



Timeless Software Limited

(incorporated in Hong Kong with limited liability)

RESULTS ANNOUNCEMENT For the year ended 31 March 2002

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.

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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 audited consolidated results of the Company and its subsidiaries (“Group”) for the year ended 31 March 2002 together with the comparative audited figures for the corresponding period in 2001 as follows:

	<i>Note</i>	2002 <i>HK\$'000</i>	2001 <i>HK\$'000</i>
Turnover	2	47,475	140,163
Other revenues	2	<u>6,291</u>	<u>34,445</u>
		53,766	174,608
Cost of resale of computer software and hardware		(5,784)	(57,098)
Staff costs		(32,540)	(38,866)
Depreciation and amortisation expenses		(17,424)	(5,994)
Other operating expenses		<u>(340,126)</u>	<u>(23,995)</u>
Operating (loss)/profit	3	(342,108)	48,655
Finance costs	4	(4,145)	(5,563)
Share of losses of			
Jointly controlled entities		(1,929)	(345)
Associated companies		<u>(240)</u>	<u>—</u>
(Loss)/profit before taxation		(348,422)	42,747
Taxation	5	<u>1,500</u>	<u>(5,358)</u>
(Loss)/profit after taxation		(346,922)	37,389
Minority interests		<u>8,813</u>	<u>—</u>
(Loss)/profit attributable to shareholders		<u>(338,109)</u>	<u>37,389</u>
Basic (loss)/earnings per share	6	<u>(41.16 cents)</u>	<u>4.98 cents</u>

Notes:

1. Basis of preparation

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 (“HKSA”). They have been prepared under the historical cost convention except that certain investments in securities are stated at fair value.

In the current year, the Group adopted the following new and revised Statements of Standard Accounting Practice (“SSAPs”) issued by the HKSA which are effective for accounting periods commencing on or after 1 January 2001:

SSAP 9 (revised)	: Events after the balance sheet date
SSAP 14 (revised)	: Leases (effective for periods commencing on or after 1 July 2000)
SSAP 26	: Segment reporting
SSAP 28	: Provisions, contingent liabilities and contingent assets
SSAP 29	: Intangible assets
SSAP 30	: Business combinations
SSAP 31	: Impairment of assets
SSAP 32	: Consolidated financial statements and accounting for investments in subsidiaries

The adoption of these standards have no significant impact on the Group’s accounts.

2. Turnover, revenue and segment information

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

	2002	2001
	HK\$'000	HK\$'000
Turnover		
Income from provision of computer consultancy services		
to:		
- Jointly controlled entity	401	3,580
- An associated company	19,465	—
- An associated company to be acquired after year end	7,477	—
- Other investee entities	3,365	35,727
- Investee entities acquired after year end	—	7,642
- Third parties	10,127	33,289
Resale of computer hardware and software to:		
- Jointly controlled entity	—	2,169
- An associated company	1,748	—
- Other investee entities	89	6,448
- Third parties	4,659	51,118
Advertising income	124	147
Subscription income	<u>20</u>	<u>43</u>
	<u>47,475</u>	<u>140,163</u>
Other revenues		
Realised gain on investment securities	67	20,754
Interest income		
- Bank	5,751	13,069
- Convertible loan notes	60	—
Write back of long outstanding payables and provisions	165	64
Dividends received from investment securities	144	—
Net exchange gains	—	330
Miscellaneous income	<u>104</u>	<u>228</u>
	<u>6,291</u>	<u>34,445</u>
Total revenues	<u><u>53,766</u></u>	<u><u>174,608</u></u>

In accordance with the Group's internal financial reporting, the Group has determined that business segments be presented as the primary reporting format and geographical segments as the secondary reporting format. Unallocated costs represent corporate expenses. In respect of geographical segment reporting, sales are based on the place in which the customer is located.

An analysis of the Group's turnover and contribution to operating (loss)/profit for the year by principal activity and market is as follows:

Primary reporting format — business segments

The Group is organised on a worldwide basis into three business segments:

Software development — provision of computer consultancy services and resale of computer hardware and software

Investments — investment in investment securities and other investments but excluding investments in associated companies and jointly controlled entities

Other operations of the Group mainly comprise magazine publishing and provision of customer relationship management services. Neither of these operations are of a sufficient size to be reported separately.

There are no sales or other transactions between the business segments.

