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If you are in any doubt as to the action to be taken, you should immediately consult your stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold all your shares in Timeless Software Limited, you should at once hand this document and the accompanying forms of proxy to the purchaser or to the bank, stockbroker or other agent through whom the sale was effected for transmission to the purchaser.



TIMELESS SOFTWARE LIMITED

(incorporated in Hong Kong with limited liability)

Stock Code: 8028

VERY SUBSTANTIAL DISPOSAL

AND

NOTICE OF EXTRAORDINARY GENERAL MEETING

The Notice of the EGM of Timeless Software Limited to be held in Hong Kong on Thursday, 15 September, 2005 at 3:30 p.m. is set out on pages 67 to 68. Whether or not you are able to attend the meeting, please complete and return the accompanying form of proxy in accordance with the instructions printed thereon and return it to the registered office of the Company at 79th Floor, The Center, 99 Queen's Road Central, Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for holding the meeting or the adjourned meeting. Completion of the proxy form and its return will not preclude you from attending, and voting at, the EGM if you so wish.

This circular will remain on the GEM website at www.hkgem.com on the "Latest Company Announcements" page for at least 7 days from the date of posting and on the Company's website at www.timeless.com.hk.

31 August 2005

CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET (“GEM”) OF THE STOCK EXCHANGE

GEM has been established as a market designated 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 Stock 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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DEFINITIONS

In this circular, the following expressions shall have the following meanings unless the context indicates otherwise:

“Agreements”	the Provisional Agreement and the Formal Agreement
“Articles”	the articles of association of the Company, from time to time as adopted and as amended
“Associate”	shall have the meaning ascribed to it under the GEM Listing Rules
“Board”	the board of Directors of the Company or a duly authorised committee thereof
“Companies Ordinance”	the Companies Ordinance (Chapter 32 of the Laws of Hong Kong), as amended or supplemented from time to time
“Company”	Timeless Software Limited, a company incorporated in Hong Kong with limited liability under the Companies Ordinance
“Completion”	completion of the Disposal
“Directors”	the director(s) of the Company
“Disposal”	the proposed sale of the Property in accordance with the terms of the Agreements
“EGM”	the extraordinary general meeting of the Company to be held in Hong Kong on Thursday, 15 September 2005 at Chu Room, 7/F., The Dynasty Club Limited, South West Tower, Convention Plaza, 1 Harbour Road, Wanchai, Hong Kong or any adjournment thereof
“Formal Agreement”	the formal sale and purchase agreement dated 2 August 2005 in respect of the Transaction
“GEM Listing Rules”	the Rules Governing the Listing of Securities on The Growth Enterprise Market of The Stock Exchange of Hong Kong Limited as amended, supplemented or otherwise modified from time to time
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong for the time being
“Independent Third Party”	a third party not connected with any of the Company and its Associates

DEFINITIONS

“Latest Practicable Date”	24 August 2005, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained herein
“Notice of EGM”	set out on page 67 of this circular
“PRC”	the People’s Republic of China
“Property”	the premises located at 79th Floor, The Center, 99 Queen’s Road Central, Hong Kong
“Property Valuer”	LCH (Asia - Pacific) Surveyors Limited, the valuation report of which in connection with the Property is set out at Appendix III to this circular
“Provisional Agreement”	the provisional sale and purchase agreement dated 7 July 2005 in respect of the Transaction
“Purchaser”	Glorious Limited, a company incorporated under the laws of Hong Kong
“Remaining Group”	the Group immediately after the Completion
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended or supplemented from time to time
“Share(s)”	fully paid shares of HK\$0.05 each of the Company (or such other nominal amount prevailing from time to time)
“Shareholders”	holders of the Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subsidiary”	a subsidiary (within the meaning of the Companies Ordinance) for the time being and from time to time of the Company
“Substantial Shareholder”	shall have the meaning ascribed to it under the GEM Listing Rules
“Takeover Code”	The Hong Kong Code on Takeovers and Mergers issued by the Hong Kong Securities and Futures Commission
“TCP”	Timeless Consolidated Platform
“TLL”	Timeless Laboratories Limited, a company incorporated under the laws of Hong Kong and a wholly-owned Subsidiary
“Transaction”	the proposed sale of the Property as contemplated under the Agreements



TIMELESS SOFTWARE LIMITED

(incorporated in Hong Kong with limited liability)

Stock Code: 8028

Executive Directors:

Mr. CHENG, Kin Kwan (*Chairman*)
Mr. CHUNG, Yiu Fai
Mr. LAW, Kwai Lam
Ms. LEUNG, Mei Sheung Eliza
Ms. SO, Mi Ling Winnie
Ms. WONG, Wai Ping Mandy
Ms. ZHENG, Ying Yu

Registered Office:

79th Floor
The Center
99 Queen's Road Central
Hong Kong

Independent Non-executive Directors:

Mr. CHONG, Siu Pui
Mr. NG, Kwok Tung
Ms. TSANG, Wai Chun Marianna

31 August 2005

To the Shareholders of the Company,

Dear Sir/Madam,

**VERY SUBSTANTIAL DISPOSAL
AND
NOTICE OF EXTRAORDINARY GENERAL MEETING**

1. INTRODUCTION

On 11 July 2005, the Board announced that TLL (a wholly-owned Subsidiary) had on 7 July 2005 entered into the Provisional Agreement with the Purchaser, pursuant to which TLL agreed to sell the Property to the Purchaser at a cash consideration of HK\$158,556,000.

The Disposal constitutes a very substantial disposal in respect of the Company under Rule 19.06(4) of the GEM Listing Rules and therefore is subject to approval by the Shareholders at the EGM under Rule 19.49 of the GEM Listing Rules. At the EGM (to the best knowledge, information and belief of the Directors, having made all reasonable enquiries) all Shareholders' interests in the Disposal are the same and therefore no Shareholder is required to abstain from voting for the approval of the Disposal.

LETTER FROM THE BOARD

The purpose of this circular is to provide, among other things, further details of the Disposal and other disclosures in connection with the Disposal required pursuant to the GEM Listing Rules in respect of the very substantial disposal, and together with the Notice of EGM for the purpose of approving the Disposal.

2. THE DISPOSAL

The Provisional Agreement

Date: 7 July 2005

Vendor: TLL

Purchaser: Glorious Limited

To the best knowledge, information and belief of the Directors, having made all reasonable enquiries, the Purchaser is a property investment company which together with its ultimate beneficial owners are Independent Third Parties.

The Formal Agreement

In accordance with the terms of the Provisional Agreement, the Formal Agreement was entered into between TLL and the Purchaser on 2 August 2005.

General Nature of Disposal

Pursuant and subject to the Agreements, TLL has agreed to sell and the Purchaser has agreed to purchase the Property at the cash consideration of HK\$158,556,000, representing an approximately 20.12% premium to the Property Valuer's valuation of the Property at HK\$132,000,000 and approximately 31.15% premium to the book and carrying value of the Property at HK\$120,900,000 in the Company's audited accounts for the year ended 31 March 2005. Such consideration was determined after arm's length negotiations between TLL and the Purchaser, having due regard to the book and carrying values of the Property, the prevailing market conditions as well as the valuation of the Property as stated above.

The Property is currently owned by and registered under the name of TLL, and is mortgaged as security for a loan facility with a licensed bank in Hong Kong. As at 31 March 2005, the carrying value of the Property was approximately HK\$120,900,000. The resultant gain expected to accrue to the Company, being the difference of the net proceeds from the Disposal of approximately HK\$156,000,000 and the carrying value of the Property of approximately HK\$120,900,000 as at 31 March 2005, is approximately HK\$35,100,000.

