



TIMELESS SOFTWARE LIMITED

(incorporated in Hong Kong with limited liability)

RESULTS ANNOUNCEMENT

For the quarter ended 31 December 2003

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 howsoever 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 nine months ended 31 December 2003 together with the comparative unaudited figures for the corresponding periods in 2002 as follows:

Condensed consolidated income statements

For the three and nine months ended 31 December 2003

	Note	(Unaudited) Three months ended 31 December		(Unaudited) Nine months ended 31 December	
		2003 HK\$'000	2002 HK\$'000	2003 HK\$'000	2002 HK\$'000
Turnover		1,163	8,576	7,381	22,519
Other operating income		131	296	564	1,494
Cost of computer software and hardware sold		(22)	(4,388)	(198)	(9,902)
Staff costs		(3,837)	(4,989)	(11,972)	(15,970)
Depreciation and amortisation		(3,303)	(2,900)	(9,951)	(8,876)
Other operating expenses		(6,771)	(4,409)	(16,165)	(13,989)
Gain (loss) on disposal of listed investment securities		(70)	(766)	5,874	(1,874)
Impairment in value of investment securities		—	(8,009)	—	(10,951)
Impairment in value of land and buildings		—	—	—	(50,000)
Impairment in value of product development costs		—	—	—	(2,171)
Impairment in value of other investments		—	—	—	(1,404)
Allowance for deposit made for the investment in an associate		—	—	—	(4,107)
Operating loss		(12,709)	(16,589)	(24,467)	(95,231)
Finance costs		(113)	(277)	(490)	(923)
Share of results of associates		253	(179)	109	(3,676)
Share of results of jointly controlled entities		(717)	(2,327)	(600)	(3,896)
Loss before taxation		(13,286)	(19,372)	(25,448)	(103,726)
Taxation	3	—	(6)	3,995	(191)
Loss before minority interests		(13,286)	(19,378)	(21,453)	(103,917)
Minority interests		3	(44)	1	438
Net loss attributable to shareholders		<u>(13,283)</u>	<u>(19,422)</u>	<u>(21,452)</u>	<u>(103,479)</u>
Loss per share	5				
- Basic		<u>(1.35) cents</u>	<u>(2.05) cents</u>	<u>(2.23) cents</u>	<u>(10.92) cents</u>

Condensed consolidated statement of changes in equity

For the nine months ended 31 December 2003

	(Unaudited) Share capital HK\$'000	(Unaudited) Share premium HK\$'000	(Unaudited) Goodwill reserve HK\$'000	(Unaudited) Deficit HK\$'000	(Unaudited) Total HK\$'000
At 1 April 2002	46,943	617,884	(9,080)	(305,528)	350,219
Issue of shares	500	4,800	—	—	5,300
Expenses incurred in connection with the issue of shares	—	(49)	—	—	(49)
Net loss attributable to shareholders	<u>—</u>	<u>—</u>	<u>—</u>	<u>(103,479)</u>	<u>(103,479)</u>
At 31 December 2002	<u>47,443</u>	<u>622,635</u>	<u>(9,080)</u>	<u>(409,007)</u>	<u>251,991</u>
At 1 April 2003	47,443	622,635	(9,080)	(422,592)	238,406
Issue of shares	1,910	7,244	—	—	9,154
Expenses incurred in connection with the issue of shares	—	(361)	—	—	(361)
Net loss attributable to shareholders	<u>—</u>	<u>—</u>	<u>—</u>	<u>(21,452)</u>	<u>(21,452)</u>
At 31 December 2003	<u>49,353</u>	<u>629,518</u>	<u>(9,080)</u>	<u>(444,044)</u>	<u>225,747</u>

Notes to the condensed consolidated financial information

1. Basis of preparation

The condensed consolidated financial information have been prepared in accordance with the applicable 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 (“GEM Listing Rules”).

2. Principal accounting policies

The condensed consolidated financial information have been prepared under the historical cost convention.

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 2003 except as described below.

In the nine months ended 31 December 2003, the Group has adopted the Statement of Standard Accounting Practice No.12 (Revised) “Accounting for income taxes” (“SSAP12 (Revised)”), for the first time, issued by the Hong Kong Society of Accountants. SSAP12 (Revised) has introduced a new basis of accounting for income taxes (including both current tax and deferred tax) and additional disclosure requirements.

