



## **Timeless Software Limited**

*(incorporated in Hong Kong with limited liability)*

**(Stock code: 8028)**

### **RESULTS ANNOUNCEMENT For the year ended 31 March 2004**

#### **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 audited consolidated results of the Company and its subsidiaries (“Group”) for the year ended 31 March 2004 together with the comparative audited figures for the corresponding period in 2003 as follows:

### Consolidated income statement

*For the year ended 31 March 2004*

	<i>Notes</i>	<b>2004</b> <i>HK\$'000</i>	<b>2003</b> <i>HK\$'000</i>
Turnover	2	9,357	27,970
Other operating income		733	3,341
Cost of computer software and hardware sold		(237)	(10,674)
Staff costs		(15,518)	(21,170)
Depreciation and amortisation		(13,322)	(12,207)
Other operating expenses		(21,698)	(22,262)
Impairment in value of investment securities		(48)	(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		(2,299)	(4,107)
Gain (loss) on disposal of investment securities		<u>5,635</u>	<u>(1,874)</u>
Loss from operations	3	(37,397)	(105,509)
Finance costs	4	(640)	(1,225)
Share of results of associates		(3,312)	(3,858)
Share of results of jointly controlled entities		<u>(741)</u>	<u>(7,255)</u>
Loss before taxation		(42,090)	(117,847)
Taxation	5	<u>3,995</u>	<u>(191)</u>
Loss before minority interests		(38,095)	(118,038)
Minority interests		<u>6</u>	<u>974</u>
Net loss attributable to shareholders		<u><u>(38,089)</u></u>	<u><u>(117,064)</u></u>
Loss per share - Basic	6	<u><u>(3.94) cents</u></u>	<u><u>(12.35) cents</u></u>

## Consolidated statement of changes in equity

For the year ended 31 March 2004

	Share capital HK\$'000	Share premium HK\$'000	Goodwill reserve HK\$'000	Deficit HK\$'000	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	—	—	—	(117,064)	(117,064)
At 31 March 2003	47,443	622,635	(9,080)	(422,592)	238,406
Issue of shares	2,060	7,690	—	—	9,750
Expenses incurred in connection with the issue of shares	—	(393)	—	—	(393)
Net loss attributable to shareholders	—	—	—	(38,089)	(38,089)
At 31 March 2004	<u>49,503</u>	<u>629,932</u>	<u>(9,080)</u>	<u>(460,681)</u>	<u>209,674</u>
Attributable to					
- the Company and subsidiaries	49,503	629,932	(9,080)	(443,001)	227,354
- associates	—	—	—	(7,410)	(7,410)
- jointly controlled entities	—	—	—	(10,270)	(10,270)
At 31 March 2004	<u>49,503</u>	<u>629,932</u>	<u>(9,080)</u>	<u>(460,681)</u>	<u>209,674</u>

Notes:

### 1. Basis of preparation

The financial statements have been prepared under the historical cost convention and in accordance with accounting principles generally accepted in Hong Kong.

In the current year, the Group has adopted for the first time the Hong Kong Financial Reporting Standard (“HKFRS”) - Statement of Standard Accounting Practice (“SSAP”) 12 (Revised) “Income taxes” issued by the Hong Kong Society of Accountants (“HKSA”). The term of HKFRS is inclusive of SSAPs and Interpretations approved by the HKSA. The adoption of this revised SSAP 12 has introduced a new basis of accounting for income taxes (including both current tax and deferred tax) and additional disclosure requirements. These changes have not had any significant impact on the results for the current or prior periods. Accordingly, no prior period adjustment was required.

## 2. 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. These divisions are the basis on which the Group reports its primary segment information.

Principal activities are as follows:

- Software development — software development, provision of computer consultancy and software maintenance services and the sales of computer hardware and software
- Investments — investments in securities excluding investments in associates and jointly controlled entities
- Other operations — magazine publishing, provision of computer platform for educational purposes and operation of a software park

Business segments for the year are as follows:

	2004		2003	
	Turnover	Results	Turnover	Results
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Software development	9,346	(31,202)	27,899	(69,470)
Investments	—	5,587	—	(13,991)
Other operations	<u>11</u>	<u>(3,285)</u>	<u>71</u>	<u>(4,996)</u>
	<u>9,357</u>	<u>(28,900)</u>	<u>27,970</u>	<u>(88,457)</u>
Central administrative expenses		<u>(8,497)</u>		<u>(17,052)</u>
Loss from operations		(37,397)		(105,509)
Finance costs		(640)		(1,225)
Share of results of associates				
- software development		(3,312)		(3,858)
Share of results of jointly controlled entities				
- software development		(1,084)		(1,947)
- other operations		<u>343</u>		<u>(5,308)</u>
Loss before taxation		(42,090)		(117,847)
Taxation		<u>3,995</u>		<u>(191)</u>
Loss before minority interests		(38,095)		(118,038)
Minority interests		<u>6</u>		<u>974</u>
Net loss attributable to shareholders		<u>(38,089)</u>		<u>(117,064)</u>