AGW Commercial Limited (trading as A.G. Wilkinson & Associates) acted as estate agents in the Disposal and receive agency fees of HK\$1,268,448 from each of TLL and the Purchaser. To the best knowledge, information and belief of the Directors, having made all reasonable enquiries, AGW Commercial Limited and its ultimate beneficial owners are Independent Third Parties.

LETTER FROM THE BOARD

Payment

Upon the signing of the Provisional Agreement, a deposit of HK\$5,000,000 was paid by the Purchaser to Deacons, acting as stakeholders and the legal advisors of TLL. Pursuant to the terms of the Provisional Agreement, a second deposit of HK\$10,855,600 was paid by the Purchaser on 19 July 2005 to Deacons acting in the same capacity as aforesaid. The final balance of HK\$142,700,400 shall be paid by the Purchaser upon Completion.

Condition precedent and Completion

Pursuant to the terms of the Agreements, Completion is subject to and conditional upon the due compliance of all requirements under the GEM Listing Rules on or before 30 September 2005, including but not limited to the due obtaining of independent shareholders' approval for the Disposal by the Company. Subject to fulfilment of such condition precedent, Completion is expected to occur on or before 30 December 2005.

Should the Purchaser fail to proceed with the Disposal, all deposits paid by the Purchaser in connection with the Disposal shall be forfeited in favour of TLL. Should TLL fail to proceed with the Disposal, however, all such deposits shall be refunded to the Purchaser without interest. In each case, the rights and remedies of the non-defaulting party shall not be prejudiced and the defaulting party shall pay the sum of HK\$2,536,896 to AGW Commercial Limited (trading as A.G. Wilkinson & Associates) as agreed damages.

Continued tenancy by the Company

The Property is currently used by the Company as its headquarter premises. Upon Completion, pursuant to the terms of the Agreements, TLL shall procure the Company to enter into a 12-month tenancy agreement with the Purchaser in respect of the Property at the monthly rental of HK\$528,520. During the course of negotiations, the Company had made various informal enquiries with third parties and considered the asking rental prices of comparable office premises. Such monthly rental was subsequently determined after arm's length negotiations and reflect the prevailing market rates.

Reasons for the Disposal

In light of recent improvements to the economic conditions and property prices in Hong Kong as compared with those of a few years ago, the Directors consider that the Transaction poses a good opportunity for the Group to achieve a better value for the Property and to streamline the Group's finances by reducing the Company's bank borrowings by approximately HK\$35,009,000 and estimated annual finance expenses by approximately HK\$536,000, as well as improving its cashflow position. The terms of the Transaction were negotiated on an arm's length basis and the Director (including the independent non-executive Directors) consider that the Disposal and its terms are fair and reasonable and are in the interests of the Company and the Shareholders as a whole.

LETTER FROM THE BOARD

Use of Proceeds

The Company acquired the Property in December 1999 at the purchase price of HK\$178,375,500. After taking into account the estimated expenses, including but not limited to the agency commission and professional fees, the net proceeds from the Disposal will be approximately HK\$156,000,000. The Group intends to use such net proceeds: (a) as to approximately HK\$32,000,000 for the repayment of bank borrowings (including the mortgage loan in respect of the Property); (b) as to approximately HK\$6,300,000 for rental payments in respect of the continued 12-month tenancy of the Property following completion of the Disposal as disclosed above; (c) as to approximately HK\$12,000,000 for research and development (including those for software products and refinements to the TCP); (d) as to approximately HK\$10,000,000 for general corporate and business development (including the implementation of marketing strategies, expansion of markets and product lines, and productisation of platform products); and (e) as to the remaining balance of approximately HK\$95,700,000 for general working capital purposes. Whilst the Group had taken advantage of the opportunity to gain a better value for its investment in the Property and therefore has no pre-determined and identifiable use for such remaining balance of approximately \$95,700,000 other than for general working capital purposes, the Directors note that the Group's strengthened financial position will support and sustain an enlarged scale of organization and business operation, which in turn would enable the Group to undertake more projects and service contracts in pursuit of its principal line of businesses, increase its turnover and improve its performance. In the meantime, the remaining balance of approximately HK\$95,700,000 will be placed in the Group's interest-bearing bank accounts. The Company will continue to comply with all disclosure requirements under the GEM Listing Rules.

3. FINANCIAL AND TRADING PROSPECTS OF THE GROUP

Results for the year ended 31 March 2005

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. For these projects, the Group would recognize revenue only when services, which are rendered in stages as identifiable phases of a project, are completed and when the successful collection of such revenue is probable. The net loss attributable to Shareholders for the year ended 31 March 2005 was approximately HK\$82,500,000 representing an increase of 116.5% as compared to the net loss of HK\$38,100,000 in the year ended 31 March 2004. The significant increase in net loss for the year ended 31 March 2005 was mainly due to the following:

1. The impairment in value of goodwill of HK\$11,900,000;
2. The increase in the share of losses of associates and jointly controlled entities from HK\$3,300,000 and HK\$700,000 in the year ended 31 March 2004 to HK\$23,900,000 and HK\$8,800,000 respectively in the year ended 31 March 2005; and
3. Disposal of the Group's entire 10% interest in Tigermetal International Limited, an overseas unlisted investee company, at a loss of HK\$5,700,000.

LETTER FROM THE BOARD

For the year ended 31 March 2005, turnover was approximately HK\$3,400,000, a drop of 63.8% from HK\$9,400,000 in previous year. Despite a reduction in turnover, the Group continued to control its operating costs in an effective manner. The staff costs were further reduced by HK\$2,200,000 to HK\$13,300,000 whereas other operating expenses were largely decreased from HK\$21,700,000 to HK\$7,900,000.

Liquidity and financial resources

The Group generally financed its operations and investing activities with internally generated cash flows and loans from banks.

As at 31 March 2005, the Group had bank balances and cash (excluding pledged bank deposits) of approximately HK\$17,200,000 compared to approximately HK\$38,800,000 as at 31 March 2004. As at 31 March 2005, the Group had outstanding bank loans and obligations under finance lease amounted to HK\$36,500,000 (2004: HK\$38,800,000) and HK\$200,000 (2004: HK\$200,000) respectively. In accordance with the terms of the relevant banking facilities, such bank loans are installment loans and will be fully repaid in 2013 and 2015. The following was the maturity profile of the Group's bank loans as at 31 March 2005:

Within one year	11%
In the 2nd year	11%
In the 3rd to 10th year	78%
	<u>100%</u>

Gearing ratio

The gearing ratio of the Group, which is calculated as the ratio of total borrowings to Shareholders' funds, was 26.6% compared to 18.6% as at 31 March 2004. The reason for a higher level of gearing was mainly due to the decrease in Shareholders' funds resulting from the net loss of approximately HK\$82,500,000 incurred for the year ended 31 March 2005.

Charge on the Group's assets

As at 31 March 2005, the Group's headquarters at 79/F The Center, 99 Queen's Road Central, Hong Kong was mortgaged to a bank for a loan of HK\$35,000,000. A commercial property situated in Guangzhou held by a PRC Subsidiary was also mortgaged to a bank for a loan of approximately HK\$1,500,000. Bank deposits totalling approximately HK\$10,200,000 (2004: HK\$10,200,000) were pledged to banks for banking facilities of HK\$5,000,000 (2004: HK\$5,000,000) available to the Company and some of its Subsidiaries and a loan facility of approximately HK\$4,700,000 (2004: HK\$4,700,000) available to a jointly-controlled entity.

