



# **Timeless Software Limited**

*(incorporated in Hong Kong with limited liability)*

## **INTERIM REPORT**

**For the quarter ended 30 September 2001**

### **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.**

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*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 unaudited consolidated results of the Company and its subsidiaries (“Group”) for the six and three months ended 30 September 2001 together with the comparative unaudited figures for the corresponding periods in 2000 as follows:

	Note	Six months ended 30 September		Three months ended 30 September	
		2001 HK\$'000	2000 HK\$'000	2001 HK\$'000	2000 HK\$'000
Turnover	2	45,223	59,021	29,288	25,646
Other revenues	2	4,426	27,954	2,165	23,124
		<u>49,649</u>	<u>86,975</u>	<u>31,453</u>	<u>48,770</u>
Cost of sale of third party computer software and hardware		(2,775)	(17,470)	(1,978)	(12,261)
Staff costs		(17,416)	(20,811)	(9,394)	(10,416)
Depreciation and amortisation		(7,711)	(2,196)	(4,396)	(1,626)
Other operating expenses		<u>(16,790)</u>	<u>(7,451)</u>	<u>(12,858)</u>	<u>(3,557)</u>
Operating profit		4,957	39,047	2,827	20,910
Finance costs	3	(2,752)	(3,908)	(1,276)	(924)
Share of loss of the jointly controlled entity		<u>(322)</u>	<u>—</u>	<u>(115)</u>	<u>—</u>
Profit before taxation		1,883	35,139	1,436	19,986
Taxation	4	<u>—</u>	<u>(5,100)</u>	<u>—</u>	<u>(5,100)</u>
Profit after taxation		1,883	30,039	1,436	14,886
Minority interests		<u>976</u>	<u>—</u>	<u>838</u>	<u>—</u>
Profit for the period retained		<u><u>2,859</u></u>	<u><u>30,039</u></u>	<u><u>2,274</u></u>	<u><u>14,886</u></u>
Earnings per share					
— Basic	5	<u>0.36 cents</u>	<u>4.01 cents</u>	<u>0.28 cents</u>	<u>1.98 cents</u>

Notes:

1. **Basis of presentation**

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 unaudited consolidated results include the results of the Company and all its subsidiaries made up to 30 September. The results of subsidiaries acquired or disposed of during the period 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 and customer relationship management services, development of computer software, sale of third party computer hardware and software, and magazine publishing. Revenues recognised during the period are as follows:

	<b>Six months ended</b>		<b>Three months ended</b>	
	<b>30 September</b>		<b>30 September</b>	
	<b>2001</b>	<b>2000</b>	<b>2001</b>	<b>2000</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Turnover				
Income from the provision of computer consultancy services	41,417	38,005	26,443	13,008
Sale of third party computer hardware and software	3,554	20,914	2,640	12,600
Income from the provision of customer relationship management services	173	—	173	—
Advertising income	76	76	30	19
Subscription income	<u>3</u>	<u>26</u>	<u>2</u>	<u>19</u>
	<u>45,223</u>	<u>59,021</u>	<u>29,288</u>	<u>25,646</u>

	<b>Six months ended</b>		<b>Three months ended</b>	
	<b>30 September</b>		<b>30 September</b>	
	<b>2001</b>	<b>2000</b>	<b>2001</b>	<b>2000</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Other revenues				
Interest income	3,805	8,033	1,837	3,358
Write back of long outstanding payables and provisions	165	41	39	41
Dividend income	144	—	144	—
Realised gain on investment securities	67	19,508	—	19,508
Convertible loan note interest	190	—	130	—
Net exchange gain/(loss)	—	301	(22)	177
Miscellaneous income	<u>55</u>	<u>71</u>	<u>37</u>	<u>40</u>
	<u>4,426</u>	<u>27,954</u>	<u>2,165</u>	<u>23,124</u>
Total revenues	<u>49,649</u>	<u>86,975</u>	<u>31,453</u>	<u>48,770</u>