Secondary reporting format — geographical segments

Although the Group's three business segments are managed on a worldwide basis, they operate in three main geographical areas:

Hong Kong — provision of computer consultancy services, resale of computer software and hardware, magazine publishing and provision of customer relationship management services

Mainland China - provision of computer consultancy services, resale of software and hardware and magazine publishing

Other countries (principally the United States of America) — provision of computer consultancy services

There are no sales or other transactions between the geographical segments.

Primary reporting format — business segments

	2002			
	Software development	Investments	Other operations	Total
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Turnover	<u>46,849</u>	<u>—</u>	<u>626</u>	<u>47,475</u>
Segment results	<u>(89,722)</u>	<u>(112,249)</u>	<u>(122,263)</u>	(324,234)
Unallocated costs				<u>(17,874)</u>
Operating loss				(342,108)
Finance costs				(4,145)
Share of losses of jointly controlled entities	(1,862)		(67)	(1,929)
Share of losses of associated companies	(240)			<u>(240)</u>
Loss before taxation				(348,422)
Taxation				<u>1,500</u>
Loss after taxation				(346,922)
Minority interests				<u>8,813</u>
Loss attributable to shareholders				<u>(338,109)</u>
Depreciation charge	10,959	—	34	10,993
Amortisation charge	919	—	5,512	6,431
Impairment charge	54,195	81,642	115,953	251,790
Unrealised losses on other investments	—	28,008	—	28,008

	2001			
	Software development	Investments	Other operations	Total
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Turnover	<u>139,973</u>	<u>—</u>	<u>190</u>	<u>140,163</u>
Segment results	<u>47,074</u>	<u>21,693</u>	<u>189</u>	68,956
Unallocated costs				<u>(20,301)</u>
Operating profit				48,655
Finance costs				(5,563)
Share of loss of a jointly controlled entity			(345)	<u>(345)</u>
Profit before taxation				42,747
Taxation				<u>(5,358)</u>
Profit attributable to shareholders				<u>37,389</u>
Depreciation charge	5,993	—	1	5,994

Secondary reporting format — geographical segments

	2002		2001	
	Turnover	Segment results	Turnover	Segment results
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Hong Kong	15,581	(192,355)	50,209	58,931
Mainland China	31,806	(138,368)	89,954	10,025
Other countries	<u>88</u>	<u>(687)</u>	<u>—</u>	<u>—</u>
	<u>47,475</u>	(331,410)	<u>140,163</u>	68,956
Unallocated costs		<u>(10,698)</u>		<u>(20,301)</u>
Operating (loss)/profit		<u>(342,108)</u>		<u>48,655</u>

3. Operating (loss)/profit

Operating (loss)/profit is stated after charging the following:

	2002 <i>HK\$'000</i>	2001 <i>HK\$'000</i>
Depreciation:		
Own fixed assets	10,906	5,907
Leased fixed assets	87	87
Operating leases — land and buildings	2,219	3,927
Retirement benefit costs	668	221
Auditors' remuneration	1,549	750
Amortisation of intangible assets:		
Goodwill*	2,343	—
Other intangible assets*	4,088	—
Impairment:		
Goodwill*	85,755	—
Other intangible assets*	17,867	—
Investment securities*	81,642	—
Provision for investments deposits	66,526	—
Provision for accrued revenue	9,532	—
Provision for doubtful debts	29,964	3,694
Provision for deposits, prepayments and other receivables	3,400	—
Unrealised losses on other investments	28,008	—
Pre-operating costs	—	610
Loss on disposal of fixed assets	<u>321</u>	<u>439</u>

* included in other operating expenses

4. Finance costs

	2002 <i>HK\$'000</i>	2001 <i>HK\$'000</i>
Interest on		
Convertible note	1,785	2,378
Borrowing cost for acquisition of land and building paid to vendor	—	3,146
Bank loan	2,327	—
Finance lease	<u>33</u>	<u>39</u>
	<u>4,145</u>	<u>5,563</u>

5. Taxation

No provision for Hong Kong profits tax has been made in the accounts as the Group has no estimated assessable profit for the year. In 2001, Hong Kong profits tax was provided at the rate of 16% on the estimated assessable profit for the year.

No provision for income tax of the People's Republic of China ("PRC") has been made in the accounts as the two subsidiaries in the PRC have no assessable profit for the year. Pursuant to the tax rules in the PRC, the subsidiary in Guangzhou is entitled to 100% tax relief for the year ended 31 December 2001 and 50% tax relief for the three years ending 31 December 2004. The subsidiary in Beijing is entitled to 100% tax relief for the two years ending 31 December 2003 and 50% tax relief for the three years ending 31 December 2006.