LETTER FROM THE BOARD

Capital structure

Certain Directors and employees of the Group exercised their share options and as a result 19,420,000 Shares of the Company were issued and allotted to them during the year ended 31 March 2005. Further details on the Company's capital structure can be found in the Company's annual report for the year ended 31 March 2005.

Segmental information

In accordance with the Group's internal financial reporting, the Group had 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 Hong Kong and Mainland China.

In respect of business segments, the Group continues to focus on software development providing total solutions and customised development in respect of web technologies and related services, back-end and supporting technologies, software localization, China informatization and social industry management projects, as well as business applications and system maintenance. For the year ended 31 March 2005, turnover from software development of approximately HK\$3,400,000 accounted for over 99% of total turnover whereas operating loss from software development of approximately HK\$27,200,000 accounted for about 55% of the Group's operating loss.

In respect of geographical segments, there was no significant change in the percentage of revenue contribution from Hong Kong and Mainland China during the year ended 31 March 2005. Turnover generated from Hong Kong and Mainland China accounted for approximately 63.2% and 36.8% of the total turnover of the Group respectively during the year ended 31 March 2005 compared to approximately 68.7% and 31.3% in the year ended 31 March 2004.

Material acquisitions and disposal of subsidiaries and affiliated companies

During the year ended 31 March 2005, the Group has acquired a 70% interest in Talent Valley Company Limited, a company established in the PRC, at a consideration of approximately HK\$13,200,000.

Save as mentioned above, there was no disposal or acquisition of subsidiaries and affiliated companies during the year ended 31 March 2005.

Future plans for material investments

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

LETTER FROM THE BOARD

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, its exposure to foreign exchange rate fluctuations is minimal.

Contingent liabilities

As at 31 March 2005, the Company has given corporate guarantees of HK\$45,000,000 (2004: HK\$45,000,000) to banks to secure credit facilities granted to its Subsidiaries. As at 31 March 2005, credit facility in respect of a mortgage loan of HK\$35,000,000 (2004: HK\$38,000,000) was utilized by TLL.

Employee information

As at 31 March 2005, the Group employed a total staff of 54. 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.

Pro forma financial information

As at 31 March 2005, the net assets of the Group amounted to approximately HK\$137,940,000 and the loss for the year ended 31 March 2005 was approximately HK\$82,478,000. As at 31 March 2005, the Group had bank balances and cash of HK\$27,451,000 of which approximately HK\$10,205,000 were pledged to banks for facilities granted to the Group.

Based on the pro forma financial information of the Remaining Group as set out in Appendix II to this circular, the net assets of the Remaining Group after the Completion will be increased to approximately HK\$172,014,000 and the loss for the year ended 31 March 2005 will be reduced to approximately HK\$54,180,000. As at 31 March 2005, the Remaining Group had bank balances and cash of approximately HK\$146,130,000 of which approximately HK\$10,205,000 were pledged to banks for facilities granted to the Remaining Group. As at 31 March 2005, total borrowings will be reduced from approximately HK\$36,652,000 to approximately HK\$1,643,000 with the gearing ratio of the Remaining Group, calculated as the ratio of total borrowings to Shareholders' funds, improving from approximately 26.6% to approximately 1%.

The pro forma figures referred above are calculated on the bases and assumptions set out in Appendix II and should be read in conjunction with them. Although reasonable care has been exercised in preparing the pro forma financial information, prospective investors and Shareholders who read the information should bear in mind that these figures are for illustrative purpose only and are inherently subject to adjustments and because of its nature, it may not give a complete picture of the actual financial performance of the Remaining Group had the Disposal actually been completed as at the relevant dates as set out in the basis stated.

Group's order book and trading prospects

As at 31 March 2005, the amount of orders on hand of the Group in relation to software development contracts was over HK\$7,000,000. Over the years, the Group has devoted concentrated efforts to the development of the TCP and completed the five core technology elements — namely, the ZiWangYuan (子網元), the ZiFaYuan (子發元), the GuangCunYuan (廣存元), the SouSuoYuan (搜索元) and the ShiXiangYuan (視像元) — as well as the internal system connectivity among all five elements and their external application connectivity. Each of the five core technology elements is designed to handle a significant area of the five domains in information processing — namely, the practical consolidation of portals, the platform environment of development, the comprehensive storage for information, the search processing for information and the integrated presentation of multimedia information. With the five core technology elements in place, the TCP is thus empowered within its design the capability to process information among and between the various domains in a relatively open manner.

To promote better appreciation of the attractions embedded in, and the advantages offered by, the TCP, the Group has in the past year and a half embarked on the methodology of infusing specific market and application factors into the TCP in the early stages of negotiation with potential clients and partners about potential projects. “XTE2005”, a complex of sub-platforms so derived, would be illustrative. Initiated at the request of a strategic partner engaged in public services to address certain application requirements in its social industry management program, “XTE2005” combined TCP's capability of integrating both software and hardware resources with the deployment of many of TCP-derived sub-platforms such as the Information Integration Sub-platform, the Information Security Sub-platform, the Interactive Feedback Sub-platform, the Terminal Identification Sub-platform and the Broadcast Application Sub-platform. To put it more simply, as “XTE2005” has incorporated all the technological elements to satisfy the application requirements of the partner's social industry management program, including the ability to integrate all existing hardware and software resources, “XTE2005” is project-ready. In other words, when the structure and the specifications of the projects under the social industry management program are determined, “XTE2005” will become the basic technology framework of the project and as a result the time needed to actualize the application requirements into final solutions and application system could be significantly shortened. At present, the Group continues its earnest preliminary discussions with strategic clients and partners about the details of various potential projects and the Group is also in preparation for the official market launch of the TCP. With the development work on the TCP and its derivative complexes and sub-platforms basically done, the Group is cautiously optimistic about the prospect of their timely realization.

4. THE EGM

An ordinary resolution to approve the Disposal will be proposed at the EGM, to be held in Hong Kong at Chu Room, 7/F., The Dynasty Club Limited, South West Tower, Convention Plaza, 1 Harbour Road, Wanchai, Hong Kong at 3:30 p.m. on 15 September 2005. A copy of the Notice of EGM is set out on pages 67 to 68.

LETTER FROM THE BOARD

A form of proxy for use at the EGM is enclosed. **Whether or not you are able to attend the meeting, please complete the accompanying form of proxy in accordance with the instructions printed thereon and return it to the registered office of the Company at 79th Floor, The Center, 99 Queen's Road Central, Hong Kong as soon as possible and, in any event, so as to be received not less than 48 hours before the time appointed for the holding of the meeting.** Completion and delivery of the form of proxy will not prevent you from attending and voting at the meeting if you so wish.

5. PROCEDURES FOR DEMANDING A POLL BY SHAREHOLDERS

In accordance with the Company's Articles of Association, resolutions proposed at the EGM shall be decided on a show of hand unless a poll is (before or on the declaration of the result of the show of hands) demanded:

- (a) by the Chairman; or
- (b) by at least 3 members present in person or by proxy and entitled to vote at the EGM; or
- (c) by any member or members present in person or by proxy and representing not less than one-tenth of the total voting rights of all the members having the right to vote at the EGM.

6. GENERAL

The principal activities of the Company are the provision of computer consultancy and software maintenance services, software development and sales of computer hardware and software.

The Disposal constitutes a very substantial disposal of the Group under Rule 19.06(4) of the GEM Listing Rules and therefore requires Shareholders' approval in accordance with Rule 19.49 of the GEM Listing Rules.

To the best knowledge, information and belief of the Directors, no shareholder or any of his associates has such material interest in the Transaction and therefore no shareholder is required to abstain from voting under Rule 19.49 of the GEM Listing Rules.

