



TIMELESS SOFTWARE LIMITED
(incorporated in Hong Kong with limited liability)

RESULTS ANNOUNCEMENT
For the year ended 31 March 2000

**Characteristics of The Growth Enterprise Market (“GEM”) of The
Stock Exchange of Hong Kong Limited (the “Exchange”)**

GEM has been established as a market designed to accommodate companies to which a high investment risk may be attached. In particular, companies may list on GEM with neither a track record of profitability nor any obligation to forecast future profitability. Furthermore, there may be risks arising out of the emerging nature of companies listed on GEM and the business sectors or countries in which the companies operate. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.

Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board and no assurance is given that there will be a liquid market in the securities traded on GEM.

The principal means of information dissemination on GEM is publication on the internet website operated by the Exchange. Listed companies are not generally required to issue paid announcements in gazetted newspapers. Accordingly, prospective investors should note that they need to have access to the GEM website in order to obtain up-to-date information on GEM-listed issuers.

The Stock Exchange of Hong Kong Limited takes no responsibility for the contents of this announcement, makes no representation as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss however 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

Financial Highlights

- Revenue increased by 254% to reach HK\$155.2 million
- Operating expenses reduced by 11.9%
- Profit for the year reached HK\$68.9 million, exceeding the forecast made at the time of the prospectus by 241%
- Profit margin achieved for the year was as high as 44.4%
- Earnings per share was HK12.75 cents
- Revenue from the PRC grew by over 30 times

RESULTS

The Board of Directors (“Board”) of the Company is pleased to announce the audited consolidated results of the Company and its subsidiaries (“Group”) for the year ended 31 March 2000 together with the comparative audited figures for the corresponding period in 1999 as follows:

	<i>Note</i>	Year ended 31 March	
		2000	1999
		<i>HK\$'000</i>	<i>As restated (Note 4) HK\$'000</i>
Turnover	2	141,649	43,346
Other revenues	2	<u>13,553</u>	<u>491</u>
		155,202	43,837
Cost of sale of computer software and hardware		(34,653)	(3,566)
Staff costs		(28,355)	(34,870)
Depreciation		(3,367)	(2,398)
Other operating expenses		<u>(12,170)</u>	<u>(12,533)</u>
Operating profit/(loss)		76,657	(9,530)
Finance costs	3	<u>(2,582)</u>	<u>(6,105)</u>
Profit/(loss) before taxation		74,075	(15,635)
Taxation	5	<u>(5,170)</u>	<u>—</u>
Profit/(loss) for the year retained		<u><u>68,905</u></u>	<u><u>(15,635)</u></u>
Earnings/(loss) per share - Basic	6	<u>12.75 cents</u>	<u>(6.39) cents</u>

Notes:

1. **Basis of presentation**

The Company is incorporated in Hong Kong and its shares were listed on The Growth Enterprise Market of The Stock Exchange of Hong Kong Limited on 25 November 1999.

The accounts have been prepared in accordance with accounting principles generally accepted in Hong Kong and comply with accounting standards issued by the Hong Kong Society of Accountants. The accounts are prepared under the historical cost convention.

The consolidated accounts include the accounts of the Company and all its subsidiaries made up to 31 March. The results of subsidiaries acquired or disposed of during the year are included in the consolidated profit and loss account from the effective date of acquisition or up to the effective date of disposal, as appropriate.

All significant intercompany transactions and balances within the Group are eliminated on consolidation.