*Geographical segments*

The Group's operations are mainly situated in Hong Kong and Mainland China (the "PRC"). The following table provides an analysis of the Group's geographical segment information:

	<b>Turnover</b>	
	<b>2004</b>	<b>2003</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
PRC	2,931	24,464
Hong Kong	<u>6,426</u>	<u>3,506</u>
	<u>9,357</u>	<u>27,970</u>
<b>3. Loss from operations</b>		
	<b>2004</b>	<b>2003</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Loss from operations has been arrived at after charging:		
Directors' remuneration	4,788	5,739
Other staff's retirement benefits scheme contributions	212	317
Other staff costs	<u>12,007</u>	<u>18,566</u>
	17,007	24,622
Less: Staff costs capitalised in product development costs	<u>(1,489)</u>	<u>(3,452)</u>
	<u>15,518</u>	<u>21,170</u>
Depreciation and amortisation of property, plant and equipment		
- owned by the Group	11,157	11,383
- held under a finance lease	<u>60</u>	<u>86</u>
	11,217	11,469
Less: Depreciation and amortisation capitalised in product development costs	<u>(1,113)</u>	<u>(998)</u>
	10,104	10,471
Amortisation of product development costs	<u>3,218</u>	<u>1,736</u>
	<u>13,322</u>	<u>12,207</u>
Operating lease rentals in respect of land and buildings	1,044	1,097
Less: Operating lease rentals capitalised in product development costs	<u>(49)</u>	<u>(307)</u>
	<u>995</u>	<u>790</u>

	<b>2004</b> <i>HK\$'000</i>	<b>2003</b> <i>HK\$'000</i>
Allowance for amounts due from customers for contract work	4,378	—
Allowance for bad and doubtful debts	735	5,209
Auditors' remuneration		
- current year	780	1,077
- underprovision in prior year	200	434
Loss on disposal of property, plant and equipment	400	15
and after crediting:		
Dividend income from unlisted investment securities	—	120
Interest income	<u>552</u>	<u>1,832</u>
<b>4. Finance costs</b>		
	<b>2004</b> <i>HK\$'000</i>	<b>2003</b> <i>HK\$'000</i>
Interest on		
- a finance lease	(15)	(26)
- bank and other borrowings wholly repayable within five years	(430)	(1,199)
- bank borrowings not wholly repayable within five years	<u>(195)</u>	<u>—</u>
	<u>(640)</u>	<u>(1,225)</u>
<b>5. Taxation</b>		
	<b>2004</b> <i>HK\$'000</i>	<b>2003</b> <i>HK\$'000</i>
Over (under) provision of Hong Kong Profits Tax	3,995	(48)
PRC income tax	—	(42)
Underprovision of PRC income tax	<u>—</u>	<u>(101)</u>
	<u>3,995</u>	<u>(191)</u>

No provision for taxation has been made in the financial statements as the Group had no assessable profit for the year.

Pursuant to the relevant laws and regulations in the PRC, the subsidiary in Guangzhou is entitled to a 50% tax relief 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 ended 31 December 2003 and entitled to a 50% relief for the three years ending 31 December 2006.

#### 6. Loss per share

The calculation of the basic loss per share is based on the net loss attributable to shareholders of HK\$38,089,000 (2003: HK\$117,064,000) and the weighted average number of 967,949,760 (2003: 947,787,010) shares in issue during the year.

No diluted loss per share has been presented in 2004 as the share options granted by the Company are anti-dilutive.

No diluted loss per share has been presented in 2003 as the exercise price of the Company's share options was higher than the average market price of the Company's shares during that year.

#### **7. Dividend**

No dividends had been paid or declared by the Company during the year (2003: Nil).

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

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

### **CHAIRMAN'S STATEMENT**

For the past year, Timeless has undergone a busy but stimulating process. We can describe it as fulfilling, progressing and fruitful. As a result thereof, our loss was reduced, our cash flow was improved, our businesses was strengthened and more opportunities are arising.

This process is also in substance the materialization of the Timeless Consolidated Platform and its increasing convergence to the market. This Consolidated Platform comprises five foundation pillars, namely technology, business, talent, location and strategic.

#### **Technology pillar**

During the year, we have completed the fundamental development of our three core technology elements, and have established the internal system connectivity among these three elements and the external application connectivity. These elements are oriented towards the three significant domains in information processing: the practical consolidation of portals, the platform environment of development and the comprehensive storage for information.