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the GEM Listing Rules 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:

- (a) the information contained in this circular is accurate and complete in all material respects and not misleading;

LETTER FROM THE BOARD

- (b) there are no other matters the omission of which would make any such statement in this circular misleading; and
- (c) all opinions expressed in this circular have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.

7. RECOMMENDATION

The Directors consider that the terms, conditions and reasons for the Disposal are fair and reasonable, and are in the best interests of the Company and the Shareholders as a whole. Accordingly, the Directors recommend the Shareholders to vote in favour of the resolution to be proposed at the EGM.

8. ADDITIONAL INFORMATION

Please refer to the appendices to this circular for additional information.

Yours faithfully,
CHENG Kin Kwan
Chairman & Chief Executive Officer

1. AUDITED FINANCIAL STATEMENTS OF THE COMPANY FOR THE TWO YEARS ENDED 31 MARCH 2005

Set out below is a summary of the audited financial statements for the two years ended 31 March 2005 as extracted from the Company's annual report 2005.

Consolidated Income Statement

For the Year Ended 31 March 2005

	<i>Notes</i>	2005 <i>HK\$'000</i>	2004 <i>HK\$'000</i>
Turnover	4	3,441	9,357
Other operating income		820	733
Cost of computer software and hardware sold		(25)	(237)
Staff costs		(13,336)	(15,518)
Depreciation and amortisation		(14,286)	(13,322)
Other operating expenses		(7,905)	(21,698)
Impairment in value of goodwill		(11,938)	—
Impairment in value of investment securities		(334)	(48)
Allowance for deposit made for the investment in an associate		—	(2,299)
(Loss) gain on disposal of investment securities		<u>(5,664)</u>	<u>5,635</u>
Loss from operations	5	(49,227)	(37,397)
Finance costs	8	(578)	(640)
Share of results of associates		(23,867)	(3,312)
Share of results of jointly controlled entities		<u>(8,824)</u>	<u>(741)</u>
Loss before taxation		(82,496)	(42,090)
Taxation	9	<u>—</u>	<u>3,995</u>
Loss before minority interests		(82,496)	(38,095)
Minority interests		<u>18</u>	<u>6</u>
Net loss attributable to shareholders		<u><u>(82,478)</u></u>	<u><u>(38,089)</u></u>
Loss per share - Basic	10	<u><u>(8.30) cents</u></u>	<u><u>(3.94) cents</u></u>

Consolidated Balance Sheet*As at 31 March 2005*

	<i>Notes</i>	2005 <i>HK\$'000</i>	2004 <i>HK\$'000</i>
Non-current assets			
Property, plant and equipment	11	131,370	139,501
Product development costs	12	2,291	6,008
Interests in associates	15	6,460	30,327
Interests in jointly controlled entities	16	5,430	14,219
Investments in securities	17	<u>1,234</u>	<u>10,147</u>
		<u>146,785</u>	<u>200,202</u>
Current assets			
Amounts due from customers for contract work	18	4,775	4,925
Trade and other receivables	19	11,246	3,177
Pledged bank deposits		10,205	10,205
Bank balances and cash		<u>17,246</u>	<u>38,761</u>
		<u>43,472</u>	<u>57,068</u>
Current liabilities			
Other payables	20	8,878	6,232
Obligations under a finance lease due within one year	21	60	57
Current portion of secured long-term bank loan	22	<u>3,904</u>	<u>3,756</u>
		<u>12,842</u>	<u>10,045</u>
Net current assets		<u>30,630</u>	<u>47,023</u>
Total assets less current liabilities		<u>177,415</u>	<u>247,225</u>
Non-current liabilities			
Obligations under a finance lease due after one year	21	128	188
Secured long-term bank loan	22	<u>32,560</u>	<u>35,003</u>
		<u>32,688</u>	<u>35,191</u>
Net assets		<u>144,727</u>	<u>212,034</u>
Capital and reserves			
Share capital	24	50,474	49,503
Reserves		<u>87,466</u>	<u>160,171</u>
Shareholders' funds		137,940	209,674
Minority interests		<u>6,787</u>	<u>2,360</u>
		<u>144,727</u>	<u>212,034</u>

Balance Sheet*As at 31 March 2005*

	<i>Notes</i>	2005 <i>HK\$'000</i>	2004 <i>HK\$'000</i>
Non-current assets			
Property, plant and equipment	11	5,102	10,304
Product development costs	12	2,291	6,008
Interests in subsidiaries	14	95,100	106,901
Investments in associates	15	6,460	30,327
Interests in jointly controlled entities	16	5,430	14,219
Investments in securities	17	133	267
		<u>114,516</u>	<u>168,026</u>
Current assets			
Amounts due from customers for contract work	18	98	168
Trade and other receivables		1,377	1,408
Pledged bank deposits		5,000	5,000
Bank balances and cash		1,799	15,574
		<u>8,274</u>	<u>22,150</u>
Current liabilities			
Other payables		2,141	2,127
Obligations under a finance lease due within one year	21	60	57
		<u>2,201</u>	<u>2,184</u>
Net current assets		<u>6,073</u>	<u>19,966</u>
Total assets less current liabilities		<u>120,589</u>	<u>187,992</u>
Non-current liabilities			
Obligations under a finance lease due after one year	21	128	188
Amount due to a subsidiary	23	2,370	2,231
		<u>2,498</u>	<u>2,419</u>
Net assets		<u>118,091</u>	<u>185,573</u>
Capital and reserves			
Share capital	24	50,474	49,503
Reserves	26	67,617	136,070
Shareholders' funds		<u>118,091</u>	<u>185,573</u>

Consolidated Statement of Changes in Equity*For the Year Ended 31 March 2005*

	Share capital	Share premium	Goodwill reserve	Deficit	Total
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
At 1 April 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	<u>—</u>	<u>—</u>	<u>—</u>	<u>(38,089)</u>	<u>(38,089)</u>
At 31 March 2004	49,503	629,932	(9,080)	(460,681)	209,674
Impairment in value recognised during the year	—	—	9,080	—	9,080
Issue of shares	971	708	—	—	1,679
Expenses incurred in connection with the issue of shares	—	(15)	—	—	(15)
Net loss attributable to shareholders	<u>—</u>	<u>—</u>	<u>—</u>	<u>(82,478)</u>	<u>(82,478)</u>
At 31 March 2005	<u>50,474</u>	<u>630,625</u>	<u>—</u>	<u>(543,159)</u>	<u>137,940</u>
Attributable to					
- the Company and subsidiaries	50,474	630,625	—	(492,788)	188,311
- associates	—	—	—	(31,277)	(31,277)
- jointly controlled entities	<u>—</u>	<u>—</u>	<u>—</u>	<u>(19,094)</u>	<u>(19,094)</u>
At 31 March 2005	<u>50,474</u>	<u>630,625</u>	<u>—</u>	<u>(543,159)</u>	<u>137,940</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	<u>—</u>	<u>—</u>	<u>—</u>	<u>(10,270)</u>	<u>(10,270)</u>
At 31 March 2004	<u>49,503</u>	<u>629,932</u>	<u>(9,080)</u>	<u>(460,681)</u>	<u>209,674</u>

Due to continuous losses incurred by a jointly controlled entity, the goodwill reserve was wholly written off and an impairment loss of HK\$9,080,000 was recognised in the current year.