2. Revenue and turnover

The Group is principally engaged in the provision of computer consultancy services, the development and sale of computer software, and magazine publishing. Revenues recognised during the year are as follows:

	Year ended 31 March	
	2000	1999
	HK\$'000	HK\$'000
Turnover		
Income from the provision of computer consultancy services	104,387	38,407
Sale of computer hardware and software	37,189	4,137
Advertising income	61	725
Subscription income	<u>12</u>	<u>77</u>
	<u>141,649</u>	<u>43,346</u>
Other revenues		
Interest income	9,337	345
Commission received	482	146
Write back of long outstanding payables and provisions	492	—
Dividends received from other investments	51	—
Realised gain on other investments	607	—
Net waiver of accrued interest on loans from a shareholder and former director	1,805	—
Net exchange gain	682	—
Miscellaneous income	<u>97</u>	<u>—</u>
	<u>13,553</u>	<u>491</u>
Total revenues	<u>155,202</u>	<u>43,837</u>

3. Finance costs

	Year ended 31 March	
	2000	1999
	HK\$'000	HK\$'000
Interest on		
Loans from a shareholder	2,524	5,658
Amount due to a third party	<u>58</u>	<u>447</u>
	<u>2,582</u>	<u>6,105</u>

4. Change in accounting policy of pre-operating costs and prior year adjustment

It is now the Group's accounting policy to charge all the pre-operating costs of new ventures to the profit and loss account in the year in which they are incurred.

In prior years, the pre-operating costs of the new ventures were deferred and amortised over a period of five years from commencement of commercial operations. During the year ended 31 March 2000, the Group has adopted a policy of charging all pre-operating costs of new ventures to the profit and loss account as recommended by the Statement of Standard Accounting Practice No.1 "Presentation of Financial Statements" issued by the Hong Kong Society of Accountants. The loss for the year ended 31 March 1999 and the capital deficiency as at 31 March 1999 have been increased by HK\$2,338,000 to reflect the adoption of this new policy. The change in accounting policy has had the effect of decreasing the profit for the year ended 31 March 2000 and net assets as at 31 March 2000 by HK\$128,000.

5. Taxation

Hong Kong profits tax has been provided at the rate of 16% on the estimated assessable profit for the year. No provision for Hong Kong and overseas taxes has been made in previous year's accounts as the Group had no assessable profits in these jurisdictions in previous year.

No provision for income tax of the People's Republic of China ("PRC") has been made in the accounts as the subsidiary in the PRC has no assessable profit for the year ended 31 December 1999 and is entitled to a 100% tax relief for the year ending 31 December 2000. Pursuant to the tax rules in the PRC, this PRC subsidiary is also entitled to a 100% tax relief for the year ending 31 December 2001 and 50% tax relief for the three years ending 31 December 2004.

A potential deferred tax asset of approximately HK\$9,229,000 (1999: HK\$13,610,000) relating to estimated tax losses available for carry forward has not been recognised in the accounts as the crystallisation of this asset in the foreseeable future is uncertain.

6. Earnings/(loss) per share

The calculation of the basic earnings/(loss) per share is based on the Group's profit for the year retained of HK\$68,905,000 (1999: loss of HK\$15,635,000) and the weighted average number of 540,583,468 shares (1999: 244,602,739 shares after adjusting for the stock split taken place during the year ended 31 March 2000) in issue during the year.

DIVIDEND

The Board does not recommend the payment of a final dividend (1999: Nil).

RESERVES

	Share premium		Accumulated loss		Total	
	2000	1999	2000	1999	2000	1999
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Issue of shares	481,778	—	—	—	481,778	—
Profit/(loss) for the year (1999:as restated)	—	—	68,905	(15,635)	68,905	(15,635)
Write off of goodwill on consolidation	—	—	(17)	(1,406)	(17)	(1,406)
At 1 April						
As previously stated	—	—	(71,358)	(56,655)	(71,358)	(56,655)
Prior year adjustment (note 4)	—	—	(2,338)	—	(2,338)	—
As restated	—	—	(73,696)	(56,655)	(73,696)	(56,655)
At 31 March	<u>481,778</u>	<u>—</u>	<u>(4,808)</u>	<u>(73,696)</u>	<u>476,970</u>	<u>(73,696)</u>

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

During the period from 25 November 1999 (date of listing) to 31 March 2000, there were no purchase, sale or redemption by the Company, or any of its subsidiaries, of the Company's listed securities.