These elements were derived from sophisticated key projects and would be widely applied in a number of applications.

These technologies are Timeless "originals", meaning that we originate, oversee and control their development and that their completion comes through our own initiative and innovation.

These elements will be named with corresponding brands accordingly.

#### **Business pillar**

During the year, we made important breakthroughs for our business pillar. We finally ventured and axed out the inevitable survival path for software development entrepreneurs, that is "create a market" to prolong our life span and extend our survival space. In this information era of software dominancy, software entrepreneurs must not thoughtlessly led by the market and end up in a state of never-ending competition.

This year, our strategic clients and partners will strongly deliver a definite and concrete message about the market to Timeless. They recognize the trend about the market created by Timeless. They benefit as a participating party, and they have devoted their support to us. This is not only the beginning, but an unequivocal support from the market as a whole.

### **Talent pillar**

During the year, a lot of efforts were devoted to solicit and retain talents. We have put in place a large team of development expertises forming the core. The Consolidated Platform as their thoughts and their behaviour became the definite guidance for the operation of the development expertises. With the materialization of quality, these expertises were in fact functioning as the core.

Hence, we have basically assured that software development would be at low cost, short cycle and considerably efficient.

### **Location pillar**

During the year, we leveraged on the competitive edge in the PRC, Hong Kong as well as the US and formed alliances that targeted at these markets. Attention was also given to South East Asia and India with substantial progress achieved.

This has been resulted from the adoption of relationship and connection for the creation of markets with prospects by Timeless. We believe these markets are of great potential and pending exploration by industry leaders.

### **Strategic pillar**

During the year, the forward-thinking strategies of Timeless gave new thoughts to the market. If one says that it is a convincing success of the strategy of Timeless to become one of the first companies that listed on the Growth Enterprise Market in Hong Kong on 25 November 1999, we are sure that the strategies and decisions made in this year would ultimately prove that our past success was not just once and temporary.

Our strategy for this year would be to capitalize on the success achieved in the PRC in terms of market, resources and talent. We would also leverage on the competitive edge of the Consolidated Platform in the market. We believe both of which will create synergy for the other.

In fact, the unique source of power to drive the development of Timeless has been the Timeless Consolidated Platform itself, which is in fact a role model to exemplify and implement the competitive edge being enjoyed by the Chinese.

### **Conclusion**

As a software company based in Hong Kong, Timeless has been, and will be persistently and consistently patriotic to both the PRC and Hong Kong. We have intentionally chosen to duly commence the operation of Timeless on 1 July 1996, exactly a year before the sovereignty of Hong Kong was returned to the PRC. In the eight years that had passed, the world, Hong



Kong and Timeless had to go through crisis, difficulties and challenges one after another. Despite difficult business environments, during such an extended period, we remain dedicated to the construction of the Consolidated Platform. This is not over-confidence in oneself or reckless pursuit of an impossible dream. On the contrary, it is our strong belief in the rules of dominance of software in the real world: under the multi-tasking environment, any single platform will not be capable of offering practicable total solution. The success of the software development enterprises rests on the capabilities to link and consolidate numerous single platforms.

We are proud to announce that we have accomplished this milestone ahead of a great number of competitors. It is now the right moment for Timeless Consolidated Platform to be specifically launched to the market. We will seek to announce to the world the latest version of the “Timeless Consolidated Platform” in due course and to build it into a brand.

Let me borrow the congratulations message delivered to Timeless passionately and enthusiastically by a famous database expert in the world during his visit at the headquarters of Timeless (penthouse of The Center in Hong Kong) to conclude this statement:

“May I wish Timeless rises from the bottom and reaches its destined peak.”

## **REVIEW OF OPERATIONS**

### **Results for the year ended 31 March 2004**

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 year ended 31 March 2004 was approximately HK\$38.1 million compared to a loss of approximately HK\$117.1 million in previous year. The significant decrease in the loss for the year is mainly due to the following:-

1. No impairment in value of land and buildings and product development costs are needed in this year;
2. The impairment in value of investment securities dropped from approximately HK\$11 million to approximately HK\$48,000;
3. The reduction of staff costs from approximately HK\$21.2 million to approximately HK\$15.5 million;
4. Profit on disposal of the Group’s entire 7% interest in KanHan Technologies Group Limited, a company listed on GEM in Hong Kong, amounting to HK\$5.9 million;
5. Overprovision of prior years’ Hong Kong Profits Tax of approximately HK\$4 million as a result of the tax refund received from the Inland Revenue Department in Hong Kong; and
6. The decrease in the share of losses of jointly controlled entities from approximately HK\$7.3 million to approximately HK\$0.7 million.