### 3. Finance costs

	<b>Six months ended</b>		<b>Three months ended</b>	
	<b>30 September</b>		<b>30 September</b>	
	<b>2001</b>	<b>2000</b>	<b>2001</b>	<b>2000</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Interest on				
Convertible note	1,252	743	610	743
Bank loan	1,484	—	658	—
Acquisition of land and building paid to vendor	—	3,145	—	171
Finance lease	<u>16</u>	<u>20</u>	<u>8</u>	<u>10</u>
	<u>2,752</u>	<u>3,908</u>	<u>1,276</u>	<u>924</u>

#### 4. **Taxation**

	<b>Six months ended</b>		<b>Three months ended</b>	
	<b>30 September</b>		<b>30 September</b>	
	<b>2001</b>	<b>2000</b>	<b>2001</b>	<b>2000</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Hong Kong profits tax				
Current period provision	—	2,700	—	2,700
Underprovision in prior period	<u>—</u>	<u>2,400</u>	<u>—</u>	<u>2,400</u>
	<u>—</u>	<u>5,100</u>	<u>—</u>	<u>5,100</u>

No Hong Kong profits tax has been provided in the accounts as the Group has no assessable profit for the period.

No provision for income tax of the People's Republic of China ("PRC") has been made in the accounts as the subsidiaries in the PRC have no assessable profits for the period under review. The subsidiaries in the PRC are entitled to 100% tax relief for the year ended 31 December 2000 and the year ending 31 December 2001.

No provision for taxation for an overseas subsidiary is required as this overseas subsidiary has no assessable profit for the period.

No deferred tax asset relating to tax losses has been recognised in the accounts as the crystallisation of the deferred tax asset in the foreseeable future is uncertain.

#### 5. **Earnings per share**

The calculation of the basic earnings per share is based on the Group's profit attributable to shareholders for the six and three months ended 30 September 2001 of HK\$2,859,000 and HK\$2,274,000 (2000: HK\$30,039,000 and HK\$14,886,000) and the weighted average number of 797,265,448 shares and 824,098,660 shares (2000: 750,000,000 shares) in issue during the periods.

No diluted earnings per share has been presented for the six and three months ended 30 September 2001 as there is no material dilution arising from the share options granted by the Company and the outstanding convertible note has anti-dilutive effect.

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## **INTERIM DIVIDEND**

The Board does not recommend the payment of an interim dividend for the quarter ended 30 September 2001 (2000: Nil).

## **MOVEMENT OF RESERVES**

During the three months ended 30 September 2001, 44,429,094 shares and 2,869,035 shares were issued and allotted at HK\$1.043 and HK\$0.985 per share respectively as payment of consideration for acquisitions, resulting in an increase of HK\$46,800,638 in the share premium account.

## **BUSINESS REVIEW AND OUTLOOK**

### **Special providence**

This report reviews a quarter full of extraordinary events. Unquestionably, the horrible attacks in the United States (“US”) on 11 September 2001 (“911 incident”) which we all witnessed live were extraordinary affairs in the extreme; but little was known that but for divine intervention, the fall of the World Trade Center (“WTC”) in New York would have brought the Group’s US operation, embryonic though it was, and our Chairman with it. The Group had originally planned to take occupation of office premises on the 89th floor of Tower 1 of WTC from 1 September 2001 and the Chairman had made arrangements to be there to inaugurate the office and to personally oversee the US operation in its initial months. That date was at the last minute postponed to await completion of the Group’s joint technology redevelopment projects with Tsinghua University. In hindsight, it could be that the sincere desire to bring to the US market the Group’s very best had miraculously saved the Group from harm.

To many within the Group, the stroke of good fortune had symbolic connotations, and after the event, a powerful dose of enthusiasm seemed to have impregnated our staff. As if on a signal, they rallied around core management with a surge of rekindled energy and determination to undergo fundamental changes and meet any challenges arisen out of the 911 tragedy.