BUSINESS OBJECTIVES REVIEW

The Group generated a profit of HK\$68.9 million in the year ended 31 March 2000, which is 241% over the profit forecast made in the prospectus for the placing and listing of the Company's shares on the GEM of the Exchange. The reasons behind such achievement will be discussed in more details in the Chairman's Statement

In addition to the financial results, the Group has been making progress in other business objectives stated in the prospectus.

Revenues

The Group has increased revenue generated from software services in the People's Republic of China ("PRC") by over 30 times to approximately HK\$15.5 million in the year ended 31 March 2000. The proportion of PRC -

generated revenues relative to the Group's total revenues increased from about 1% last year to 10% this year. To cope with the growth in business, the Group's PRC — based employees grew from 49 to 85 in the 7 months from September 1999 to March 2000.

Product development

The Group has been providing Internet services to various portals operated in the PRC, including those related to China Telecom. In Hong Kong, the Group has successfully launched the www.tdctrade.com portal for the Trade Development Council of Hong Kong and has been providing business-to-business (“B2B”) and business-to-consumer (“B2C”) e-commerce applications for a number of online trading companies. The Group is also working in conjunction with Hewlett-Packard to provide Internet payment services for a quasi-government body.

Marketing

The Group is in negotiation with relevant official bureaus in the PRC regarding publication and copyright, as part of the process to obtain an authorized International Standard Book Number (“ISBN”) for the IT Magazine owned by the Group, and has submitted an application for such purpose.

Among other promotional activities, an “Internet saloon” was held in the Group's Guangzhou, PRC office in January 2000 with the theme of “Current status and opportunity of e-commerce in China” and “Total solution for super web-sites management”. The event attracted considerable interest among Internet content providers (“ICP”s) and e-commerce companies in the PRC, and brought encouraging business opportunities for the Group's PRC operation.

Acquisitions, subsidiaries and branches

The Group has tentatively identified the location of a new branch office in Beijing, and is working towards the opening of this operation in the second quarter of the Group's financial year.

In the year ended 31 March 2000 the Group invested, through its wholly owned subsidiary Timeless Strategy Limited, approximately HK\$54 million in five technology and e-commerce companies. These companies include those possessing technological capabilities in multinational language processing, broadband Internet applications, as well as companies offering online trading and payment services, which also fall into the business category of eDynasty21.com, another subsidiary of the Group.

The Company invested approximately HK\$15.6 million in i100 Corporation, and has entered into a memorandum of understanding with subsidiaries of the Ministry of Information Industry (“MII”) and the State Development and Investment Corporation Group of the PRC which may lead to further investment in the Zhuhai Southern Software Park. The details of such were given in the interim report for the quarter ended 31 December 1999.

CHAIRMAN’S STATEMENT

A Record Year

The Company became the first company listed on GEM on 25 November 1999, marking a significant milestone in the development of the information technology (“IT”) industry in Hong Kong.

Boosted by a robust 4th quarter, the Group generated a profit of HK\$68.9 million on revenues of HK\$155.2 million in the year ended 31 March 2000, yielding a respectable 44.4% profit margin. The result is substantially higher than the forecast made in the Group’s prospectus, and the profit made in this year alone is sufficient to offset almost the total accumulated deficit of the Group in the preceding three years. Amid the recent deep corrections in the technology and Internet counters, the Group’s record performance demonstrates solid proof of our unique business model.

The outstanding performance is a result of the Group’s capability to capture the surge in demand for sophisticated software solutions, especially those centered around e-commerce and Internet technology, providing the most demanded products, solutions and services in record time. After over three years of intensive research and development (“R&D”), we launched our cross platform, multilingual Internet Technology Platform in the 2nd quarter of the year ended 31 March 2000 and in a few months it became a major contributor to the Group’s revenue and margin. The Group is also making good progress in penetrating into the China market, and has been successfully leveraging on the substantial resource in China to improve the cost structure of the Group’s R&D such that productivity increases significantly while expenses are kept under control.