	2002	2001
	<i>HK\$'000</i>	<i>HK\$'000</i>
The amount of taxation (credited)/charged to the consolidated profit and loss account represents:		
Hong Kong profits tax	—	4,000
Over-provision in prior year	—	(142)
Deferred taxation	<u>(1,500)</u>	<u>1,500</u>
	<u>(1,500)</u>	<u>5,358</u>

6. (Loss)/earnings per share

The calculation of the basic (loss)/earnings per share is based on the Group's loss attributable to shareholders of HK\$338,109,000 (2001: profit of HK\$37,389,000) and the weighted average number of 821,387,044 shares (2001: 750,682,192 shares) in issue during the year.

No diluted (loss)/earnings per share has been presented for the years ended 31 March 2002 and 2001 as both the convertible note issued and share options granted by the Company during the year have anti-dilutive effects.

DIVIDEND

No dividends had been paid or declared by the Company during the year (2001: Nil).

MOVEMENT OF RESERVES

	Share premium		(Accumulated losses)/ retained profit		Total	
	2002	2001	2002	2001	2002	2001
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 April	486,203	481,778	23,501	(4,808)	509,704	476,970
Issue of shares	131,681	4,425	—	—	131,681	4,425
(Loss)/profit for the year	—	—	(338,109)	37,389	(338,109)	37,389
Write off of goodwill on consolidation	—	—	—	(9,080)	—	(9,080)
At 31 March	<u>617,884</u>	<u>486,203</u>	<u>(314,608)</u>	<u>23,501</u>	<u>303,276</u>	<u>509,704</u>

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 year.

CHAIRMAN'S STATEMENT

The substantial loss for the year, after profits recorded in the previous years, was not due to the software development operation, but rather was attributable to two factors:

Firstly, we decided to make full provision on those investments that failed to achieve their respective targets as a result of the 911 incident or of the burst of technology bubble.

Secondly, a number of substantial contracts for this year were obtained in the PRC. The reality of "One Country Two Systems" is, however, that contract terms may have dissimilar interpretations in China and in Hong Kong. Project amounts aggregating over HK\$70 million out of the contracts which the Company obtained in Ningxia, China and which were fully endorsed by the local government, were thus not recognized in the accounts for this year.

However, it should be noted that the progress on the development and implementation of these and other contracts that the Company entered into in the PRC this year was smooth. At 31 March 2002, contracts on hand amount to approximately HK\$700 million. We are in addition devoting our best endeavors to secure more contracts for the subsequent phases of the existing projects.

Therefore, we are not pessimistic on the results for this year.

Company consolidation and the consolidated platform

As indicated in the report for the first quarter results of this year, one of the focus for this year was to step up efforts on corporate consolidation and the expedition of the construction of the Group's own consolidated platform. These two tasks were closely linked, in term of finance and in term of technology.

With respect to finance, the Company endeavoured to minimize its expenditures on three fronts: staff deployment through the elite system, combination of the development workflow of the consolidated platform and the contracted projects, as well as the strengthening of the development results from the Tsinghua Timeless Research Centre in Beijing. These have helped reduce the costs of platform and project developments.

With respect to technology, we insist to build a business platform for each of the affiliates that the Group has invested, that is compatible with their operations through contractual arrangement. Such platforms covered areas in operation and technology extensively. In fact, in technological terms, such platforms covered every aspects of the information networking environment.

During the year, we have enabled and completed the thorough consolidation, inter-connection and integration of these platforms, and connected them with the consolidated platform that Timeless has been developing. From the point of structure, embedding and connection have been achieved. Based on the foundation of the Timeless Consolidated Platform that has been developed for six years, the first version of Timeless Consolidated Platform (TCP.VI) has been built successfully.

We can declare from the above that our efforts in consolidating the affiliates were effective. All platforms of the affiliates, including those that we have made full provision on, have contributed to the completion of the Timeless Consolidated Platform, and have their intrinsic values.

Project development and consolidated platform

A substantial amount of the contracts entered into this year involved information and networking technologies that were highly complicated and difficult to implement. Such technologies have no existing products and solutions. At the same time, they are cross-platform application projects which cannot be handled by any existing stand-alone platform. As a result, such projects have to be developed on a consolidated platform.

Thus, the most important task for this year will be the integration of the projects completed with the consolidated platform.

Our strategy from the outset is to develop projects under the direction of the consolidated platform, particularly the direction of the key technology under the consolidated platform on the one hand, and to expand structure of the consolidated platform by every results developed by the projects on the other hand.

