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This announcement, for which the directors of the Company (the “Directors”) collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the Growth Enterprise Market of the Stock Exchange for the purpose of giving information with regard to the Company. 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.



TIMELESS SOFTWARE LIMITED

(Incorporated in Hong Kong with limited liability)

REPORT ON DISCUSSION OF REVENUE COMPILATION BASIS BY INDEPENDENT ACCOUNTANTS

The Directors consider that the economic climate affecting the Group’s markets substantially deteriorated after the announcement of the Group’s results for the third quarter of the fiscal year ended 31 March 2002, resulting in revenue for certain of the Group’s projects being recognised at a smaller amount in the 2002 Annual Report. In this regard, the Directors consider that such recognition of revenue for the purposes of the 2002 Annual Report is the most prudent basis of revenue recognition envisaged under HKSSAP18.

The Company engaged Independent Accountants to review the basis of compilation of revenue on certain projects adopted in the Quarterly Results, as mentioned in the Clarification Announcements. The Directors are pleased to report to the shareholders on the outcome of this compilation review and make further comment on the Group’s revenue recognition policy.

The Independent Accountants found no errors in the compilation of revenue for the selected projects for the Quarterly Results, and reported that the Group’s revenue calculation procedures had been followed consistently in computing such results.

The Independent Accountants have noted that the Directors are of the opinion that the more prudent recognition of revenue in the 2002 Annual Report does not amount to a change of accounting policy compared with how revenue was recognised in the Quarterly Results and in past financial statements. This is because the revenue recognition criteria set out in HKSSAP18 paragraph 19, underlying the Group's revenue recognition accounting policy, have been applied consistently throughout the periods in question since revenue has always been recognised only when it is probable that the economic benefits associated with the transactions will flow to the Group.

The Independent Accountants have also noted there is no reference in the 2002 audited financial statements to there being any change in the Group's accounting policy for revenue recognition on the Projects. Paragraph 49 of HKSSAP2, "Net Profit or Loss for the Period, Fundamental Errors and Changes in Accounting Policies", would require extensive disclosures of any changes in accounting policy that had a material effect on the current period or any prior period presented, or which may have a material effect in subsequent periods.

Reference is made to the Company's clarification announcements made on 5 July 2002, 1 August 2002 and 19 August 2002 respectively (the "**Clarification Announcements**") relating to the Company's annual results announcement made on 21 June 2002. Terms used in this announcement shall have the same meaning as those used in the Clarification Announcements, unless otherwise specified.

The Group's revenue from the provision of computer consultancy services was recognised on a "work done" basis in the Quarterly Results because apparently all of the relevant conditions in HKSSAP18 were met and, in particular, the Directors believed the outcome of the transactions could be estimated reliably and that it was probable that the economic benefits associated with the transactions would flow to the Group ("**Estimation Criteria**"). The Group has always recognised contract revenues in its accounts according to the above basis and criteria and will continue to do so in the future.

The Directors consider that the economic climate affecting the Group's markets substantially deteriorated after the announcement of the Group's results for the third quarter of the fiscal year ended 31 March 2002, resulting in doubts about the probability that the economic benefits associated with computer consultancy services transactions would flow to the Group on certain

projects (“**Projects**”). Taking into consideration the many new sources of uncertainty introduced on the economic front at the time, and having due regard to the Estimation Criteria and to the potential effects these macro-variables might have on the Projects, a relatively smaller amount of revenue on the Projects for the entire year ended 31 March 2002 was thus recognised in the annual financial statements for the year ended 31 March 2002 (“**2002 Annual Report**”) than those as stated in the three quarterly results ended 31 December 2001 (“**Quarterly Results**”).

The Company engaged an independent firm of accountants (“**Independent Accountants**”) to review the basis of compilation of revenue on the Projects adopted in the Quarterly Results, as mentioned in the Clarification Announcements. The Directors are pleased to report to the shareholders on the outcome of this review and make further comment on the Group’s revenue recognition policy.

The Independent Accountants have reviewed the basis of compilation of revenue on the Projects adopted in the Quarterly Results in accordance with Statement of Auditing Standards 710, “Engagements to perform agreed-upon procedures regarding financial information” issued by the Hong Kong Society of Accountants.

The procedures undertaken by the Independent Accountants included, inter alia, obtaining the signed agreements and contract revenue computation worksheets of the Projects and agreeing the contract sum of each of the Projects to the respective computation worksheets and agreements, checking calculation of the contract revenue of each of the Projects based on the information set out in the computation worksheets, agreeing the contract revenue of the Projects to the management accounts as well as the Quarterly Results and ensuring that management’s revenue calculation procedures have been followed consistently during the periods in question. The Independent Accountants found no errors in the compilation of revenue for the Projects for the Quarterly Results. They also found that the Group’s revenue calculation procedures had been followed consistently in computing the Quarterly Results.

The Independent Accountants have noted that the Directors are of the opinion that the more prudent recognition of revenue in the 2002 Annual Report does not amount to a change of accounting policy compared with how revenue was recognised in the Quarterly Results and in past financial statements. This is because the revenue recognition criteria set out in HKSSAP18 paragraph 19, underlying the Group’s revenue recognition

accounting policy, have been applied consistently throughout the periods in question since revenue has always been recognised only when it is probable that the economic benefits associated with the transactions will flow to the Group.

The Independent Accountants have also noted there is no reference in the 2002 audited financial statements to there being any change in the Group's accounting policy for revenue recognition on the Projects. Paragraph 49 of HKSSAP2, "Net Profit or Loss for the Period, Fundamental Errors and Changes in Accounting Policies", would require extensive disclosures of any changes in accounting policy that had a material effect on the current period or any prior period presented, or which may have a material effect in subsequent periods.

The Directors would also like to refer to the audit report on the 2002 Annual Report, in which it was stated that the audit included an assessment of whether the accounting policies were appropriate to the circumstances of the Company and the Group, consistently applied and adequately disclosed, and that the audit report was not modified or qualified in any respect by the Group's then auditors.

By Order of the Board
Law Kwai Lam
Company Secretary

Hong Kong, 6 December 2002

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