The 911 incident dealt a severe blow to our affiliates, in particular, those preparing for a listing, those with trading activities in Europe and US or those already listed in Europe and US. While they are adapting to the changes, it should be noted that the extent of the impact of the 911 attacks is yet to be quantified or fully appreciated. On the other hand, the Group’s core business was not negatively affected in the current quarter, which was a positive sign,

and the positive effect is growing more evident each day. The initiation of operation in the US, the consolidation at Timeless' headquarters in Hong Kong and the technology development breakthroughs in the PRC have been efficiently and steadily progressing as planned.

### **Continuous profits**

Despite the 911 incident, we remained profitable in the second quarter. Total revenues amounted to HK\$31,453,000. Profit before taxation amounted to HK\$1,436,000 representing a decrease of HK\$18,550,000 compared to the same quarter last year. If the profit on disposal of investment securities of the same quarter last year was not taken into consideration, profit for the current quarter would be on a comparable level to that of the same quarter last year. Moreover, profit for this quarter is 3.2 times that of the previous quarter. The most important is that this was the tenth consecutive profitable quarter of the Group despite continuous global disasters.

At the end of this quarter, contracts on hand was close to HK\$500,000,000, the highest record since the founding of the Group. This can be attributed to the technological strength of the Timeless ITP consolidated platform. These contracts were all information technology projects closely in line with our core business, and the execution and progress of these projects have been satisfactory and over expectation.

In light of the many uncertainties and difficulties in the period under review, I feel delighted to be able to report such quarterly results.

### **Special honour - National Software Development Base**

Zhuhai Southern Software Park ("ZSSP"), which Timeless has a 28.5% interest, has been officially designated a National Software Development Base in a formal ceremony in Zhuhai on 23 August 2001 by the State Development and Planning Commission and the Ministry of Information Industry of the People's Republic of China ("PRC"). That ZSSP was chosen from thousands of similar software parks and science parks and became one of the eleven national software development bases, had a special significance. Ever since the founding of the PRC, Timeless was the first and until now the only non-domestic (foreign) company to participate in a PRC national-class business venture. Moreover, ZSSP is the only one among the eleven national software development bases with such a non-domestic company's participation. Timeless' early investment in China several years ago again proved to be correct and visionary.

PRC government provides full range of support to such national software development bases, including but not limited to direct, outright financial grant. The government has made RMB20 million in grant to ZSSP.

The upgrade in its classification, or operational level, bestowed on ZSSP not only a special honour, or endorsement, but the qualification to access projects and contracts of the highest priority and importance. The Group and Timeless Southern (Zhuhai) Software Company Limited (the 80/20 joint venture company between Timeless and ZSSP) would be certain to also take part in many of those projects, contribute their respective expertise and share in the benefits.

On the infrastructure side, ZSSP has also been busy. The implementation of the Software Park's network systems is being undertaken by the Group and the second phase of the Park's development has commenced.

### **Special formula - the hard and soft sides of logistic and software export businesses into one venture**

Months of intensive negotiations between The People's Government of Tianjin Municipality ("Tianjin Government"), Tianjin Port Free Trade Zone ("Free Trade Zone") and Timeless ended this quarter in two signed agreements which were beneficial to all the parties concerned. Timeless was awarded a service contract to develop logistic software for the Free Trade Zone. In addition, Timeless, Tianjin Airport International Logistics Co., Limited ("Tianjin Airport Logistics", an international logistics base and a subsidiary of the Free Trade Zone) and Tianjin Center of the Electronic Information Application Service ("Tianjin Center", a subsidiary of the Information Industry Office of Tianjin Government) have agreed to form an equity joint venture company, 天津時空軟件有限公司, in which Timeless and Tianjin Airport Logistics each holds 45% and Tianjin Center holds the remaining 10% stake.

With the national software development base as the pearl in the south, Timeless possesses another glittering gem in the north. Timeless and Tianjin have formed the first software export base in the PRC and the software export base is the first international logistic development enterprise in the Free Trade Zone.

