		(11,520)	(2,864)
Non-controlling interests		(18)	(8)
		(11,538)	(2,872)

	Notes	2011 HK$'000	2010 HK$'000
Total comprehensive (expense) / income attributable to:			
Owners of the Company		(13,036)	1,003
Non-controlling interests		66	(8)
		(12,970)	995
		HK cents	HK cents
Loss per share	7		
- Basic and diluted		(1.02)	(0.25)

Consolidated Statement of Financial Position
At 31 March 2011

	Notes	31/3/2011 HK$'000	31/3/2010 HK$'000 (restated)	1/4/2009 HK$'000 (restated)
Non-current assets				
Investment properties		10,471	6,455	6,295
Property, plant and equipment		3,988	3,974	4,908
Goodwill		1,298	1,298	—
Interests in associates		3,103	4,365	1,314
Interests in jointly controlled entities		—	—	—
Equity-linked notes		—	—	3,564
		18,860	16,092	16,081
Current assets				
Inventories		3,205	1,498	—
Trade and other receivables	8	9,762	7,424	6,256
Equity-linked notes		—	7,194	—
Investments held for trading		14,562	9,847	10,070
Pledged bank deposits		—	—	11,407
Bank balances and cash		68,636	74,322	72,208
		96,165	100,285	99,941
Current liabilities				
Trade and other payables	9	5,938	6,199	6,171
Consideration received for disposal of interests in jointly controlled entities		12,706	—	—
Obligations under a finance lease due within one year		45	42	39
Secured bank loan		—	975	1,144
Financial guarantee obligations		—	—	460
		18,689	7,216	7,814
Net current assets		77,476	93,069	92,127
Total assets less current liabilities		96,336	109,161	108,208
Non-current liabilities				
Obligations under a finance lease due after one year		24	69	111
Net assets		96,312	109,092	108,097
Capital and reserves				
Share capital		56,728	56,663	56,663
Reserves		36,928	49,839	48,836
Equity attributable to owners of the Company		93,656	106,502	105,499
Non-controlling interests		2,656	2,590	2,598
Total equity		96,312	109,092	108,097

Consolidated statement of changes in equity

For the year ended 31 March 2011

	Share capital	Share premium	Share options reserve	Investment revaluation reserve	Property revaluation reserve	Translation reserve	Accumulated deficit	Attributable to owners of the Company	Non-controlling interests	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 1 April 2009	56,663	637,927	2,371	—	1,061	4,452	(596,975)	105,499	2,598	108,097
Loss for the year	—	—	—	—	—	—	(2,864)	(2,864)	(8)	(2,872)
Other comprehensive income / (expense) for the year	—	—	—	3,923	—	(56)	—	3,867	—	3,867
Total comprehensive income / (expense) for the year	—	—	—	3,923	—	(56)	(2,864)	1,003	(8)	995
Transfer of share options reserve on forfeiture of share options	—	—	(262)	—	—	—	262	—	—	—
At 31 March 2010	56,663	637,927	2,109	3,923	1,061	4,396	(599,577)	106,502	2,590	109,092
Loss for the year	—	—	—	—	—	—	(11,520)	(11,520)	(18)	(11,538)
Other comprehensive income / (expense) for the year	—	—	—	(2,747)	—	1,231	—	(1,516)	84	(1,432)
Total comprehensive income / (expense) for the year	—	—	—	(2,747)	—	1,231	(11,520)	(13,036)	66	(12,970)
Recognition of equity-settled share-based payments	—	—	92	—	—	—	—	92	—	92
Issue of ordinary shares under employee share option plan	65	77	(36)	—	—	—	—	106	—	106
Transaction costs attributable to issue of new ordinary shares	—	(8)	—	—	—	—	—	(8)	—	(8)
At 31 March 2011	56,728	637,996	2,165	1,176	1,061	5,627	(611,097)	93,656	2,656	96,312

Notes:

1. Basis of preparation

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and include applicable disclosures required by the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited and by the Hong Kong Companies Ordinance.

2. Application of new and revised Hong Kong Financial Reporting Standards ("HKFRSs")

New and revised Standards and Interpretations applied in the current year

In the current year, the Group has applied the following new and revised Standards and Interpretations issued by the HKICPA.