We have set up a committee for the consolidated platform and working group for the project execution for implementation purpose. The standard for the expedition in the parallel development of software was preliminarily determined.

The underlying business of the Company has always been software development. During the year, software development was commenced with a view to meet requirements of the market. Therefore, various platform products were developed based on a consolidated platform. These products in turn constituted the application solutions for various platforms, as well as the stand-alone platforms for particular industries. This will also be regarded as the ultimate solution to the cost and efficiency of project development.

Market standards and consolidated platform

In a market where requirements for application are diversified, the market share and profitability of any product, solution and platform are determined by two factors: whether they are able to integrate with the existing structure and whether they are standardized or not.

Therefore, during the year, under the combination of consolidated platform and market standards, more efforts have been focused on the market techniques and securing of the focusing of technology market on market standards. In the actual case, the success of Microsoft has been based on software development for a decade, and ultimately won a standard in a PC market consolidation.

During the year, we have at last completed our efforts in becoming the standards of six sets of software packages, and application for certification was made to the relevant government authorities of the PRC. Approval was granted in May 2002 for these software packages which will be used nationwide. These packages are as follows:

- Timeless Consolidated Platform
- Timeless Consolidated Platform - eLogistics Suite
- Timeless Consolidated Platform - eMedia Suite
- Timeless Consolidated Platform - eLearning Suite
- Timeless Consolidated Platform - eGovernment Suite
- Timeless Consolidated Platform - eEnterprise Suite

Each of the above packages contains one or various standards. They enable the Timeless platform to be specific and market-oriented, and explored the actual path to win market standards for the Timeless Consolidated Platform.

Conclusion

In this software dominant era, the strength of our competitiveness has its base on our solid software development capabilities. During the year, such capability was fully reflected in the vitality of the Timeless Consolidated Platform TCP.VI that has just been initially established. Timeless Consolidated Platform almost represents the entire value of Timeless itself. We have so much confidence in this consolidated platform that we move to make substantial provisions on our past investments, so as to reap the fruits that are going to bear from Timeless Consolidated Platform in the years to come.

In fact, the time when we can derive positive contribution from the Timeless Consolidated Platform will be the time for us to celebrate. After spending six years persistently developing the consolidated platform, and after the countless difficult moments, this time will not be remote for Timeless.

REVIEW OF OPERATIONS

Results for the year

A series of unexpected events happened in the latter part of year 2001. The immediate shocks had been profound, the aftershocks far-reaching and they are seen still impacting every walk of life, every business and every economy around the world. In keeping with unfolding developments in this ever-changing environment, the Directors have decided to take a more conservative view and to apply more stringent estimation criteria in the treatments of various of the Group's ongoing projects and investments. The Directors noted that following recent international examples of accounting failures, it is becoming market practice for companies to take a more conservative view for accounting purposes.

The loss for the year was approximately HK\$338.1 million compared to a profit of approximately HK\$37.4 million in previous year, which was mainly resulted from the deferral of recognition of work in progress and revenues of certain projects and provisions being made on certain assets of the Group. The Directors would stress that such work in progress will be recognized when the relevant projects are in more advanced stages and that provisions are only made pursuant to conservative management. The Directors have no reason to believe that any work in progress or assets will not be recognized or recovered in future. The Directors would also like to stress that the afore-mentioned accounting treatments do not have any adverse impact on the operations of the Group.

The effect of the adoption of a more conservative view in accounting treatments is described in the following paragraphs.

Accrued revenues

The Group has reported aggregate accrued revenues of approximately HK\$35.4 million over the three previous interim accounting periods between 1 April 2001 and 31 December 2001 from its ongoing projects with MediaFriendly, Inc. in the U.S. as well as government projects with West China Electronics Business Co. Ltd. and Ningxia Educational Information Technology Co. Ltd. in the Ningxia Province of the People's Republic of China ("PRC"). In view of the long term nature of the projects, the Directors believe that it would be more appropriate not to recognize the revenues until such time when the projects are in more advanced stages. However, the Directors are pleased to note that the progress of these projects is satisfactory.

Provisions for accounts receivable

In line with the Group's conservative management, the Directors have decided to give full provision to its doubtful account receivables, in the approximate sum of HK\$39.5 million, that had been due for over one year or recoverability of which is uncertain. The Directors have had discussions with the management of and have reviewed the financial statements of these debtors and are pleased to note that some of these debts would be repaid. However, in view of the volatile markets, the Directors believe that it would be appropriate to take a more conservative view for all of these debts.

