



Timeless Software Limited

(incorporated in Hong Kong with limited liability)

RESULTS ANNOUNCEMENT

For the quarter ended 30 September 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.

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.

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 three and six months ended 30 September 2002 together with the comparative unaudited figures for the corresponding period in 2001 as follows:

Condensed consolidated income statements

For the three and six months ended 30 September 2002

	<i>Notes</i>	(Unaudited)		(Unaudited)	
		Three months ended		Six months ended	
		30 September		30 September	
		2002	2001	2002	2001
		<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Turnover	3	9,158	29,288	13,943	45,223
Other revenue		581	2,165	1,198	4,426
Cost of sales of computer software and hardware		(2,822)	(1,978)	(5,514)	(2,775)
Staff costs		(5,014)	(9,394)	(10,981)	(17,416)
Depreciation and amortisation		(2,926)	(4,396)	(5,976)	(7,711)
Other operating expenses		(6,340)	(12,858)	(9,580)	(16,790)
Loss on disposal of listed investment securities		(1,108)	—	(1,108)	—
Impairment in value of land and buildings		(50,000)	—	(50,000)	—
Impairment in value of intangible assets		(2,171)	—	(2,171)	—
Write back/impairment in value of investment securities		318	—	(2,942)	—
Impairment in value of other investments		(1,404)	—	(1,404)	—
Allowances for deposit made for the investment in an associate		—	—	(4,107)	—
Operating (loss) profit		(61,728)	2,827	(78,642)	4,957
Finance costs		(291)	(1,276)	(646)	(2,752)
Share of results of associates		143	—	(3,497)	—
Share of losses of jointly controlled entities		(182)	(115)	(1,569)	(322)
(Loss) profit before taxation		(62,058)	1,436	(84,354)	1,883
Taxation	4	(185)	—	(185)	—

	(Unaudited)		(Unaudited)	
	Three months ended		Six months ended	
	30 September		30 September	
	2002	2001	2002	2001
<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
(Loss) profit before minority interests	(62,243)	1,436	(84,539)	1,883
Minority interests	<u>380</u>	<u>838</u>	<u>482</u>	<u>976</u>
(Loss) profit attributable to shareholders	<u>(61,863)</u>	<u>2,274</u>	<u>(84,057)</u>	<u>2,859</u>
(Loss) earnings per share	6			
- Basic	<u>(6.52) cents</u>	<u>0.28 cents</u>	<u>(8.88) cents</u>	<u>0.36 cents</u>

Condensed consolidated statement of changes in equity

For the six months ended 30 September 2002

	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	Share capital	Share premium	(Deficit) retained profits	Total
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
At 1 April 2001	37,575	486,203	23,501	547,279
Issue of shares	3,965	73,744	—	77,709
Profit attributable to shareholders	<u>—</u>	<u>—</u>	<u>2,859</u>	<u>2,859</u>
At 30 September 2001	<u>41,540</u>	<u>559,947</u>	<u>26,360</u>	<u>627,847</u>
At 1 April 2002	46,943	617,884	(314,608)	350,219
Issue of shares	500	4,800	—	5,300
Expenses incurred in connection with the issue of shares	—	(49)	—	(49)
Loss attributable to shareholders	<u>—</u>	<u>—</u>	<u>(84,057)</u>	<u>(84,057)</u>
At 30 September 2002	<u>47,443</u>	<u>622,635</u>	<u>(398,665)</u>	<u>271,413</u>

Notes to the condensed financial statements

1. Basis of preparation

The condensed consolidated financial statements have been prepared in accordance with the applicable disclosure requirements of Chapter 18 of the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited and the Statement of Standard Accounting Practice (“SSAP”) No.25 “Interim Financial Reporting” issued by the Hong Kong Society of Accountants.

2. Principal accounting policies

The condensed financial statements have been prepared under the historical cost convention except that certain investments in securities are stated at fair value.

The accounting policies adopted are consistent with those followed in the preparation of the Group’s annual financial statements for the year ended 31 March 2002.