HKFRS 2 (Amendments)	Group Cash-settled Share-based Payment Transactions
HKFRS 3 (as revised in 2008)	Business Combinations
HKAS 27 (as revised in 2008)	Consolidated and Separate Financial Statements
HKAS 32 (Amendments)	Classification of Rights Issues
HKAS 39 (Amendments)	Eligible Hedged Items
HKFRSs (Amendments)	Improvements to HKFRSs issued in 2009
HKFRSs (Amendments)	Amendments to HKFRS 5 as part of Improvements to HKFRSs issued in 2008
HK(IFRIC) — Int 17	Distributions of Non-cash Assets to Owners
HK Int 5	Presentation of Financial Statements — Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause

Except as described below, the application of the new and revised Standards and Interpretations in the current year has had no material effect on the amounts reported in these consolidated financial statements and/or disclosures set out in these consolidated financial statements.

HKFRS 3 (as revised in 2008) Business Combinations

HKFRS 3 (as revised in 2008) has been applied in the current year prospectively to business combinations of which the acquisition date is on or after 1 April 2010 in accordance with the relevant transitional provisions. Its application has no material effect on the accounting for business combinations in the current year.

- HKFRS 3 (as revised in 2008) requires acquisition-related costs to be accounted for separately from the business combination, generally leading to those costs being recognised as an expense in profit or loss as incurred, whereas previously they were accounted for as part of the cost of the acquisition.

The application of HKFRS 3 (Revised) has had no material impact on the Group's results for the reported periods.

Hong Kong Interpretation 5 Presentation of Financial Statements — Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause

Hong Kong Interpretation 5 Presentation of Financial Statements — Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause ("HK Int 5") clarifies that term loans that include a clause that gives the lender the unconditional right to call the loans at any time ("repayment on demand clause") should be classified by the borrower as current liabilities. The Group has applied HK Int 5 for the first time in the current year. HK Int 5 requires retrospective application.

In order to comply with the requirements set out in HK Int 5, the Group has changed its accounting policy on classification of term loans with a repayment on demand clause. In the past, the classification of such term loans were determined based on the agreed scheduled repayment dates set out in the loan agreements. Under HK Int 5, term loans with a repayment on demand clause are classified as current liabilities.

As a result, a bank loans that contain a repayment on demand clause with the aggregate carrying amounts of approximately HK$797,000 and HK$975,000 have been reclassified from non-current liabilities to current liabilities as at 31 March 2010 and 1 April 2009 respectively. The application of HK Int 5 has had no impact on the reported profit or loss for the current and prior years.

Such term loans have been presented in the earliest time band in the maturity analysis for financial liabilities that reflects the remaining contractual maturities.

New and revised Standards, Amendments and Interpretations in issue but not yet effective

The Group has not early applied the following new and revised Standards, Amendments and Interpretations that have been issued but are not yet effective:

HKFRSs (Amendments)	Improvements to HKFRSs issued in 2010[1]
HKFRS 7 (Amendments)	Disclosures — Transfers of Financial Assets[3]
HKFRS 9	Financial Instruments[4]
HKAS 12 (Amendments)	Deferred Tax: Recovery of Underlying Assets[5]
HKAS 24 (as revised in 2009)	Related Party Disclosures[6]
HK(IFRIC) — Int 14 (Amendments)	Prepayments of a Minimum Funding Requirement[6]
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 July 2011

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

5 Effective for annual periods beginning on or after 1 January 2012

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

HKFRS 9 Financial Instruments (as issued in November 2009) introduces new requirements for the classification and measurement of financial assets. HKFRS 9 Financial Instruments (as revised in November 2010) adds requirements for financial liabilities and for derecognition.

- Under HKFRS 9, all recognised financial assets that are within the scope of HKAS 39 Financial Instruments: Recognition and Measurement are subsequently measured at either amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. All other debt investments and equity investments are measured at their fair values at the end of subsequent accounting periods.

- In relation to financial liabilities, the significant change relates to financial liabilities that are designated as at fair value through profit or loss. Specifically, under HKFRS 9, for financial liabilities that are designated as at fair value through profit or loss, the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the presentation of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. Previously, under HKAS 39, the entire amount of the change in the fair value of the financial liability designated as at fair value through profit or loss was presented in profit or loss.

HKFRS 9 is effective for annual periods beginning on or after 1 January 2013, with earlier application permitted.