Provision for investment securities and other investments

The total provision for impairment losses of investment securities and other investments amounted to approximately HK\$109.7 million for the year ended 31 March 2002. The Directors noted that the market conditions for technology stocks all over the world have been adverse in recent years. The Directors further noted that the stock value of even some of the more formidable international technology companies had been affected by these adverse market conditions. Although the Group adopts conservative and defined investment strategies and closely monitors the technology companies in which it invested, the Directors note that the value of its sound investments may be adversely affected by volatile market conditions beyond their control or that of the management of such companies. The Directors have therefore taken the decision to make full provision and write down to their fair value.

Provisions for intangible assets

The total provision for impairment losses on goodwill on acquisition of subsidiaries and associated companies amounted to approximately HK\$152.2 million. The Directors are pleased to note that the Group has invested in various sound and formidable PRC entities. Whilst the Directors are confident in the future profitability and success of these PRC entities, particularly in view of the recent accession of the PRC to the WTO, these entities are still in an early stage of development. The Directors do not wish to paint a rosy picture prematurely and have therefore decided to make provision for any goodwill arising from such investments.

The total provision for impairment losses on computer software development costs amounted to approximately HK\$17.9 million. This represents the computer software development costs of two subsidiaries which the Group acquired during the year. As the successes of the software applications possessed by these newly acquired subsidiaries have yet to be tested in the market, the Directors have therefore decided to make provision for such assets.

Liquidity and financial resources

The Group generally financed its operations and investing activities with internally generated cash flows and loan from a bank.

As at 31 March 2002, the Group had bank balances and cash (excluding pledged bank deposits) of approximately HK\$56.4 million compared to approximately HK\$167.6 million as at 31 March 2001. During the year, the Group utilized approximately HK\$60 million in investing activities and approximately HK\$58.7 million in repaying the bank loan, convertible note and an amount due to a shareholder and former director.

As at 31 March 2002, the Group had a bank loan of HK\$45 million and obligation under finance lease of HK\$0.3 million. The bank loan is an installment loan and will be fully repaid in 2006. Subsequent to 31 March 2002, the Group was able to renew the banking facilities with this bank for more favourable terms. Apart from enjoying the reduction of interest rate from 1.2% over HIBOR per annum to 1% over HIBOR per annum, the pledged deposits of HK\$30 million was released and an overdraft facility of HK\$10 million was granted. This revision of the banking facilities has undoubtedly improved the cash flow of the Group.

The following is the maturity profile of the Group's bank loan as of 31 March 2002:

Within one year	33.3%
In the 2nd year	33.3%
In the 3rd to 5th year	33.4%
	<u>100.0%</u>

Gearing ratio

The gearing ratio of the Group, which is calculated as the ratio of total borrowings to shareholders' funds, was 13% compared to 19% in previous year.

Charge on the Group's assets

As at 31 March 2002, the Group's headquarters at 79/F The Center, 99 Queen's Road Central, Hong Kong and bank deposits of HK\$30 million were pledged to a bank for a loan of HK\$45 million as mentioned in the previous paragraph. The pledged deposits of HK\$30 million was released subsequent to the financial year end upon renewal of banking facilities.

Capital structure

During the year, the Company issued in total 187,355,503 new ordinary shares at prices ranging from HK\$0.588 to HK\$1.043 per share as part of the consideration for the acquisition of investment securities and investments in associated companies and a joint venture (details of each of such Share Transaction defined under the GEM Listing Rules have already been disclosed in separate announcements made by the Group previously).

Segmental information

In accordance with the Group's internal financial reporting the Group has determined that business segments be presented as the primary reporting format and geographical segments as the secondary reporting format. The Group reports its businesses in three business segments namely software development, investment and other operations, and in three geographical segments namely Hong Kong, mainland China and other countries.

In respect of business segments, the Group continues to focus on software development. Activity under investment segment decreased in view of the adverse market conditions.

In respect of geographical segments, there was a change during the year. Turnover generated from mainland China represents approximately 67% of the total turnover of the Group during the year ended 31 March 2002 compared to approximately 64% in previous year. As the Group has substantial contracts on hand in mainland China, it is expected that the level of the Group's activities in mainland China will continue to increase in future.

Order book and prospects for new business

Please refer to chairman's statement for description of the prospects and amount of orders on hand of the Group.