Right Time, Right Market, Right People

Internet technology is expected to remain the Group’s major source of revenue and profit margin in the coming years. The Group has successfully

built a very high technical entry barrier to its core business by focusing on the provision of sophisticated Internet portal and e-commerce platforms, which is the most sought- after capabilities in the market as demonstrated by strong demand from the new economy.

The expected admission of China into the World Trade Organization (“WTO”) and the PRC government’s policy of prioritising IT development are making China a very viable market.

The Group is an early entrant to the software market in the PRC and has formed a very good relationship with MII, the government authority overseeing IT and telecommunications development in the PRC, through a co-operation in the Zhuhai Southern Software Park. Technologically, all solutions offered by the Group have the China market in mind and have built-in Globalization functionalities, a technology to process the same application in multiple languages. As such, our PRC business is growing at an extremely rapid rate and Globalization technology is set to be another important source of revenue for the Group.

As veterans in the industry, we understand that software is a human business. A consistent management culture in an ever changing technological and market environment is the intangible yet most important success factor of the Group. Timeless has established a solid reputation in the market and is able to continually attract a new generation of IT talents for its expansion. It is especially so for the PRC in which the Group has devoted substantial effort to build a solid management practice and technological framework such that the potential of IT talents can be leveraged in software development of all kinds. Our PRC operation is managed by talented PRC professionals and their contribution goes beyond serving the market of the PRC, but also providing a vast resource pool to fuel the strong growth of the whole Group.

The Power of Technology

There have been three stages of evolution in human history, from an agricultural society to an industrial society, eventually advancing to the technological society of today. In the agricultural days, people competed physically. Since the industrial revolution, people leveraged on machinery. In the new economy dominated by technology, the key to success is the ability to quickly turn experimental technology to the market and therefore profit.

Since inception, the management of the Company has correctly envisaged the sea change to be brought by the Internet in which the major purpose and

approach of computing are redefined. We were among the earliest entrants that have devoted its resources in building a complete Internet Technology Platform, which is essential to any serious Internet and e-commerce business.

The Company is a clear leader among Internet Technology Providers (“ITP”s). Our capabilities in building high-end, sophisticated portals rapidly have been elegantly demonstrated by our success in the like of www.gznet.com for China Telecom, www.tdctrade.com for the Trade Development Council of Hong Kong, and the www.asia-steel.com and www.echinasteel.com series of B2B portals. We have provided over 30 customers from the United States, China and the rest of Asia with best-of-breed, state-of-the-art software solutions to their mission-critical Internet and e-commerce initiatives.

While our Internet Technology Platform is becoming more mature and complete, the common functionalities required by a high-end portal of any kind from the market is also converging. We are among the few ITPs that can provide a standard product covering over 80% of the requirement of most Internet-centric solutions. There is a high potential for us to productise our Internet solution and establish distribution channels in the near future to enhance our capacity to the next dimensions.

Technology without Border

Internet links up the whole world of diversified languages, cultures and practices, which is quickly becoming a single, unified, huge marketplace. There is an emerging demand for solutions to bridge all such gaps between different web sites and portals.

In our listing prospectus, we indicated our focus in localisation technologies. However seeing that there is applicability in multiple languages we believe that it is more appropriate to rename this line of business as “globalisation”. Our niche expertise in software globalization enables our Internet solutions to fully support multiple languages, including but not limited to different versions of Chinese, Japanese, Korean, Thai and English. As examples, our portals possess the capability of displaying characters of multiple languages in the same web page simultaneously, which is very important for multinational B2B portals. Our online translation engines have achieved efficiency and accuracy not found elsewhere in the world.

We are the only major ITP known for offering portal solutions compatible with all major languages. We have been partnering with companies offering European languages processing technology and integrating those into our Internet Technology Platform. It is worth noting that in the 4th quarter of this

financial year, revenue from the US based customers presented an encouraging trend. There has been remarkably strong response for our products from overseas despite of our minimal promotional effort there. We will continue to look for opportunities to enhance our overseas distribution capabilities by forming alliances with US and European companies with established distribution network.