The directors of the Company anticipate that HKFRS 9 that will be adopted in the Group's consolidated financial statements for the annual period beginning 1 April 2013 and that the application of the new Standard may have an impact on amounts reported in respect of the Group's financial assets. However, it is not practicable to provide a reasonable estimate of that effect until a detailed review has been completed.

The amendments to HKAS 12 titled Deferred Tax: Recovery of Underlying Assets mainly deal with the measurement of deferred tax for investment properties that are measured using the fair value model in accordance with HKAS 40 Investment Property. Based on the amendments, for the purposes of measuring deferred tax liabilities and deferred tax assets for investment properties measured using the fair value model, the carrying amounts of the investment properties are presumed to be recovered through sale, unless the presumption is rebutted in certain circumstances. The directors anticipate that the application of the amendments to HKAS 12 may have an impact on deferred tax recognised for investment properties that are measured using the fair value model. However, it is not practicable to provide a reasonable estimate of that effect until a detail review has been completed.

The directors of the Company anticipate that the application of the other new and revised Standards, Amendments or Interpretations will have no material impact on the consolidated financial statements.

3. Segment information

Segment revenues and results

Management has determined the operating segments based on the reports reviewed by the directors of the Company that are used to assess performance and allocate resources. The segment information provided to the directors of the Company for the reportable segments for the year ended is as follows:

	2011 *HK$'000*	**2010** *HK$'000*
Turnover		
Software development	9,980	14,476
Hardware sales	3,779	679
Software sales	14,225	1,568
Elimination on inter-segment sales	(2,893)	(13)
	25,091	16,710
Results		
Software development	(12,342)	(9,697)
Hardware sales	(1,488)	(367)
Software sales	(3,032)	(204)
Elimination on inter-segment sales	—	13
	(16,862)	(10,255)
Interest income	268	672
Other income	807	1,014
Unallocated corporate expenses	(2,075)	(1,354)
Amortisation of financial guarantee obligations	—	460
Gain on partial disposal of equity interest in a jointly controlled entity	—	3,846
Fair value changes on investment properties	3,788	160
Net (losses) / gains on equity-linked notes	(451)	3,630
Net gains / (losses) on investments held for trading	1,710	(110)
Finance costs	(53)	(63)
Share of profits / (losses) of an associate	1,330	(872)
Loss for the year	(11,538)	(2,872)

The accounting policies of the reportable segments are the same as the Group's accounting policies. Segment loss represents the loss from each segment without allocation of central administration cost and finance cost. This is the measure reported to the management of the Group for the purposes of resource allocation and performance assessment.

Inter-segment sales are charged at prevailing market rates.

Segment assets and liabilities

The following is an analysis of the Group's assets and liabilities by reportable segment:

	2011	2010
	HK$'000	*HK$'000*
Segment assets		
Segment assets		
— software development	6,658	12,652
— hardware sales	3,310	500
— software sales	6,987	1,042
	16,955	14,194
Interests in associates	3,103	4,365
Interests in jointly controlled entities	—	—
Unallocated corporate assets	94,967	97,818
Consolidated assets	115,025	116,377
Segment liabilities		
Segment liabilities		
— software development	10,603	4,884
— hardware sales	4,139	44
— software sales	3,902	1,271
	18,644	6,199
Unallocated corporate liabilities	69	1,086
Consolidated liabilities	18,713	7,285

For the purposes of monitoring segment performances and allocating resources between segments:

- all assets are allocated to reportable segments other than interests in associates, interests in jointly controlled entities, investment properties, equity-linked notes, investments held for trading and bank balances and cash. Assets used jointly by reportable segments are allocated on the basis of the revenues earned by individual reportable segments; and

- all liabilities are allocated to reportable segments other than obligations under a finance lease and secured bank loan. Liabilities for which reportable segments are jointly liable are allocated in proportion to segment assets.

Other segment information

	2011	2010
	HK$'000	*HK$'000*
Capital additions		
— software development	733	95
— hardware sales	—	13
— software sales	5	51
	738	159
Depreciation		
— software development	358	735
— hardware sales	171	34
— software sales	320	8
	849	777

Geographical information

The Group's operations are mainly situated in Hong Kong and the PRC. The following table provides an analysis of the Group's geographical information by location of geographical markets:

	Turnover from external customers	
	2011	2010
	HK$'000	*HK$'000*
Hong Kong	11,107	3,536
PRC	13,984	13,174
	25,091	16,710

The following is an analysis of the information about its non-current assets and capital additions, analysed by the geographical area in which the assets are located:

	Non-current assets		Capital additions	
	2011	2010	2011	2010
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Hong Kong	2,160	1,724	693	146
PRC	13,597	10,003	45	13
	15,757	11,727	738	159

Note: Non-current assets excluded financial instruments and interests in associates.