Consolidated Cash Flow Statement*For the Year Ended 31 March 2005*

	<i>Note</i>	2005	2004
		<i>HK\$'000</i>	<i>HK\$'000</i>
Operating activities			
Loss before taxation		(82,496)	(42,090)
Adjustments for:			
Interest income		(208)	(552)
Reversal of allowance for amounts due from customers for contract work		(453)	—
Interest expenses		578	640
Share of results of associates		23,867	3,312
Share of results of jointly controlled entities		8,824	741
Depreciation and amortisation		14,286	13,322
Loss on disposal of property, plant and equipment		102	400
Allowance for deposit made for the investment in an associate		—	2,299
Impairment in value of goodwill		11,938	—
Loss (gain) on disposal of investment securities		5,664	(5,635)
Impairment in value of investment securities		334	48
Allowance for amounts due from customers for contract work		353	4,378
Allowance for bad and doubtful debts		—	735
		<u> </u>	<u> </u>
Operating cash flows before movements in working capital		(17,211)	(22,402)
Decrease in amount due from a jointly controlled entity		—	267
Decrease (increase) in amounts due from customers for contract work		250	(1,031)
(Increase) decrease in trade and other receivables		(488)	2,648
Decrease in other payables		(567)	(540)
		<u> </u>	<u> </u>
Cash used in operations		(18,016)	(21,058)
Hong Kong Profits Tax refunded		—	8,343
		<u> </u>	<u> </u>
Net cash used in operating activities		<u>(18,016)</u>	<u>(12,715)</u>

Consolidated Cash Flow Statement (Continued)*For the Year Ended 31 March 2005*

	<i>Note</i>	2005 <i>HK\$'000</i>	2004 <i>HK\$'000</i>
Investing activities			
Interest received		173	552
Purchase of property, plant and equipment		(265)	(230)
Purchase of a subsidiary (net of cash and cash equivalents acquired)	27	(3,703)	—
Proceeds from disposal of property, plant and equipment		102	200
Product development costs paid		—	(1,875)
Repayment of advance made to a jointly controlled entity		—	10,000
Purchase of investment securities		—	(1,009)
Proceeds from disposal of investment securities		2,915	7,948
Increase in pledged bank deposits		<u>—</u>	<u>(5,205)</u>
Net cash (used in) from investing activities		<u>(778)</u>	<u>10,381</u>
Financing activities			
Interest paid		(578)	(640)
Proceeds from issue of shares		1,679	9,750
Expenses paid in connection with the issue of shares		(15)	(393)
Repayment of obligations under a finance lease		(57)	(249)
New bank loan raised		—	40,000
Repayment of bank loan		<u>(3,750)</u>	<u>(31,241)</u>
Net cash (used in) from financing activities		<u>(2,721)</u>	<u>17,227</u>
(Decrease) increase in cash and cash equivalents		(21,515)	14,893
Cash and cash equivalents at 1 April		<u>38,761</u>	<u>23,868</u>
Cash and cash equivalents at 31 March		<u><u>17,246</u></u>	<u><u>38,761</u></u>
Analysis of the balances of cash and cash equivalents			
Bank balances and cash		<u><u>17,246</u></u>	<u><u>38,761</u></u>

Notes to the Financial Statements*For the Year Ended 31 March 2005***1. GENERAL**

The Company is a public limited company incorporated in Hong Kong and acts as an investment holding company as well as engaged in the provision of computer consultancy and software maintenance services, software development and sales of computer hardware and software. The shares of the Company are listed on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”).

2. POTENTIAL IMPACT ARISING FROM THE RECENTLY ISSUED ACCOUNTING STANDARDS

In 2004, the Hong Kong Institute of Certified Public Accountants (the “HKICPA”) issued a number of new or revised Hong Kong Accounting Standards (“HKASs”) and Hong Kong Financial Reporting Standards (“HKFRSs”) (hereinafter collectively referred to as “new HKFRSs”) which are effective for accounting periods beginning on or after 1 January 2005. The Group has not early adopted these new HKFRSs in the financial statements for the year ended 31 March 2005.

The Group has commenced considering the potential impact of these new HKFRSs but is not yet in a position to determine whether these HKFRSs would have a significant impact on how its results of operations and financial position are prepared and presented. These HKFRSs may result in changes in the future as to how the results and financial position are prepared and presented.

3. SIGNIFICANT ACCOUNTING POLICIES

The financial statements have been prepared under the historical cost convention and in accordance with accounting principles generally accepted in Hong Kong. The principal accounting policies adopted are as follows:

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries made up to 31 March each year.

All significant inter-company transactions and balances within the Group are eliminated on consolidation.

Goodwill

Goodwill arising on consolidation represents the excess of the cost of acquisition over the Group’s interest in the fair value of the identifiable assets and liabilities of a subsidiary, associate or jointly controlled entity at the date of acquisition.

Goodwill arising on acquisitions prior to 1 April 2001 continues to be held in reserves, and will be charged to the income statement at the time of disposal of the relevant subsidiary, associate or jointly controlled entity, or at such time as the goodwill is determined to be impaired.

Goodwill arising on acquisitions after 1 April 2001 is capitalised and amortised on a straight line basis over its useful economic life. Goodwill arising on the acquisition of an associate or a jointly controlled entity is included within the carrying amount of the associate or jointly controlled entity. Goodwill arising on the acquisition of subsidiaries is presented separately in the balance sheet.

Investments in subsidiaries

Investments in subsidiaries are stated at cost less any identified impairment loss.

Interests in associates

The consolidated income statement includes the Group's share of the post-acquisition results of its associates for the year. In the consolidated balance sheet, interests in associates are stated at the Group's share of the net assets of the associates plus the premium paid less amortisation and any identified impairment loss.

When the Group transacts with its associates, unrealised profits and losses are eliminated to the extent of the Group's interest in the relevant associates, except where unrealised losses provide evidence of an impairment of the asset transferred.

In the Company's balance sheet, investments in associates are stated at cost less any identified impairment loss.

Interests in jointly controlled entities

Joint venture arrangements which involve the establishment of a separate entity in which each venturer has an interest are referred to as jointly controlled entities.

The Group's interests in jointly controlled entities are included in the consolidated balance sheet at the Group's share of the net assets of the jointly controlled entities less any identified impairment loss. The Group's share of the post-acquisition results of its jointly controlled entities is included in the consolidated income statement.

When the Group transacts with its jointly controlled entities, unrealised profits and losses are eliminated to the extent of the Group's interest in the relevant jointly controlled entities, except where unrealised losses provide evidence of an impairment of the asset transferred.

In the Company's balance sheet, investments in jointly controlled entities are stated at cost less any identified impairment loss.

Investments in securities

Investments in securities are recognised on a trade-date basis and are initially measured at cost.

Investments other than held-to-maturity debt securities are classified as investment securities and other investments.

Investment securities, which are securities held for an identified long-term strategic purpose, are measured at subsequent reporting dates at cost less any identified impairment loss.

Turnover

Turnover represents the aggregate of the net amounts received and receivable from third parties in connection with software development, provision of computer consultancy and software maintenance services, as well as sales of computer hardware and software.

Revenue recognition

When the outcome of a contract for software development can be estimated reliably, revenue from fixed price contracts is recognised on the percentage of completion method, measured by reference to the proportion that costs incurred to date bear to estimated total costs for each contract. When the outcome of a contract cannot be estimated reliably, revenue is recognised to the extent of contract costs incurred that it is probable that they are recoverable.

Sales of computer hardware and software are recognised when the goods are delivered and title has passed.

Revenue from software maintenance services is recognised when the services are provided.

Subscription income is recognised on a straight line basis over the period when the publication items are dispatched to subscribers.

Interest income is accrued on a time basis, by reference to the principal outstanding and at the interest rate applicable.

Dividend income from investments is recognised when the Company's rights to receive payment have been established.