Unlike the many logistic centers and companies yet on the drawing board with their pros and cons still in vigorous debate, the Free Trade Zone has been an international logistic center for many years. Up to now, more than HK\$240 billion worth of goods had flowed through the Free Trade Zone, making the zone the biggest international logistic and international trade centre, the



biggest tax free port and the market-place richest in production information in northern China. In a press conference after the contract signing in Hong Kong, the chief executive of this logistic zone pronounced that Timeless was chosen to be the partner in the joint venture over many top multi-nationals who had spent many years chasing after the project on the unique combination of advantages Timeless possesses: they include advantage in technology development capability that is second to none; advantage in the depth of market knowledge; advantage in the established relationship with all levels of government authorities; and advantage in having the whole-hearted participation and backing of the Tsinghua University.

Unlike other traditional logistic businesses, 天津時空軟件有限公司, the joint venture between three partners, will be a modern international logistic enterprise that combines “hard” and “soft” as well as innovation and tradition. This enterprise integrates software export, modern logistic and free trade zone into one body. With the support of three main technology streams namely real-time, dynamic and virtual, logistic as the core and software as a vehicle, this enterprise will build up a modern international logistic information platform and develop a large scale, component based, logistic software application system.

The construction and operation of such a modern international logistic enterprise will provide Timeless with endless technology projects, new market needs and profit sources. The computerization of the logistic zone, completion of logistic products and cross-platform products would lead to the foundation of modern international logistic standard. This will generate profit beyond estimation. This standard will mark the coming of a new era whereby software (including import and export of software products) will be the leading component of, as well as a product that passes through, the logistic process. This standard is a product of the era of technological knowledge and is founded by Timeless and Tianjin, and will be another sources of profit for Timeless.

### **Informatization projects over the consolidated platform**

Our contracts on hand amounted to approximately HK\$500,000,000. In order to accelerate the speed and amount of our cash collection, we have specifically concentrated our major effort on project development and adjustment of our management hierarchy, and have achieved the following major results:

A number of key projects below were completed or basically completed (a substantial amount of cash has been collected).

Beijing Sports Bureau Project is the earliest one to provide technological achievement to the digitalization of Beijing City and China Olympic technological and electronical management. The dayoo.com developed for Guangzhou Daily is an important breakthrough for informatization of the large media in China. Several software systems developed for Huawei Technologies Co., Limited have enabled Timeless to become a long-term software developer for the largest private communication enterprise in China. Education Net projects for Nanhai and Yunnan have enabled Timeless to become an early bird in the education informatization process of China. In addition, Timeless has finished the construction of a search engine project for the Hong Kong SAR Information Technology Services Department (ITSD) etc.

Our clients of these projects are well known in the market and appraise the quality and speed of work performed by Timeless. More projects have been introduced by these clients to Timeless and further negotiations and discussions are in progress.

A number of projects below are carried on seriously in an organized way.

These projects include: PartnerNet Project for the Hong Kong Tourism Board — to provide the Hong Kong Tourism Board and the tourism industry in Hong Kong, for the first time, with an advanced interactive communication bridge to assist in promoting and uplifting the competitiveness and attraction of the tourism industry in Hong Kong; Tianjin Information Port Project; The overall design and planning of the Software Export Base and Logistic Project; The development of the Timeless-Tsinghua Research Center; and the five provincial informatization projects including Certificate Authentication (CA) for West China Electronic Business Co., Ltd.

The projects in progress have received the whole-hearted support and close co-operation of our clients. This is rare and valuable to a software development company.

The completion and progress of the above-mentioned projects in the current quarter have significant contribution to the current and future cashflows as well as the profitability and foundation of Timeless' core business.

Firstly, the value of these projects is large, and these projects can serve the needs of the current and future vast market. The completion of these projects

will create a series of integrated solutions that can be re-used, extended and promoted in the market, and hence profit can be generated and accumulated periodically. For example, several informatization projects in the Ningxia Hui Autonomous Region (Province) can be promoted to all enterprises in the whole Region. The combination of these projects will also provide a provincial informatization consolidated solution that is ready to be presented and promoted to other provinces in China. In the coming years, China is expected to spend over trillions of dollars on informatization, in particular education and logistic projects. The potential of this market is the biggest in the world.