Information about major customers

Revenues from customers of the corresponding years contributing over 10% of total revenue of the Group are as follows:

	2011 *HK$'000*	2010 *HK$'000*
Customer A[1]	8,471	—
Customer B[1 & 2]	2,718	—
Customer C[1]	—	8,704
Customer D[1]	—	2,417

1 *Revenue from software development*

2 *Revenue from hardware sales*

4. Finance costs

	2011 *HK$'000*	2010 *HK$'000*
Interest on		
- a finance lease	8	11
- bank borrowings not wholly repayable within five years	45	52
	53	63

5. Loss for the year

	2011 *HK$'000*	2010 *HK$'000*
Loss for the year has been arrived at after charging / (crediting):		
Directors' remuneration	3,982	3,830
Other staff's retirement benefits scheme contributions	259	183
Other staff's share-based payments	92	—
Other staff costs	11,082	8,972
	15,415	12,985
Depreciation of property, plant and equipment		
- owned by the Group	808	736
- held under a finance lease	41	41
	849	777
Auditor's remuneration		
- current year	550	600
- under provision in prior year	—	50
Loss on disposal of property, plant and equipment	—	316
Operating lease rentals in respect of rented premises	1,280	902
Amortisation of financial guarantee obligations	—	(460)
Interest income	(268)	(672)
Gross rental income from investment properties	(565)	(489)
Less: direct operating expenses from investment properties that generated rental income during the year	81	78
	(484)	(411)

6. Taxation

No provision for taxation has been made in the financial statements as the Group had no assessable profit for both years.

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

Taxation for the year is reconciled to loss for the year as follows:

	2011	**2010**
	HK$'000	*HK$'000*
Loss for the year	(11,538)	(2,872)
Tax credit at the applicable income tax rate of 16.5%	(1,904)	(474)
Tax effect of share of (profits) / losses of an associate	(219)	144
Tax effect of expenses not deductible for tax purposes	888	31
Tax effect of income not taxable for tax purposes	(30)	(653)
Tax effect of unrecognised tax losses	2,767	1,554
Utilisation of tax losses previously not recognised	(1,362)	(363)
Effect of different tax rates for subsidiaries operating in other jurisdictions	406	46
Others	(546)	(285)
Taxation for the year	—	—

7. Loss per share

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

	2011	**2010**
Loss for the year attributable to owners of the Company for the purpose of basic loss per share	HK$(11,520,000)	HK$(2,864,000)
Number of ordinary shares:		
Weighted average number of ordinary shares for the purpose of basic loss per share	1,133,649,174	1,133,261,503
Effect of dilutive potential ordinary shares:		
Share options	7,568,999	3,908,765
Weighted average number of ordinary shares for the purpose of diluted loss per share	1,141,218,173	1,137,170,268

The computation of diluted loss per share did not assume the exercise of the Company's outstanding share options existed during the year ended 31 March 2011 since their exercise would result in a decrease in loss per share.

8. Trade and other receivables

	2011 *HK$'000*	2010 *HK$'000*
Trade receivables	1,168	2,254
Accrued revenue	—	538
Other receivables	8,594	4,632
	9,762	7,424

Payment terms with customers are mainly on credit together with deposits. Invoices are normally payable within 30 days of issuance, except for certain well established customers which are payable within 180 days of issuance. The following is an aged analysis of trade receivables at the end of each reporting period:

	2011 *HK$'000*	2010 *HK$'000*
Age		
0 to 30 days	650	1,717
31 to 60 days	82	102
61 to 90 days	205	24
More than 90 days	231	411
	1,168	2,254

9. Trade and other payables

	2011 *HK$'000*	2010 *HK$'000*
Trade payables	614	999
Customers' deposits received	2,012	1,846
Other payables	3,312	3,354
	5,938	6,199

The following is an aged analysis of trade payables presented based on the invoice date at the end of each reporting period:

	2011 *HK$'000*	2010 *HK$'000*
Age		
0 to 30 days	361	875
31 to 60 days	—	103
61 to 90 days	235	—
More than 90 days	18	21
	614	999

10. Dividend

No dividends had been paid or declared by the Company during the year (2010: Nil).