In the current period, the Group has adopted the following new or revised SSAPs which are effective for accounting periods commencing on or after 1 January 2002:

SSAP 11 (Revised) Foreign currency translation

SSAP 15 (Revised) Cash flow statements

The adoption of these standards has had no material effect on the results for the current or prior accounting periods. Accordingly, no prior period adjustment was required.

3. Business and geographical segments

Business segments

For management purposes, the Group’s operations are organised into three operating divisions namely software development, investments and other operations. Other operations of the Group mainly comprise magazine publishing and provision of customer relationship management services. These divisions are the basis on which the Group reports its primary segment information.

Business segments for the period are as follows:

	Three months ended		Six months ended	
	30 September		30 September	
	2002	2001	2002	2001
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Turnover				
Software development	9,157	29,075	13,879	44,950
Investments	—	—	—	—
Other operations	<u>1</u>	<u>213</u>	<u>64</u>	<u>273</u>
	<u>9,158</u>	<u>29,288</u>	<u>13,943</u>	<u>45,223</u>
Results				
Software development	(3,514)	16,244	(8,782)	22,309
Investments	(2,193)	(3,066)	(9,558)	(2,894)
Other operations	<u>192</u>	<u>(2,014)</u>	<u>(848)</u>	<u>(2,278)</u>
	(5,515)	11,164	(19,188)	17,137
Central administrative expenses	<u>(56,213)</u>	<u>(8,337)</u>	<u>(59,454)</u>	<u>(12,180)</u>
Operating (loss) profit	(61,728)	2,827	(78,642)	4,957
Finance costs	(291)	(1,276)	(646)	(2,752)
Share of results of associates	143	—	(3,497)	—
Share of losses of jointly controlled entities	<u>(182)</u>	<u>(115)</u>	<u>(1,569)</u>	<u>(322)</u>
(Loss) profit before taxation	(62,058)	1,436	(84,354)	1,883
Taxation	<u>(185)</u>	<u>—</u>	<u>(185)</u>	<u>—</u>
(Loss) profit before minority interests	(62,243)	1,436	(84,539)	1,883
Minority interests	<u>380</u>	<u>838</u>	<u>482</u>	<u>976</u>
(Loss) profit attributable to shareholders	<u>(61,863)</u>	<u>2,274</u>	<u>(84,057)</u>	<u>2,859</u>

Geographical segments for the period are as follows:

	Three months ended		Six months ended	
	30 September		30 September	
	2002	2001	2002	2001
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Turnover				
Mainland China (the "PRC")	8,243	19,245	12,164	32,205
Hong Kong	915	2,857	1,779	5,832
United States of America	—	7,186	—	7,186
	<u>9,158</u>	<u>29,288</u>	<u>13,943</u>	<u>45,223</u>
Results				
Mainland China	2,006	5,660	1,964	15,752
Hong Kong	(5,988)	3,656	(19,619)	(463)
United States of America	<u>(1,533)</u>	<u>1,848</u>	<u>(1,533)</u>	<u>1,848</u>
	(5,515)	11,164	(19,188)	17,137
Central administrative expenses	<u>(56,213)</u>	<u>(8,337)</u>	<u>(59,454)</u>	<u>(12,180)</u>
Operating (loss) profit	<u>(61,728)</u>	<u>2,827</u>	<u>(78,642)</u>	<u>4,957</u>

4. Taxation

	Three months ended		Six months ended	
	30 September		30 September	
	2002	2001	2002	2001
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Underprovision of Hong Kong Profits				
Tax in prior years	(47)	—	(47)	—
PRC income tax	<u>(138)</u>	<u>—</u>	<u>(138)</u>	<u>—</u>
	<u>(185)</u>	<u>—</u>	<u>(185)</u>	<u>—</u>

No provision for Hong Kong Profits Tax has been made in the financial statements as the Group had no assessable profit for the period.

Pursuant to the relevant laws and regulations in the PRC, the subsidiary in Guangzhou is entitled to exemption from PRC income tax for the year ended 31 December 2001 and entitled to a 50% tax relief for the three years ending 31 December 2004. The subsidiary in Beijing is entitled to exemption from PRC income tax for the two years ending 31 December 2003 and entitled to a 50% tax relief for the three years ending 31 December 2006.