Secondly, although these projects are inter-related, they all focused to one point — they are integrated informatization solutions on a consolidated platform from a technical point of view, and the reliance on any single platform will not be successful. For example, a lot of users of these projects have rejected adopting a single platform and chose Timeless' consolidated platform instead. Although this software development has great profit potential, no company has even started or has the confidence of success in such software development due to the technical difficulty and the huge amount of development costs involved. However, with the foundation of our ITP consolidated platform, the whole-hearted support from the Timeless-Tsinghua Research Center and the co-operation of various Chinese government bodies and clients, projects that we have completed or started would be successful. These advantages will benefit Timeless from increasing the market share, or even dominate certain major key projects.

Thirdly, the commencement and completion of these comprehensive projects will provide Timeless with various platform products suitable for the vast market. During this process, we may develop several new platform products to complete the projects or may produce new platform products via the completion of projects. No company is capable and courageous enough to persist on such unique comprehensive product and project interaction and supplementation. This will be the guarantee of profit to Timeless.

## **Issues to address**

As a software company in a sluggish economy of the world, we have to face the aftermath of the technology bubble and the 911 disaster. We have no previous cases to follow and no support to rely upon, but we are determined to turn negative to positive, to transform danger into safety, and to be successful in software development in the age of technological knowledge. We

are still determined to maintain the profitability and growth of our core business in times of economic crisis. As the first company listed on GEM in Hong Kong, we are still determined to continue with our success although there has been a lot of business failure around.

Timeless has to tackle many issues when we are facing challenges:

Although our cash level is still above the safety line, we still need to strengthen our sense of contingency and crisis management. We have to enhance the speed and amount of cash collection as well as costs saving.

Our measures on the consolidation of our affiliates have not achieved major results, save for certain non-core activity income of minor amounts. We would monitor the development of these affiliates closely so as to keep any negative effect to a minimum.

Under the new environment, the software development of Timeless should be more uniquely carried on. Our management hierarchy should cope with such development and the co-operation between Hong Kong, China and US should be improved.

The core business of Timeless is in stable continuous development and we are affirmative about our current and future profit generating status. However, we noted that the market still mixes up Timeless with other companies, or even “technology” companies with no solid business. The market is still skeptical about Timeless and under-estimates Timeless and this is an indication of our weaknesses in marketing strategy and operation. We have to understand the market more and let the market understand us more as well. We cannot adopt an “isolationist policy” on software development.

Regarding the above problems, we will solve them quickly and decisively.

## **Outlook**

After the 911 incident, the world will definitely be suffering more from this incident in the coming quarter and we will face tougher examinations. In respect of Timeless, the impact will mostly be on affiliates but we have already got some contingency measures in place.

With the basis of our strategy and foundation, we are not pessimistic on our development because of the recent crisis and changes. We will maintain

our basic strategy in our development in the US by making use of our resources in China. We will maintain our headquarters in Hong Kong and will emphasize on logistic industry, enterprise informatization, education informatization and media in respect of our development in China.

Nevertheless, we will be more cautious and will implement more contingency measures in time. This is a turn of the trend — US was suffering from the 911 incident and continuous disasters but on the other hand, China achieved numerous successes in the permission to host the Olympic Games, the admission to the WTO and the successful hosting of the APEC. The historic position of US will be replaced by China and the flow of funds in the world will be fundamentally changed.

We reckon that this is a “Three Beings” world: Being an enterprise that has an early establishment in China has an absolute advantage; Being a software company that develops and builds up a consolidated platform early has an absolute advantage; Being an enterprise that combines capital market experience and informatization in China has the greatest business opportunity.

Timeless is a pioneer in this world of “Three Beings”. We have a solid foundation, platform technology, reliable market, elite talents, strategic leadership, continuous profits and tactics to become a champion. These are Timeless’ eight profit talismans.

We are making use of logistic industry, informatization, education and media to win a standard. After we win such standard, we will perform some further work so as to win a standard for technology and market in the world of network.

This is how we view our future, and we are optimistic about our ability to tackle the challenges ahead.