Material acquisitions and disposal of subsidiaries and affiliates

The Group has made the following material investments in joint ventures, associated companies and subsidiary during the year:

	Percentage of interests held	Costs of investments/deposits paid HK\$'million
China Lake International Limited	70%	16.7
West China Electronics Business Co. Ltd.	25%	73.9
Ningxia Educational Information Technology Co. Ltd.*	25%	77.7
Tianjin Timeless Cyber Gateway Co. Ltd.	33.3%	4.7
TTA Software Limited*	45%	4.3

* As at year end date, deposits have been paid for these investments pending completion of capital verification. The Directors have no reason to believe that the capital verification process would not be completed.

Apart from the investment in TTA Software Limited, the remaining four of the above investments represent Share Transactions of which details can be referred to separate announcements made by the Group previously. The deposits paid for the investment in TTA Software Limited are entirely in cash and the principal activities of TTA Software Limited will be the conduction of software export business in mainland China.

There was no disposal of subsidiaries and affiliates during the year.

Future plans for material investments

Subsequent to 31 March 2002, the Group entered into an agreement with Grenashe Group Limited (an independent third party) pursuant to which the Group agreed to acquire a 12% interest in Grenashe Group Limited for a cash consideration of HK\$9.2 million. The funding of this investment was satisfied by the working capital of the Group and this transaction was completed in May 2002. The Directors are pleased to note that Grenashe Group Limited has submitted an application for GEM listing to the Hong Kong Stock Exchange in late May 2002.

Apart from the above, the Group does not have any plan for material investments in the coming year.

Exposure to exchange risks

Since the Group's borrowings and its source of income are primarily denominated in Hong Kong dollars, Renminbi and United States dollars, the exposure to foreign exchange rate fluctuations is minimal.

Contingent liabilities

As at 31 March 2002, the Group was granted banking facilities totaling HK\$15 million which was secured by the Group's bank deposits of HK\$5 million. As at 31 March 2002, none of these banking facilities was utilized by the Group.

As at 31 March 2002, the Group had received various claims from customers and a former shareholder of a subsidiary. On the basis of appropriate legal advice, the Directors are satisfied that the ultimate disposition of these pending legal proceedings will not have a material effect on the Group's financial position or results of operations, and no provision for any loss has been made. A claim from a customer which relates to a contract of HK\$8,580,000 has been agreed by the parties concerned to settle out of the court in June 2002. The total cost incurred for such settlement is estimated to be approximately HK\$50,000.

Employee information

As at 31 March 2002, the Group employed a total staff of 152. 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.

BUSINESS OBJECTIVES REVIEW

Revenues

As Timeless' Internet Technology Platform (ITP) has evolved into the Timeless Consolidated Platform, it is regarded as an integral and significant part of the Group's assets. Our achievements obtained from the business development in western part of the PRC were made through deploying this platform technology. Operations in the PRC continued to expand, and revenues derived in the PRC accounted for over 65% of the Group's aggregate revenues in the current year. There was not much development in Hong Kong and the United States as the global economy was not yet recovered.

Product development

In the past year, the Group has succeeded in developing applications and products on a platform basis targeting industries with future potentials, and obtained the certification issued by the information technology entities in Guangdong. These solutions and products were applied successfully in projects located within the PRC and overseas, as well as Hong Kong, such as the work-flow project of the Beijing Sports Bureau, the search engine products adopted by the Hong Kong Government, etc. These diverse projects represented the versatile functionalities of the Group's solutions and products to be useful in expanding the sources for new projects and thereby revenues; and projects in the PRC may enjoy tax advantage under PRC's policy to encourage the country's software development industry. The Group had applied the solutions and products in Ningxia and other projects in the PRC, which expedited the development progress of the projects. At the same time, the cost of development was reduced correspondingly.

Marketing

The 911 incident in the United States caused major setback on the Group's expansion in the US market. The Group is currently reviewing its strategies for the overseas market. However, in western and northern parts of the PRC, as well as the existing market in southern part of the PRC, the Group had achieved significant progress. For example, in Tianjin, the Group's cooperation with the Tianjin government and the Free Trade Zone facilitated the expansion of new segments for our current development in the logistic industry. In addition, in the south, the Group has also strengthened its contacts with cooperation partners, with a view to increase our efforts and expand our coverage in diverse industries, such as logistics, transportation and mass media.

BOARD PRACTICES AND PROCEDURES

The Company has complied with Board Practices and Procedures as set out in rules 5.28 to 5.39 of the GEM Listing Rules throughout the year.

On behalf of the Board
Cheng Kin Kwan
Chairman

Hong Kong, 21 June 2002

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).