The deferred tax asset has not been recognised in the financial statements as it is not certain that the benefit will be realised in the foreseeable future.

5. Interim dividend

The directors do not recommend the payment of an interim dividend (2001: Nil).

6. (Loss) earnings per share

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

	Three months ended 30 September		Six months ended 30 September	
	2002	2001	2002	2001
Net (loss) profit attributable to shareholders	<u>HK\$(61,863,000)</u>	<u>HK\$2,274,000</u>	<u>HK\$(84,057,000)</u>	<u>HK\$2,859,000</u>
Weighted average number of ordinary shares for the purposes of basic (loss) earnings per share	<u>948,855,503</u>	<u>824,098,660</u>	<u>946,724,355</u>	<u>797,265,448</u>

No diluted loss per share for the three and six months ended 30 September 2002 has been presented as the exercise price of the Company's share options was higher than the average market price of the Company's shares during the period.

No diluted earnings per share for the three and six months ended 30 September 2001 had been presented as the effect of both the convertible note and share options were anti-dilutive.

Chairman's Statement

I. General

Under the influence of a lingering global economic slowdown characterised by a tepid technology sector and dispirited capital markets, the Group again recorded a loss for the quarter. While three consecutive loss periods may be negative in certain ways, it is on the other hand encouraging to note that the rate of actual loss, i.e. before charges, is seen slowing and a substantial portion of the loss for the period is attributable to write-offs and provisions, such as the impairment in value made with regard to the Group's headquarters at The Center.

Contracts on hand amounted to approximately HK\$700 million, which are implemented as scheduled. A number of new projects concluded recently brought encouraging results. The contribution of Timeless Consolidated Platform to the market and projects is increasingly becoming concrete and outstanding.

The development and progress of the contracts and projects on hand have at the same time promoted the Group's network of strategic clients and partners. These clients and partners are themselves significant forces in the market. They are crucial reference of the Group's capability, which will help the Group's further penetration in the marketplace, and thereby generating future benefits. Meanwhile, a number of the Group's associated companies and jointly controlled entities in the PRC (the "Member Companies") made significant progresses during the period. All of the above would certainly be beneficial to the Group's development in future.

Under the present circumstances, we are optimistic towards the prospects of the Group.

II. Strategic Clients and Partners

The Company recently secured some essential projects and conducted strategic development. These are short-run, cash projects with future enhancement potentials. Except for an insignificant percentage, these projects are pure software development work.

The project for Motorola Inc.'s Tianjin office was an urgent one about enterprise resource planning (ERP) and was related to the local customs services. There were doubts at first that the project could be completed in

time. Deploying the Timeless Consolidated Platform (TCP) connection components and the development workflow environment, the project was completed in one month in an optimal manner. This achievement paved the way for the more cooperation of both parties.

The Group was engaged by China Mobile, Beijing Branch for a legal matters processing system and an online recruitment system. The technologies involved were relatively complex and to complete such systems within the tight deadline made the tasks even more difficult to accomplish. Moreover, there was a history of prior failures to develop similar systems, some even backed by the ample resources of multi-nationals. Results, however, were effectively generated by the utilization of the functions of rapid development and connection capability on the Timeless Consolidated Platform. The client was greatly satisfied. It also began the cooperation between both parties.

The enhancement and improvement made to the electronic government system for Beijing Sports Bureau also demonstrated the advantages being enjoyed by “Timeless Consolidated Platform - eGovernment Suite” and “Timeless Consolidated Platform - eEnterprise Suite”.

The success of the Group to obtain the engagement from Guang Zhou Press and Publishing Information Center (“GZPPIC”), against numerous bids by multi-national corporations, to develop the Information Exchange Platform of the Guangzhou Information Plaza demonstrated yet once more the superiority of the Timeless Consolidated Platform over single-platform products and applications in the market. It also effectively demonstrated the achievements made by the “Timeless Consolidated Platform - eMedia Suite”, and allowed Timeless to tap into the broadcasting, media and publishing market in the PRC.

Another unique project undertaken by the Group was the e-government system for CEPREI (Headquarters) Laboratory in the PRC. The system was built on a complicated network structure. The laboratory itself was the first laboratory in the PRC to have obtained international certification and accreditation. Cooperation between the Quality Inspection and Testing Center, which is under the Ministry of Information Industry of the PRC, has begun.