CHAIRMAN'S STATEMENT

Review

On 18 October 2010, the State Council of the Chinese government released "Decisions on Accelerating Fostering and Developing New Industries of Strategic Importance", stating that by 2015 strategic emerging industries should account for 8% of GDP and strive to achieve 15% by 2020.

The new generation of information technology ranked one of the seven emerging industries, and is positioned as a pillar industry of national economy in 2020, strategically prominent. This guidance document is the direction of long-term national industrial layout, to be followed by a number of policies to support revitalization, fine dividing industries planning and will be responded positively by local authorities. Weighting of emerging industries among national economy shall continue to rise or double up, leading to rapid growth of information technology related companies, thus its impact to the industry is broad and far reaching.

Timeless, in the past year, continued on with developments in response to the State's appeal; for example, we signed the third development agreement with the Chinese Academy of Sciences, we co-operated with the Guangdong Provincial Science and Technology and Ministry of Education for applying joint development project, so as to apply the research outcomes to primary and secondary schools, we partnered with Guangzhou trade technicians College to foster practical software development talents and we joined hands with Guangdong Southern Weekend New Media to promote digital news-stand.

Over the years, we have been exploring through partnering with various business entities, to strengthen the profitability of our business models so as to enhance our core competence. We shall actively participate in China's construction of e-Logistics web.

Given Timeless' years of effort spent on "Search" technologies, we are being selected to partner with the Open University of Hong Kong ("OUHK"), to further apply and promote the use of Technology Research in the Education industry. In October 2010, Timeless was invited by OUHK to participate in a Global Education Forum hosted in the US.

The 16th Asian Games hosted in Guangzhou in November 2010, Timeless provided full support by applying its vertical search technology to collect various games information so as to facilitate information dispatch. On the other hand, education informatization maintains its progress momentum in various locations in Guangdong.

All being said, are supporting facts to illustrate Timeless' target — "Technology Education to revitalize our country" and "Brain Power to strengthen our country". Actions are better than words; we implement them through education informatization, talent fostering and autonomous innovation. These projects can bring along long term income for Timeless and that is why we persist on our expansion.

Outlook

One of the main focus within the "Twelfth five year plan" is to stimulate domestic demand, thus our long term strategy remains unchanged. In addition to Education Informatization and Justice Informatization projects, we are making use of our strength to explore new grounds; specifically, digital publishing, e-Book and e-Logistics Web projects remain our focus points.

Of course, we are also paying close attention to any possibility that could bring in additional income and profit to the Group, and that is to say: we will not forgo any opportunity to co-operate various partners in possession of capital market or geological strength, striving for diversified development and thus bringing in more chances to help the Group's growth. We shall continue to uplift the Group's overall operating productivity and bring in better profitability foundation.

REVIEW OF OPERATIONS

Results for the year ended 31 March 2011

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 year ended 31 March 2011, the Group recorded audited turnover of approximately HK$25,091,000, representing an increase of 50% as compared to approximately HK$16,710,000 in last year. The loss attributable to owners of the Company was approximately HK$11,520,000, as compared to the loss of approximately HK$2,864,000 for the year ended 31 March 2010.

For the year ended 31 March 2011, the other income mainly comprised interest income of approximately HK$268,000 (2010: HK$672,000) and rental income from investment properties of approximately HK$565,000 (2010: HK$489,000).

Liquidity and financial resources

The Group financed its operations and investing activities primarily with internally generated cash flow.

As at 31 March 2011, the Group had bank balances and cash of approximately HK$68,636,000 (2010: HK$74,322,000).

As at 31 March 2011, the Group had outstanding borrowing of approximately HK$69,000 (2010: HK$111,000), which was an obligations under a finance lease and will be fully repaid on 30 September 2012. The Group had no bank loan outstanding as at 31 March 2011 (2010: HK$975,000).

Gearing ratio

As at 31 March 2011, the Group's gearing ratio was approximately 0.07% (2010: 1.02%), based on total borrowings of approximately HK$69,000 (2010: HK$1,086,000) and equity attributable to owners of the Company of approximately HK$93,656,000 (2010: HK$106,502,000).