Leases

Leases are classified as finance leases whenever the terms of the leases transfer substantially all the risks and rewards of ownership of the leased assets to the Group. Assets held under finance leases are capitalised at their fair value at the date of acquisition. Any outstanding principal portion of the leasing commitments is shown as obligations of the Group. The finance costs, which represent the difference between the total leasing commitments and the fair value of the assets acquired, are charged to the income statement over the period of the relevant leases so as to produce a constant periodic rate of charge on the remaining balances of the obligations for each accounting period.

All other leases are classified as operating leases and the rentals payable are charged to the income statement on a straight line basis over the period of the respective leases.

Property, plant and equipment

Property, plant and equipment are stated at cost less depreciation and amortisation and any identified impairment loss at the balance sheet date.

The gain or loss arising from the disposal or retirement of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in the income statement.

The cost of leasehold land is amortised over the period of the lease using the straight line method.

The cost of buildings is depreciated using the straight line method over 50 years or the remaining period of the relevant lease where the buildings are erected, if shorter.

The cost of leasehold improvements is depreciated on a straight line basis over the period of the respective leases.

Depreciation is provided to write off the cost of other property, plant and equipment over their estimated useful lives, using the straight line method, at the rate of 20% per annum.

Assets held under finance leases are depreciated on the same basis as assets owned by the Group or over the period of the leases, if shorter.

Product development costs

Expenditure on research activities is recognised as an expense in the period in which it is incurred.

An internally-generated asset arising from product development expenditure is recognised only if it is anticipated that the development costs incurred on a clearly-defined project will be recovered through future commercial activity. The resultant asset is amortised on a straight line basis over its estimated useful life.

Where no internally-generated asset can be recognised, product development expenditure is recognised as an expense in the period in which it is incurred.

Software development contracts

When the outcome of a contract for software development can be estimated reliably, contract costs are charged to the income statement with reference to the stage of completion of the contract activity at the balance sheet date as measured by reference to the proportion that costs incurred to date bear to estimated costs for each contract.

When the outcome of a contract cannot be estimated reliably, contract costs are recognised as an expense in the period in which they are incurred.

Where it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

Impairment

At each balance sheet date, the Group reviews the carrying amounts of its assets to determine whether there is any indication that those assets have suffered an impairment loss. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. Impairment loss is recognised as an expense immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years, and it further excludes income statement items that are never taxable or deductible.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences, and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill (or negative goodwill) or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, associates and jointly controlled entities except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset realised. Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Foreign currencies

Transactions in foreign currencies are translated at the rates ruling on the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are re-translated at the rates ruling on the balance sheet date. Gains and losses arising on translation are dealt with in the income statement.

On consolidation, the assets and liabilities of the Group's overseas operations are translated at exchange rate prevailing on the balance sheet date. Income and expense items are translated at the average exchange rates for the period. Translation differences arising, if any, are classified as equity and transferred to the Group's translation reserve. Such translation differences are recognised as income or as expenses in the period in which the operation is disposed of.

4. 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 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:

	Turnover		Results	
	2005 HK\$'000	2004 HK\$'000	2005 HK\$'000	2004 HK\$'000
Software development	3,432	9,346	(27,231)	(31,202)
Investments	—	—	(5,955)	5,587
Other operations	<u>9</u>	<u>11</u>	<u>(9,514)</u>	<u>(3,285)</u>
	<u>3,441</u>	<u>9,357</u>	(42,700)	(28,900)
Central administrative expenses			<u>(6,527)</u>	<u>(8,497)</u>
Loss from operations			(49,227)	(37,397)
Finance costs			(578)	(640)
Share of results of associates				
- software development			(11,419)	(3,312)
- other operations			(12,448)	—
Share of results of jointly controlled entities				
- software development			(4,068)	(1,084)
- other operations			<u>(4,756)</u>	<u>343</u>
Loss before taxation			(82,496)	(42,090)
Taxation			<u>—</u>	<u>3,995</u>
Loss before minority interests			(82,496)	(38,095)
Minority interests			<u>18</u>	<u>6</u>
Net loss attributable to shareholders			<u>(82,478)</u>	<u>(38,089)</u>

	2005 HK\$'000	2004 HK\$'000
BALANCE SHEET		
Assets		
Segment assets		
• software development		
- the Company and subsidiaries	166,858	192,062
- associates	—	11,419
- jointly controlled entities	—	4,068
• investments	1,234	10,147
• other operations		
- the Company and subsidiaries	70	309
- associates	6,460	18,908
- jointly controlled entities	5,430	10,151
Unallocated corporate assets	<u>10,205</u>	<u>10,206</u>
	<u>190,257</u>	<u>257,270</u>
Liabilities		
Segment liabilities		
• software development	8,788	6,142
• investments	45	45
• other operations	45	45
Unallocated corporate liabilities	<u>36,652</u>	<u>39,004</u>
	<u>45,530</u>	<u>45,236</u>
OTHER INFORMATION		
Capital additions		
• software development	5,500	3,516
• investments	<u>—</u>	<u>1,009</u>
	<u>5,500</u>	<u>4,525</u>
Depreciation and amortisation		
• software development	14,063	13,086
• other operations	<u>223</u>	<u>236</u>
	<u>14,286</u>	<u>13,322</u>
Impairment in value of goodwill		
• software development	(2,858)	—
• other operations	<u>(9,080)</u>	<u>—</u>
	<u>(11,938)</u>	<u>—</u>
(Loss) gain on disposal of investment securities		
• investments	<u>(5,664)</u>	<u>5,635</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 by location of operations:

	Turnover	
	2005	2004
	<i>HK\$'000</i>	<i>HK\$'000</i>
Hong Kong	2,174	6,426
PRC	<u>1,267</u>	<u>2,931</u>
	<u>3,441</u>	<u>9,357</u>

The following is an analysis of the carrying amount of segment assets and capital additions, analysed by the geographical area in which the assets are located:

	Carrying amount of segment assets		Capital additions	
	2005	2004	2005	2004
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Hong Kong	138,960	192,029	149	4,073
PRC	<u>51,297</u>	<u>65,241</u>	<u>5,351</u>	<u>452</u>
	<u>190,257</u>	<u>257,270</u>	<u>5,500</u>	<u>4,525</u>

5. LOSS FROM OPERATIONS

	2005 HK\$'000	2004 HK\$'000
Loss from operations has been arrived at after charging:		
Directors' remuneration (<i>note 6</i>)	4,589	4,788
Other staff's retirement benefits scheme contributions	167	212
Other staff costs	<u>8,580</u>	<u>12,007</u>
	13,336	17,007
Less: Staff costs capitalised in product development costs	<u>—</u>	<u>(1,489)</u>
	<u>13,336</u>	<u>15,518</u>
Depreciation and amortisation of property, plant and equipment		
- owned by the Group	10,510	11,157
- held under a finance lease	<u>59</u>	<u>60</u>
	10,569	11,217
Less: Depreciation and amortisation capitalised in product development costs	<u>—</u>	<u>(1,113)</u>
	10,569	10,104
Amortisation of product development costs	<u>3,717</u>	<u>3,218</u>
	<u>14,286</u>	<u>13,322</u>
Operating lease rentals in respect of land and buildings	778	1,044
Less: Operating lease rentals capitalised in product development costs	<u>—</u>	<u>(49)</u>
	<u>778</u>	<u>995</u>
Allowance for amounts due from customers for contract work	353	4,378
Allowance for bad and doubtful debts	—	735
Auditors' remuneration		
- current year	836	780
- underprovision in prior year	81	200
Loss on disposal of property, plant and equipment	102	400
and after crediting:		
Interest income	208	552
Reversal of allowance for amounts due from customers for contract work	<u>453</u>	<u>—</u>