SSAP12 (Revised) requires the adoption of a balance sheet liability method, whereby deferred tax is recognized in respect of all temporary differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax basis used in the computation of taxable profit, with limited exceptions. The adoption of SSAP12 (Revised) has had no significant effect on the results for the current or prior accounting periods. Accordingly, no prior period adjustment was required.

3. Taxation

	Three months ended		Nine months ended	
	31 December 2003	2002	31 December 2003	2002
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Over (under)provision of Hong Kong				
Profits Tax in prior years	—	—	3,995	(47)
Mainland China income tax	—	(6)	—	(144)
	<u>—</u>	<u>(6)</u>	<u>3,995</u>	<u>(191)</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 People's Republic of China ("PRC"), the subsidiary in Guangzhou is entitled to a 50% relief of PRC income tax for the three years ending 31 December 2004 while 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% relief for the three years ending 31 December 2006.

4. Interim dividend

The Board does not recommend the payment of an interim dividend for the quarter ended 31 December 2003 (2002: Nil).

5. Loss per share

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

	Three months ended 31 December		Nine months ended 31 December	
	2003	2002	2003	2002
Net loss attributable to shareholders	<u>HK\$13,283,000</u>	<u>HK\$19,422,000</u>	<u>HK\$21,452,000</u>	<u>HK\$103,479,000</u>
Weighted average number of ordinary shares for the purposes of basic loss per share	<u>986,274,981</u>	<u>948,855,503</u>	<u>961,508,078</u>	<u>947,437,321</u>

No diluted loss per share for the three and nine months ended 31 December 2003 and 31 December 2002 have 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 both periods.

Business review and outlook

Overview and results review

This quarter was a continuation of the Group's preparation for a rebound. We were still bearing the costs for market and technology developments and were making provisions for prudent accounting purposes and thus, corresponding loss was recorded.

The directors continued to take a conservative approach for accounting purposes and a stringent view on recognizing revenue was still being adopted especially for contracts of relatively longer term in nature in Mainland China. The loss for the quarter ended 31 December 2003 was approximately HK\$13.3 million compared to a loss of approximately HK\$19.4 million in the same

quarter in previous year. The decrease in the loss for this quarter is mainly due to the following:-

1. There was no impairment in value of investment securities in this quarter; and
2. The better financial performance of associates and jointly controlled entities during this quarter.

However, we had significant progress in our preparations in this quarter, which was mainly reflected in the cash flow improvement and critical project progress in various regions.

Specifically, preparations can be presented in the following three areas.

Preparation for revenue contribution

The projects from the Beijing region include China Mobile, Beijing Sports Bureau, the Data Processing System for the Chinese Academy of Sciences (CAS) etc. whereas projects from the Guangzhou region include “ChinaVnet” for Guangdong Telecom, Drugs Administration System for the Guangzhou Drug Administration, CEPREI (Headquarters) Laboratory, Guangzhou Information Centre etc., and they are accompanied by projects from Hong Kong region such as Hong Kong Tourism Board, Information and Technology Services Department and the Asian Wall Street Journal etc. These projects all contribute or prepare to contribute for our revenue.

Preparation for fusing software development and capital market together

Our pragmatic software development business has been substantially active in attracting funding in Guangzhou in China, Hong Kong and the United States and has achieved major progress. Such progress is fusing together with the third phase development of the Zhuhai Southern Software Park, a national software base.

Timeless Consolidated Platform takes shape and prepares for market

The five foundation pillars of the Timeless Consolidated Platform, namely technology, business, talent, region and strategy, have been fortified substantially in the market in this quarter. We are preparing for the most important thrust to materialize the marketability of this technology pillar.

Outlook

We are striving to announce Timeless Consolidated Platform specifically to the whole world before mid year. Lots of breakthroughs have therefore to be made and among them, the software development technology breakthrough will serve as the most significant key factor.

Purchase, sale or redemption of the Company's listed securities

During the period, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

On behalf of the Board
Cheng Kin Kwan
Chairman & Chief Executive Officer

Hong Kong, 11 February 2004

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).