The Group also provided various application systems and performed network projects for Huawei Technology Company Limited (“Huawei”). Inspection and testing were completed recently. The Group has become a

technology provider for Huawei. As Huawei is a leading telecommunication network equipment company, with a network of branches around the world and products sold in more than 20 countries and regions, it represented an excellent opportunity for the Group.

The Group successfully implemented the product tracking system for the Emerson Network Power Company. Such system is currently engaged in the maintenance and enhancement phases. The bar code system component was applied on the consolidated platform, integrating computer integrated manufacturing (CIM) and ERP. The successful implementation of such system for a company on Fortune Magazine's America's Most Admired Companies list has encouraged the Group to consider marketing the system to those enterprises currently implementing the ERP of Oracle.

Through the development of projects for Huawei, Emerson, GZPPIC, CEPREI Laboratory, Motorola, China Mobile Beijing and Beijing Sports Bureau, these parties has become strategic clients as well as partners of the Group. The network of strategic clients and partners forms a strong base supporting the Timeless Consolidated Platform and is one of the main sources of the Group's future projects and income.

Most of the Group's Member Companies are such combination of client and partner, and are substantial organizations. Of which, these include Zhuhai Southern Software Park Development Company Limited ("Southern Software Park"), West China Electronic Business Company Limited ("West China Electronic"), Ningxia Educational Information Technology Company Limited ("Ningxia Educational") and Tianjin Timeless Airport Software Co. Ltd. ("TTA Software").

III. Significant Member Companies

During this quarter, we have been conducting a relatively in-depth appraisal on the Group's many Member Companies, and used our best endeavour to facilitate their development, and where possible, conducted rationalization exercise. Several of Member Companies were identified as significant, because they have made considerable progress in the period.

Southern Software Park was the first Member Company that the Group invested in following the Group's listing on the GEM. Under the long term support of Timeless, Southern Software Park transformed from one of the three software bases designated by the Ministry of Information Industry to become the eleventh national software development base. Apart from the various administration supports, a subsidy of RMB20 million was granted to Southern Software Park.

Under the dedicated support of the Group, Southern Software Park was granted banking facility of approximately RMB150 million in the quarter. Such funding is designated for the construction works of Phase II of the park. It is anticipated that Phase II will provide huge benefits to Southern Software Park. There is no need for Timeless to make any cash investment.

The network project worth about RMB10 million being developed for Southern Software Park will be correspondingly enhanced and is expected to be completed soon.

Basing on their understanding and emphasis on the national software development base, Microsoft recently initiated cooperation with Southern Software Park. The parties explored opportunities for strategic partnership as well as cooperation on informatisation infrastructure. On 25 September 2002, Southern Software Park became a Microsoft Certified Windows Application Learning Center. In addition, cooperation on XML Technological Service Center is under progress.

Thus the national software development base has added a Microsoft-business component and that business has now effectively commenced.

In short, it can so far be confirmed that the investments by the Group in Southern Software Park are of vision, correct and will generate profitable returns.

West China Electronic and Ningxia Educational are Member Companies in which Timeless has invested over a hundred million dollars. The informatisation projects worth several hundred million dollars being undertaken by the Group for these Member Companies form the substantial part of the Group's total contracts on hand. Therefore, the value of their existence and further development are of great importance to the Group.

On 31 July 2002, the Chairman of the Group was invited to meet with Mr. Chen Jianguo, the new party secretary of the Ningxia Hui Autonomous Region. Mr. Zhang Laiwu, the well-known Assistant Governor of Ningxia, who have been an ardent supporter of the Group's endeavours in Ningxia, was also present at the meeting. The Chairman explained to Mr. Chen about the difficult positions facing both the Ningxia Municipal Government and the Group: that is, the rumour and guesstimates from the government-backed contracts entered into by the Group with West China Electronic and Ningxia Educational to the goodwill of these two Member Companies. Mr. Chen, acting on his own and on behalf of the Municipal

Governemnt of Ningxia, expressed serious concern towards the situation faced by the Group as result of its investments in Ningxia. On the one hand, Mr. Chen arduously expressed gratitude on the Group's commitments in Ningxia. On the other, he emphasized solemnly that those negative rumours on Ningxia was groundless and completely out of line with the actual situation.