6. DIRECTORS' EMOLUMENTS

	2005 <i>HK\$'000</i>	2004 <i>HK\$'000</i>
Fees for		
- executive directors	—	—
- independent non-executive directors	<u>290</u>	<u>246</u>
	<u>290</u>	<u>246</u>
Other emoluments for independent non-executive directors	—	—
Other emoluments for executive directors		
- basic salaries and allowances	4,228	4,448
- bonus	—	28
- retirement benefits scheme contributions	<u>71</u>	<u>66</u>
	<u>4,299</u>	<u>4,542</u>
Total directors' remuneration	<u><u>4,589</u></u>	<u><u>4,788</u></u>

For the year ended 31 March 2005, basic salaries and allowances and bonus paid to the eight executive directors, analysed on an individual basis, were as follows: HK\$1,600,000, HK\$522,000, HK\$515,000, HK\$457,000, HK\$389,000, HK\$350,000, HK\$285,000 and HK\$110,000 while contributions to retirement benefits scheme in respect of the six executive directors, analysed on an individual basis, were as follows: HK\$12,000, HK\$12,000, HK\$12,000, HK\$12,000, HK\$12,000 and HK\$11,000. Also, for the year ended 31 March 2005, the fees paid to the three independent non-executive directors, analysed on an individual basis, were as follows: HK\$97,000, HK\$97,000 and HK\$96,000.

For the year ended 31 March 2004, basic salaries and allowances and bonus paid to the nine executive directors, analysed on an individual basis, were as follows: HK\$1,775,000, HK\$587,000, HK\$543,000, HK\$527,000, HK\$403,000, HK\$381,000, HK\$119,000, HK\$84,000 and HK\$57,000 while contributions to retirement benefits scheme in respect of the seven executive directors, analysed on an individual basis, were as follows: HK\$12,000, HK\$12,000, HK\$12,000, HK\$12,000, HK\$12,000, HK\$4,000 and HK\$2,000. Also, for the year ended 31 March 2004, the fees paid to the three independent non-executive directors, analysed on an individual basis, were as follows: HK\$100,000, HK\$100,000 and HK\$46,000.

During the year, no emoluments were paid by the Group to the five highest paid individuals (including directors and employees) as an inducement to join or upon joining the Group or as compensation for loss of office. None of the directors has waived any emoluments during the year.

7. EMPLOYEES' EMOLUMENTS

The aggregate emoluments of the five highest paid individuals included three executive directors of the Company, whose emoluments are included in note 6 above. The aggregate emoluments of the remaining highest paid individual are as follows:

	2005	2004
	<i>HK\$'000</i>	<i>HK\$'000</i>
Basic salaries and allowances	996	1,120
Retirement benefits scheme contributions	<u>24</u>	<u>13</u>
	<u>1,020</u>	<u>1,133</u>

8. FINANCE COSTS

	2005	2004
	<i>HK\$'000</i>	<i>HK\$'000</i>
Interest on		
- a finance lease	(12)	(15)
- bank and other borrowings wholly repayable within five years	—	(430)
- bank borrowings not wholly repayable within five years	<u>(566)</u>	<u>(195)</u>
	<u>(578)</u>	<u>(640)</u>

9. TAXATION

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

The credit for the year ended 31 March 2004 represented overprovision of Hong Kong Profits Tax in prior years.

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 ended 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. All of the Group's PRC subsidiaries incurred losses in the current year.

Taxation for the year is reconciled to the loss before taxation per the income statement as follows:

	2005		2004	
	HK\$'000	%	HK\$'000	%
Loss before taxation	<u>(82,496)</u>		<u>(42,090)</u>	
Tax at the applicable income tax rate	14,437	17.5	7,366	17.5
Tax effect of share of results of associates	(4,177)	(5.1)	(580)	(1.4)
Tax effect of share of results of jointly controlled entities	(1,544)	(1.9)	(130)	(0.3)
Tax effect of expenses not deductible for tax purposes	(3,837)	(4.7)	(1,937)	(4.6)
Tax effect of income not taxable for tax purposes	10	—	2,694	6.4
Tax effect of unrecognised tax losses	(4,254)	(5.1)	(9,966)	(23.7)
Tax effect on recognition of deductible temporary differences not recognised in previous years	12	—	3,635	8.6
Effect of different tax rate for subsidiaries operating in other jurisdiction	(106)	(0.1)	(1,384)	(3.3)
Others	(541)	(0.6)	302	0.8
Overprovision in prior year	<u>—</u>	<u>—</u>	<u>3,995</u>	<u>9.5</u>
Tax effect and effective tax rate for the year	<u>—</u>	<u>—</u>	<u>3,995</u>	<u>9.5</u>

10. LOSS PER SHARE

The calculation of the basic loss per share is based on the net loss attributable to shareholders of HK\$82,478,000 (2004: HK\$38,089,000) and the weighted average number of 993,439,947 (2004: 967,949,760) shares in issue during the year.

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

11. PROPERTY, PLANT AND EQUIPMENT

	Land and buildings	Computer equipment	Furniture and fixtures	Leasehold improvements	Motor vehicles	Office equipment	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
THE GROUP							
COST							
At 1 April 2004	190,156	19,077	1,453	10,021	911	11,023	232,641
Additions	—	178	—	29	—	58	265
Disposals	—	(180)	—	—	(627)	(9)	(816)
Acquired on purchase of a subsidiary	2,377	—	—	—	—	—	2,377
At 31 March 2005	192,533	19,075	1,453	10,050	284	11,072	234,467
DEPRECIATION AND AMORTISATION AND IMPAIRMENT							
At 1 April 2004	65,093	12,335	872	7,262	445	7,133	93,140
Provided for the year	3,478	3,250	272	1,394	174	2,001	10,569
Eliminated on disposals	—	(108)	—	—	(502)	(2)	(612)
At 31 March 2005	68,571	15,477	1,144	8,656	117	9,132	103,097
NET BOOK VALUES							
At 31 March 2005	123,962	3,598	309	1,394	167	1,940	131,370
At 31 March 2004	125,063	6,742	581	2,759	466	3,890	139,501
THE COMPANY							
COST							
At 1 April 2004	—	11,811	832	6,153	284	8,338	27,418
Additions	—	130	—	—	—	18	148
Disposals	—	(145)	—	—	—	(9)	(154)
At 31 March 2005	—	11,796	832	6,153	284	8,347	27,412
DEPRECIATION							
At 1 April 2004	—	7,383	520	3,948	62	5,201	17,114
Provided for the year	—	2,244	160	1,170	57	1,645	5,276
Eliminated on disposals	—	(78)	—	—	—	(2)	(80)
At 31 March 2005	—	9,549	680	5,118	119	6,844	22,310
NET BOOK VALUES							
At 31 March 2005	—	2,247	152	1,035	165	1,503	5,102
At 31 March 2004	—	4,428	312	2,205	222	3,137	10,304

The net book value of property interests comprises:

	THE GROUP	
	2005	2004
	<i>HK\$'000</i>	<i>HK\$'000</i>
Properties held under		
- medium-term leases in Hong Kong	120,872	123,733
- long-term land use right in the PRC	<u>3,090</u>	<u>1,330</u>
	<u><u>123,962</u></u>	<u><u>125,063</u></u>

At the balance sheet date, the Group has pledged its land and buildings with a net book value of HK\$123,249,000 (2004: HK\$123,733,000) to certain banks to secure the credit facilities granted to the Group.