## 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 2004, the Group had bank balances and cash (excluding pledged bank deposits) of approximately HK\$38.8 million compared to approximately HK\$27.6 million as at 31 March 2003.

In November 2003, the Group obtained a new bank loan of HK\$40 million to replace the old bank loan of approximately HK\$23.4 million. As at 31 March 2004, the outstanding bank loan and obligations under finance lease amounted to HK\$38.8 million and HK\$0.3 million respectively. According to the terms, the new bank loan is an installment loan and will be fully repaid in 2013. The following is the maturity profile of the Group's bank loan as of 31 March 2004:

Within one year	10%
In the 2nd year	10%
In the 3rd to 10th year	<u>80%</u>
	<u>100%</u>

## Gearing ratio

The gearing ratio of the Group, which is calculated as the ratio of total borrowings to shareholders' funds, was 18.6% compared to 12.7% as at 31 March 2003.

## Charge on the Group's assets

As at 31 March 2004, 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\$38.8 million as mentioned in the previous paragraph. Bank deposits totalling approximately HK\$10.2 million (31 March 2003: HK\$5 million) were pledged to banks for banking facilities of HK\$5 million (31 March 2003: HK\$10 million) available to the Group and a loan facility of approximately HK\$4.7 million (31 March 2003: Nil) available to a jointly controlled entity.

## Capital structure

On 30 September 2003, the Company completed a top-up placing of 36,866,000 shares at a price of HK\$0.24 per share. Please refer to the Company's announcements on 17 September 2003 and 30 September 2003 for details of this top-up placing of shares.

Mr. Cheng Kin Kwan, the Chairman and Chief Executive Officer of the Group exercised his share options and as a result 4,340,000 shares of the Company were issued and allotted to him during the year ended 31 March 2004.

## **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 two geographical segments namely Mainland China and Hong Kong.

In respect of business segments, the Group continues to focus on software development. During the year ended 31 March 2004, the Group disposed of its entire 7% interest in KanHan Technologies Group Limited, a company listed on GEM in Hong Kong, for a consideration of approximately HK\$6.3 million and recorded a profit of approximately HK\$5.9 million.

In respect of geographical segments, there was a temporary change during the year ended 31 March 2004. Turnover generated from Mainland China represents approximately 31.3% of the total turnover of the Group during the year compared to approximately 87.5% in previous year, as the outbreak of SARS had seriously affected the business and thus the turnover of the Company's principal subsidiaries in Guangzhou and Beijing. As the Group has substantial contracts on hand and its principal operation is in Mainland China, it is expected that the level of activities in Mainland China will increase in future.

## **Order book and prospects for new business**

The amount of orders on hand of the Group was over HK\$700 million as at 31 March 2004. Please refer to Chairman's statement for description of the prospects of the Group.

## **Material acquisitions and disposal of subsidiaries and affiliated companies**

There was no disposal or acquisition of subsidiaries and affiliated companies during the year ended 31 March 2004.

## **Future plans for material investments**

The Group has committed to invest in 70% interest in a company established in the People's Republic of China ("Prospective Subsidiary") through acquisition of interest in the Prospective Subsidiary from an independent third party at a consideration of RMB8 million (approximately HK\$7.5 million) and subscription of new shares in the Prospective Subsidiary amounting to RMB6 million (approximately HK\$5.6 million). Upon completion of the afore-mentioned transactions, the Prospective Subsidiary will have a registered capital of RMB20 million (approximately HK\$18.7 million).

## **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 2004, the Company has given corporate guarantees of HK\$45 million to banks to secure credit facilities granted to its subsidiaries. As at 31 March 2004, credit facility of HK\$38.8 million was utilized by a subsidiary.

## **Employee information**

As at 31 March 2004, the Group employed a total staff of 72. 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.

## **BOARD PRACTICES AND PROCEDURES**

During the year, the Company has complied with the board practices and procedures as set out in Rules 5.34 to 5.45 of the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited.

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

The Board comprises the following directors:-

Mr. CHENG, Kin Kwan (Executive Director)  
Mr. CHUNG, Yiu Fai (Executive Director)  
Mr. LAW, Kwai Lam (Executive Director)  
Ms. LEUNG, Mei Sheung Eliza (Executive Director)  
Mr. PUN, Chung Sang Trevor (Executive Director)  
Ms. SO, Mi Ling Winnie (Executive Director)  
Ms. WONG, Wai Ping Mandy (Executive Director)  
Ms. ZHENG, Ying Yu (Executive Director)  
Mr. CHONG, Siu Pui (Independent Non-executive Director)  
Mr. NG, Kwok Tung (Independent Non-executive Director)  
Ms. TSANG, Wai Chun Marianna (Independent Non-executive Director)

Hong Kong, 18 June 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).*