## **BUSINESS OBJECTIVES REVIEW**

### **Revenues**

Although the Beijing subsidiary has just been recently established, it has been successful in getting many important and large contracts. Apart from Beijing, the Beijing subsidiary has also penetrated into the market of Tianjin and Ningxia. This makes us successful in commencing the implementation of our strategy in western China. The projects in these three provinces or cities are very important and full of potentials, and will generate revenue of over RMB500 million to the Group. In addition, the Beijing subsidiary has formed

a software development research center with the Tsinghua University (“Tsinghua”). This software development research center has not only provided the Group with strong technical and human resources supports to our projects in the western and northern China, the resources and experience of the professors of Tsinghua have also been utilized to conduct training courses in Beijing and the Zhuhai Southern Software Park (“ZSSP”). Our targets for such training courses will be the 50 software companies in the ZSSP and the customers of Timeless Southern (Zhuhai) Software Co., Ltd., our Zhuhai joint venture. The ZSSP has also engaged the Group on a portal development project of RMB9 million.

## **Product development**

We have a fruitful result from our cooperation with Tsinghua. During this quarter, our staff and the professors as well as students of Tsinghua have conducted a further development of Tsinghua’s technology results in the past. With the technology foundation of Tsinghua and the technology as well as market and project experiences of Timeless, several platform products have been successfully developed. These products include, inter alia, search engine, e-form, work-flow system, high-performance computing, multi-media and mobile applications etc. We have started to apply these products and components to our projects and met the needs of various China provinces and cities in the future. We have also utilized the technology results and human resources in Hong Kong and China for project development in the US that includes, inter alia, text-speech translation, global positioning system etc. We have made use of our technology foundation to explore the US market.

## **Marketing**

The development in mainland China is very satisfactory. We have expanded from Guangdong to Beijing, Tianjin as well as Yunnan and Ningxia in western China, and our development is smooth and continuous. Regarding our projects in China, a close relationship has been established with large enterprises and a good co-operation with the government bodies is in place. Our projects are influential and are related to informatization and education that are in line with China’s policies. We have received well support and participation of various government bodies in these projects. Regarding our operation in the US, we have slowed down certain plans after the 911 incident. However, apart from the utilization of our technology results in this market, we have also been able to grasp some opportunities as they arise since we established our US subsidiary in April 2001.

## Acquisitions, subsidiaries and branches

As our affiliates are affected by the 911 incident, we will closely monitor their development and activities as well as implement contingency measures in time. Our subsidiaries in mainland China were however not negatively affected and were developing even faster. Regarding our US subsidiary, we will make use of our results in the past as well as the problems and opportunities arising from the 911 incident to penetrate into the US market and obtain more benefits from it.

## DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS IN SECURITIES

At 30 September 2001, the interests of the directors and chief executives in the shares and options of the Company and its associated corporations (within the meaning of the Securities (Disclosure of Interests) Ordinance (“SDI Ordinance”)), as recorded in the register maintained by the Company under Section 29 of the SDI Ordinance or as notified to the Company were as follows:

### (a) Ordinary shares of the Company

Name	Shares	
	Personal interests	Corporate interests
Mr. Cheng Kin Kwan	66,200,000	—
Mr. Law Kwai Lam	10,000,000	28,325,000*
Mr. Chung Yiu Fai	2,700,000	—
Ms Leung Mei Sheung, Eliza	1,030,000	—
Mr. Lin Kai Horng	250,000	—
Ms Wong Wai Ping, Mandy	700,000	—
Ms Chan Vivien	50,000	—

Mr. Cheng Kin Kwan is an initial management shareholder as defined in Rule 13.15(2) of the GEM Listing Rules. His holding represents 7.97% of the issued share capital of the Company.