The reality, plainly put, is that West China Electronic and Ningxia Educational are the flagship enterprises for information technology and education in Ningxia. Both companies are engaged in important projects in Ningxia. The government places great emphasis in these two enterprises, so much so that it is seen in Ningxia that their success or failure could almost equate the success or failure on the informatisation of Ningxia. Such situation is very rare in the Western part of the PRC, rarer still in other provinces of the whole country.

From the sincere high-level meeting between the Ningxia Municipal Government and the Group came the joint confirmation that both parties will use their best efforts to strive for a win-win situation out of this current transient predicament.

Finally, Mr. Chen indicated that he would lend his full support to any action or plan that would expedite West China Electronic and Ningxia Educational towards their goal for listing in Hong Kong.

This important meeting has promoted closer cooperation among the Group, the Ningxia government and the above two Member Companies. It also enabled the smooth progress in their commercial operations. The Education Informatisation Project undertaken by Ningxia Educational has commenced earlier this year and it is hopeful that it could start to generate profits soon.

In the quarter, West China Electronic initiated important businesses as follows:

1. The online tender system for pharmaceuticals in Ningxia, which is expected to be an income generator for West China Electronic;
2. The successful completion for West China Electronic Business (Ningxia) Certification Centre. This centre provides service platform for e-commerce activities in Ningxia, and when in full operation will become the main source of profit for West China Electronic in the years to come;

3. The establishment of an information management system for Ningxia Pharmaceuticals Delivery Centre. The system is estimated to handle annual volume of pharmaceuticals delivery of about RMB 650 million.
4. The establishment of the Yinchuan Information Consolidated Services Platform (IDC).

A point worthy of note is that Yinchuan has received approval from the Ministry of Information Industry of the PRC as the pilot city to undertake informatisation projects. The pace for the development and construction of Yinchuan Digitization is set to tremendously increase. The investment for the Yinchuan Digitization has been estimated to be about RMB 2.6 billion and the whole project is projected to take five to eight years. This project will be handled through a company formed and owned as to 80% by West China Electronic and as to 20% by the Municipal Government of Yinchuan.

The abovementioned progresses made by the two Member Companies are in a loose way related to many of the projects the Group has obtained earlier because the various businesses are done through informatisation. These quality projects are important government projects which foreign investment companies are not allowed to participate generally.

To conclude, the participation of the Group in the informatisation of Ningxia is without precedent. The extent of the participation has required vision, courage and commitment, but it has also induced an amount of disputes and worries. The Directors consider that the present difficulties are only temporary and are not insurmountable.

IV. An Objective of the Member Companies

These significant Member Companies are of strong background and substantial size. They, in particular, West China Electronic and Ningxia Educational, possess suitable qualities for a listing in the future. When representatives of the Municipal Government of Ningxia visited the Group in Hong Kong earlier this year, they also visited The Stock Exchange of Hong Kong Limited and met with its officials. The representatives of the Ningxia Municipal Government expressed interest and encouraged these two flagship companies to pursue a listing in Hong Kong. The Group's Chairman and Mr. Chen, the party secretary of Ningxia, reaffirmed that intention after their meeting in July.

The directors of Southern Software Park also noted the listing potential of Southern Software Park. The relevant arrangements are under study.

The successful listing for these Member Companies, when happened, will doubtlessly be positively reflected in the value of the Group.

V. Outlook

For the Group, the month of November carries certain special meanings. On 25 November 2002 the Group will celebrate the anniversary of its becoming the first GEM company three years ago. Although the general economic environment has seemingly been for the worse year after year, but for the Group, it looks more like the fading darkness before dawn.

November is also a month important to the PRC. The 16th Party Congress opens on 8 November 2002. After the conclusion of the 16th Party Congress, the PRC will enter a new era, when growth and development of the country will accelerate, especially in terms of the strategy of “Utilising education and technology to strengthen the country”.