Charge on the Group's assets

As at 31 March 2010, a commercial property with a carrying value of approximately HK$2,038,000 situated in Guangzhou held by a PRC subsidiary was pledged ("Pledged Asset") to a bank to secure the loan of approximately HK$975,000. During the year under review, the Pledged Asset had been released upon repayment of the secured bank loan by the subsidiary.

Capital structure

As at 31 March 2011, the Company's total number of issued shares was 1,134,561,503 (2010: 1,133,261,503). During the year, certain employees of the Group exercised share options granted to them under the 2003 share option scheme and 1,300,000 shares of the Company were issued and alloted thereof.

Segmental information

The Group is currently organised into three operating divisions — software development, hardware sales and software sales. Turnover generated from software development, hardware sales and software sales accounted for 39.8% (2010: 86.6%), 15.1% (2010: 4.1%) and 45.1% (2010: 9.3%) respectively during the year under review.

Order book and prospects for new business

The amount of orders on hand of the Group was over HK$14,202,000 as at 31 March 2011.

Material acquisitions and disposal of subsidiaries and affiliated companies

On 27 May 2010, the Company entered into a sale and purchase agreement with an independent third party to sell approximately 12% equity interest in Zhuhai Southern Software Park Development Company Limited ("ZSSP") ("Sale Interest") at a consideration of RMB10,800,000 (equivalent to approximately HK$12,706,000). Upon completion of the Sale Interest, the Company will retain a 3.31% equity interest of ZSSP. At the date of this report, the aforesaid transaction was not yet completed.

Save as disclosed above, there was no material disposal or acquisition of subsidiaries and affiliated companies for the year under review.

Future plans for material investments

The Group does not have any plan for material investments in the near future.

Exposure to exchange risks

Since the Group's borrowings and its source of income are primarily denominated in Hong Kong dollars or Renminbi and the exchange rate of Renminbi to Hong Kong dollars has been relatively stable throughout the year under review, the exposure to foreign exchange rate fluctuations is minimal.

Contingent liabilities

As at 31 March 2011, there were no material contingent liabilities incurred by the Group.

Employee information

As at 31 March 2011, the Group employed a total staff of 51. Staff remuneration is reviewed by the Group from time to time and increases are granted normally annually or by special adjustment depending on length of service and performance when warranted. In addition to salaries, the Group provides staff benefits including medical insurance and provident fund. Share options and bonuses are also available to employees of the Group at the discretion of the directors and depending upon the financial performance of the Group.

Purchase, sale or redemption of the Company's listed securities

During the year, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

Audit Committee

The audit committee comprises three independent non-executive directors, Ms. Tsang Wai Chun Marianna, Mr. Chan Mei Ying Spencer and Mr. Lam Kwai Yan. The audit committee has reviewed the audited financial results of the Group for the year ended 31 March 2011.

Code on Corporate Governance Practices

The Company has complied with the code provisions of the Code on Corporate Governance Practices contained in Appendix 15 to the GEM listing Rules, except that Mr. Cheng Kin Kwan holds the dual roles of being the chairman and the chief executive officer of the Company. The Board considers that this structure will not impair the balance of power and authority between the Board and the management of the Company. The Board also believes that Mr. Cheng's appointment as both the chairman and chief executive officer is beneficial to the business prospects of the Company, better facilitates the execution of the Group's business strategies and maximizes effectiveness of its operations. A Corporate Governance Report will be dispatched with the annual report of the Company.

On behalf of the Board
Cheng Kin Kwan
Chairman & Chief Executive Officer

Hong Kong, 23 June 2011

As at the date of this announcement, the executive Directors are Mr. Cheng Kin Kwan, Mr. Law Kwai Lam, Ms. Leung Mei Sheung, Eliza, Ms. Zheng Ying Yu, Mr. Fung Chun Pong, Louis and Mr. Liao Yun; and the independent non-executive Directors are Ms. Tsang Wai Chun, Marianna, Mr. Chan Mei Ying, Spencer and Mr. Lam Kwai Yan .

This announcement will remain on the GEM website (www.hkgem.com) on the "Latest Company Announcements" page for at least 7 days from the day of its posting and on the Company's website (www.timeless.com.hk).