\* *These shares were held by a private company controlled by Mr. Law Kwai Lam.*

(b) Options to subscribe for ordinary shares of the Company

<b>Name</b>	<b>Options as at 30 September 2001 and 30 June 2001</b>
Mr. Cheng Kin Kwan	2,000,000
Mr. Law Kwai Lam	1,000,000
Mr. Chung Yiu Fai	1,200,000
Ms Leung Mei Sheung, Eliza	1,200,000
Mr. Lin Kai Horng	1,200,000
Ms So Mi Ling Winnie	500,000
Ms Wong Wai Ping, Mandy	1,000,000
Ms Zhang Hong	500,000

The options were granted under the Share Option Scheme approved by the shareholders at an extraordinary general meeting on 21 November 2000. The options are exercisable at varying prices ranging from HK\$0.63 to HK\$0.818 per share at any time within three years commencing one year after the respective dates of offer of the grants. During the three months ended 30 September 2001, none of the directors or their associates was granted options to subscribe for shares of the Company, nor had exercised such rights.

Save as disclosed above and other than nominee shares in certain wholly-owned subsidiaries held in trust for the Group, at 30 September 2001, none of the directors, chief executives or their associates had any interests in any securities of the Company and its associated corporations as defined in the SDI Ordinance.

Save as disclosed above, at no time during the period was the Company or its subsidiaries a party to any arrangement to enable the directors and chief executives of the Company to acquire benefits by means of the acquisition of shares in, or debt securities, including debentures, of the Company or any other body corporate.



## **SUBSTANTIAL SHAREHOLDERS**

At 30 September 2001, the register of substantial shareholders maintained under Section 16(1) of the SDI Ordinance shows that the Company had been notified of the following substantial shareholder's interest, being 10% or more of the Company's issued share capital. This is in addition to the interests of the directors and chief executives disclosed above.

<b>Name</b>	<b>Number of shares</b>	<b>Percentage of issued share capital</b>
Crimson Asia Capital Limited, L.P.	122,357,480	14.73%

## **COMPETING INTEREST**

Save as disclosed herein, the directors are not aware of, as at 30 September 2001, any business or interest of each director, management shareholder and the respective associates of each that competes or may compete with the business of the Group and any other conflicts of interest which any such person has or may have with the Group.

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

There were no purchases, sales or redemptions of the Company's listed securities by the Company or any of its subsidiaries during the period.

## **INTEREST OF SPONSOR**

ING Bank N.V. ("ING Bank"), and its subsidiaries and affiliated companies (together with ING Bank the "ING Group") have recently undergone a rationalisation of businesses and have consolidated the number of legal entities through which ING Barings, a division of ING Bank, conducts its businesses within the ING Group. The purpose of the rationalisation and consolidation was to build a single wholesale organisation offering a comprehensive range of services to ING Group's international clients. All the staff and corporate finance activities of ING Bank's wholly owned subsidiary, ING Barings Asia Limited ("IBAL") were transferred to ING Bank with effect from 1 July 2001 and, accordingly, IBAL applied to The Stock Exchange of Hong Kong Limited (the "Stock Exchange") for permission to transfer its GEM Sponsorship to ING Bank.

On 27 September 2001, ING Bank obtained the approval from the Stock Exchange for the transfer of the registration as a Sponsor (as defined in Rule 6.66 of the Rules Governing the Listing of Securities on the Growth Enterprise Market (“GEM Listing Rules”)) from IBAL to ING Bank. ING Bank, a banking corporation duly organised and existing under the law of The Netherlands, is an exempt dealer under the Securities Ordinance and an Authorised Institution under the Banking Ordinance in Hong Kong SAR.

The Company entered into a sponsorship agreement (the “Sponsor Agreement”) with IBAL pursuant to GEM Listing Rules 6.01 and 17.81 on 18 November 1999, whereby the Company appointed IBAL as the continuing Sponsor to the Company for the period ending 31 March 2002. The Sponsor Agreement has accordingly been terminated and a new sponsorship agreement was signed between the Company and ING Bank on 13 November 2001. ING Bank is pleased to announce that it will continue to serve as the replacement Sponsor of the Company until 31 March 2002.

To the best knowledge of ING Bank, the Company’s sponsor, ING Bank, its directors, employees or associates did not hold any shares of the Company as at 30 September 2001.

On behalf of the Board  
**Cheng Kin Kwan**  
*Chairman*

Hong Kong, 13 November 2001

*This announcement will remain on the GEM website ([www.hkgem.com](http://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](http://www.timeless.com.hk)).*