Ahead of Change

Our success today rests upon our earlier vision in the trend of technological and market development, which is paying off now. We have built a high technological barrier of entry to our core technology and targeted market, which shall continue to benefit the Group in the foreseeable future. However, we are fully aware of the rapidly changing nature of the IT industry, and are already intensively working on forthcoming technologies and exploring new, under-penetrated markets, just like what we have been doing over the past four years.

Our technological focus is centered around software building blocks and infrastructure to support future trends in Internet applications. These cover but are not limited to the:

- Broadband software;
- Wireless application including WAP;
- ASP backend technologies;
- 3G mobile telecommunication; and
- InfraNet (still an alien word in vocabulary of today).

Broadband

There is a comparatively low availability of broadband Internet access in Asia today, but we reckon this will improve sooner than anticipated . The responsiveness and interactivity of broadband Internet will make it the only major way of communication in the human society. There will come a time when broadband Internet applications become the most demand products in the world, like portal and e-commerce solutions nowadays.

Our Internet Technology Platform has the design vision and sophistication to accommodate broadband functionality. Since there is virtually no mature broadband software available now, the Group will continue to focus on

developing the generic components and horizontal platforms, investing in and integrating any vertical applications as they emerge from the market. We are again among the early birds in this new territory and our broadband Internet solutions will be the most complete and timely for the market. We are excited by this golden opportunity to extend our technological leadership in the global Internet software marketplace.

China

While Hong Kong was the most important market for the Group last year, China is the most under-penetrated substantial market in the world in terms of software and Internet. We believe the IT industry, especially the software industry in China is heading for a take off. We have observed a very substantial demand for quality software and Internet solutions from the great country and the Group expects to be the one who can fill the gap. We intend to invest aggressively in branding the Company in China and will open more branches in major cities. We shall also pay attention to acquisition opportunities to supplement our business model and enhance our market coverage.

As a technology company based in a country that is not yet a major market of technology, the road of Timeless has not been easy. The Timeless legend is one born out of software and Internet technology by Chinese, yet with a target to be a world- class technology leader. It has been a unique story that with few believers at the beginning. We overcame difficulties and defied skeptics by sticking to the business model in which we believe, that of a software and ITP investing in talented people and cutting edge technology.

Everything is changing and so should our way of thinking. That is precisely why some are stronger than others, and why some companies do better. The excellent result achieved in the year may come as a surprise to some, but certainly not to our dedicated and committed management team and staff, who have put in relentless effort throughout the year to make it happen. Timeless will continue to prove to be a genuine winner by applying the power of technology to a borderless new economy, at the right time, in the right place, by the right people.

By Order of the Board
Cheng Kin Kwan
Chairman

Hong Kong, 18 May 2000

Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN that the Annual General Meeting of the Company will be held at Grand Salon III, Grand Hyatt Hong Kong, 1 Harbour Road, Hong Kong on Friday, 7 July 2000 at 3:00 p.m. for the following purposes:—

1. To receive and consider the audited financial statements and the reports of the directors and auditors for the year ended 31 March 2000;
2. To re-elect directors; and
3. To appoint auditors and to authorise the directors to fix their remuneration.

By Order of the Board
Law Kwai Lam
Secretary

Hong Kong, 18 May 2000

Notes:

1. *A member of the Company entitled to attend and vote at the above meeting is entitled to appoint one or more proxies to attend and, on a poll, vote instead of him. A proxy need not be a member of the Company.*
2. *In order to be valid, the form of proxy together with any power of attorney or other authority, if any, under which it is signed or a notarially certified copy of that power or attorney, must be deposited at the registered office of the Company at 22/F, China Resources Building, 26 Harbour Road, Hong Kong not less than 48 hours before the time appointed for holding the meeting or any adjournment thereof.*

This announcement will remain on the GEM website on the “Latest Company Announcements” page for 7 days from the day of its posting