The development and dominance of the PRC will most benefit those who had established early a foundation in the PRC: the foundation in a team of elite staff, in platform technology and in the information sector.

The Group has built just such a foundation and has placed its business focus in the PRC in the Group’s early years. Such vision together with the correct strategies and their proper implementation will sustain the Group toward its goals and further expansion.

Review of operations

Results for the six months ended 30 September 2002

The directors continued to take a conservative approach for accounting purposes. The loss for the six months ended 30 September 2002 was approximately HK\$84.1 million compared to a profit of approximately HK\$2.9 million in the same period in previous year. This is mainly due to the following:

1. The decrease in turnover from HK\$45.2 million to HK\$13.9 million as a result of the consistent adoption of a more stringent view on recognizing revenue especially for contracts of relatively longer term in nature in mainland China;
2. The impairment in value and loss on disposal of investment securities totaling approximately HK\$4 million mainly as a result of the significant drop in market price of quoted investments and the disposal of certain interest in a quoted investment during the period;

3. The allowances for deposit made for the investment in an associate of approximately HK\$4.1 million as a result of the provision for impairment loss of the shares of the Company held by a prospective associated company;
4. The impairment in value of the Group's headquarters in Hong Kong amounted to HK\$50 million;
5. The impairment in value of computer software development costs amounted to approximately HK\$2.1 million as the market and thus the revenue generating capabilities of this computer software continued to deteriorate during the period. This represents the computer software development costs of a subsidiary which the Group acquired during the year ended 31 March 2002; and
6. The share of losses of associated companies and jointly controlled entities totaling approximately HK\$5.1 million mainly as a result of the provision for impairment losses of the shares of the Company held by an associated company and a jointly controlled entity.

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 30 September 2002, the Group had bank balances and cash (excluding pledged bank deposits) of approximately HK\$42 million compared to approximately HK\$56.4 million as at 31 March 2002. During the six months ended 30 September 2002, the Group's pledged deposit of HK\$30 million was released from a bank and the Group utilized approximately HK\$26.8 million in investing activities and approximately HK\$7.5 million in repaying the bank loan.

As at 30 September 2002, the Group had a bank loan of HK\$37.5 million and obligations under finance lease of HK\$0.2 million. The bank loan is an installment loan and will be fully repaid in 2006. The following is the maturity profile of the Group's bank loan as of 30 September 2002:

Within one year	33.3%
In the 2nd year	26.7%
In the 3rd to 5th year	<u>40.0%</u>
	<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 14% as at 30 September 2002 compared to 13% as at 31 March 2002.

Charge on the Group's assets

As at 30 September 2002, the Group's headquarters at 79/F The Center, 99 Queen's Road Central, Hong Kong was pledged to a bank for a loan of HK\$37.5 million as mentioned in the previous paragraph. A bank deposit of HK\$5 million (31 March 2002: HK\$5 million) was also pledged to a bank for banking facilities totaling HK\$10 million (31 March 2002: HK\$15 million).

Capital structure

During the six months ended 30 September 2002, the Company issued 10,000,000 new ordinary shares at a consideration of HK\$5,300,000 to KDS China Limited, an independent private investor.

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 mainland China, Hong Kong and United States of America.

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 six months ended 30 September 2002. Turnover generated from mainland China represents approximately 87.2% of the total turnover of the Group during the period compared to approximately 71.2% during the same period in previous year. As the Group has substantial contracts on hand in mainland China, it is expected that the level of our 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 acquisition and disposal of subsidiaries and affiliated companies

There was no disposal or acquisition of subsidiaries and affiliated companies during the six months ended 30 September 2002.

Future plans for material investments

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

Exposure to exchange risks

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

Contingent liabilities

As at 30 September 2002, the Group was granted banking facilities totaling HK\$10 million which was secured by the Group's bank deposits of HK\$5 million. As at 30 September 2002, none of these banking facilities was utilized by the Group.

Employee information

As at 30 September 2002, the Group employed a total staff of 124. 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.

Competing interest

Save as disclosed herein, the directors are not aware of, as at 30 September 2002, 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.

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 period.

On behalf of the Board
Cheng Kin Kwan
Chairman

Hong Kong, 8 November 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).