In addition, at the balance sheet date, the net book value of the Group's and the Company's property, plant and equipment held under a finance lease was HK\$179,000 (2004: HK\$238,000).

12. PRODUCT DEVELOPMENT COSTS

	THE GROUP AND THE COMPANY	
	<i>HK\$'000</i>	
COST		
At 1 April 2003		8,162
Additions		<u>2,988</u>
		11,150
At 31 March 2004 and 31 March 2005		<u>11,150</u>
AMORTISATION		
At 1 April 2003		1,924
Amortised for the year		<u>3,218</u>
		5,142
At 31 March 2004		<u>3,717</u>
Amortised for the year		<u>3,717</u>
		8,859
At 31 March 2005		<u>8,859</u>
CARRYING VALUE		
At 31 March 2005		<u><u>2,291</u></u>
At 31 March 2004		<u><u>6,008</u></u>

The product development costs are amortised on a straight line basis over its estimated useful life of three years.

13. GOODWILL

	THE GROUP <i>HK\$'000</i>
COST	
Arising on purchase of a subsidiary during the year and balance at 31 March 2005	2,858
IMPAIRMENT	
Recognised during the year and balance at 31 March 2005	<u>2,858</u>
CARRYING VALUE	
At 31 March 2005	<u><u>—</u></u>

At the balance sheet date, the Group identified an indicator of impairment in the carrying amount of its goodwill. As a result, the goodwill was wholly written off and an impairment loss of HK\$2,858,000 was recognised.

14. INTERESTS IN SUBSIDIARIES

	THE COMPANY	
	2005	2004
	<i>HK\$'000</i>	<i>HK\$'000</i>
Unlisted shares, at cost	21,310	21,310
Less: Impairment in value	<u>(13,310)</u>	<u>(13,310)</u>
	8,000	8,000
Amounts due from subsidiaries	332,738	329,937
Less: Allowance for amounts due from subsidiaries	<u>(245,638)</u>	<u>(231,036)</u>
	<u><u>95,100</u></u>	<u><u>106,901</u></u>

Details of the Company's principal subsidiaries at 31 March 2005 are set out in note 33.

15. INTERESTS IN ASSOCIATES

	THE GROUP		THE COMPANY	
	2005	2004	2005	2004
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Share of associates' net assets	6,460	30,327	—	—
Goodwill arising on acquisition	55,114	55,114	—	—
Less: Amortisation of goodwill	(919)	(919)	—	—
Impairment in value of goodwill	(54,195)	(54,195)	—	—
Unlisted shares, at cost	—	—	94,255	94,255
Less: Impairment in value of investment	—	—	(87,795)	(63,928)
	<u>6,460</u>	<u>30,327</u>	<u>6,460</u>	<u>30,327</u>

Details of the Group's principal associates at 31 March 2005 are as follows:

Name of associate	Proportion of registered capital held directly by the Company	Principal activities
寧夏教育信息技術股份有限公司 (Ningxia Educational Information & Technology Co., Ltd.)	25%	Development of Education Informatisation Program in Ningxia Hui Autonomous Region in the PRC
西部電子商務股份有限公司 (West China Electronic Business Company Limited)	25%	Main contractor of various information technology projects in Ningxia Hui Autonomous Region in the PRC

All the above principal associates are sino-foreign joint stock limited companies established in the PRC.

In the opinion of the directors, the above associates principally affected the results or assets of the Group. To give details of other associates would, in the opinion of the directors, result in particulars of excessive length.

16. INTERESTS IN JOINTLY CONTROLLED ENTITIES

	THE GROUP		THE COMPANY	
	2005 HK\$'000	2004 HK\$'000	2005 HK\$'000	2004 HK\$'000
Share of jointly controlled entities' net assets	4,240	13,064	—	—
Unlisted capital contributions, at cost	—	—	29,615	29,615
Less: Impairment in value	—	—	(25,375)	(16,551)
Loan to a jointly controlled entity	568	568	568	568
Amount due from a jointly controlled entity	<u>622</u>	<u>587</u>	<u>622</u>	<u>587</u>
	<u>5,430</u>	<u>14,219</u>	<u>5,430</u>	<u>14,219</u>

The loan is unsecured, carries interest at 6.21% per annum and is repayable in August 2008.

Details of the Group's principal jointly controlled entities at 31 March 2005 are as follows:

Name of jointly controlled entity	Proportion of registered capital held directly by the Company	Principal activities
珠海南方軟件園發展有限公司 (Zhuhai Southern Software Park Development Company Limited)	29%	Development and operation of a software park for a term of 30 years commencing November 2000
天津信息港互聯網數據有限公司 (Tianjin Timeless Cyber Gateway Company Limited)	33%	Provision of internet related software development and services for a term of 20 years commencing May 2001
天津時空軟件有限公司 (TTA Software Limited)	45%	Provision of computer consultancy services and sales of computer hardware and software for a term of 30 years commencing December 2001

All the above principal jointly controlled entities are sino-foreign joint ventures established in the PRC.

The above table lists the jointly controlled entities of the Group which, in the opinion of the directors, principally affected the results or assets of the Group. To give details of other jointly controlled entities would, in the opinion of the directors, result in particulars of excessive length.

17. INVESTMENTS IN SECURITIES

	THE GROUP		THE COMPANY	
	2005 HK\$'000	2004 HK\$'000	2005 HK\$'000	2004 HK\$'000
Investment securities				
- Hong Kong listed shares, at cost	315	315	315	315
- overseas unlisted shares, at cost	9,201	17,780	—	—
Less: Impairment in value	<u>(8,282)</u>	<u>(7,948)</u>	<u>(182)</u>	<u>(48)</u>
	<u>1,234</u>	<u>10,147</u>	<u>133</u>	<u>267</u>
Market value of listed shares at 31 March	<u>133</u>	<u>267</u>	<u>133</u>	<u>267</u>

18. AMOUNTS DUE FROM CUSTOMERS FOR CONTRACT WORK

	THE GROUP		THE COMPANY	
	2005 HK\$'000	2004 HK\$'000	2005 HK\$'000	2004 HK\$'000
Contract costs incurred to date plus recognised profits less recognised loss	54,203	58,786	444	6,439
Less: Progress billings	(45,150)	(49,483)	(346)	(6,271)
Less: Allowance for amounts due from customers for contract work	<u>(4,278)</u>	<u>(4,378)</u>	<u>—</u>	<u>—</u>
	<u>4,775</u>	<u>4,925</u>	<u>98</u>	<u>168</u>

19. TRADE AND OTHER RECEIVABLES

	THE GROUP	
	2005 HK\$'000	2004 HK\$'000
Trade receivables	471	461
Prepayments to suppliers	1,128	899
Utility deposits	700	736
Other receivables	<u>8,947</u>	<u>1,081</u>
	<u>11,246</u>	<u>3,177</u>

Payment terms with customers are mainly on credit together with deposits. Invoices are normally payable within 30 days of issuance, except for certain well established customers. The following is an aged analysis of trade receivables at the balance sheet date:

	THE GROUP	
	2005	2004
	<i>HK\$'000</i>	<i>HK\$'000</i>
Age		
0 to 30 days	307	445
31 to 60 days	107	—
61 to 90 days	—	16
Over 90 days	<u>57</u>	<u>—</u>
	<u>471</u>	<u>461</u>

20. OTHER PAYABLES

	THE GROUP	
	2005	2004
	<i>HK\$'000</i>	<i>HK\$'000</i>
Customers' deposits received	2,691	2,512
Other payables	<u>6,187</u>	<u>3,720</u>
	<u>8,878</u>	<u>6,232</u>

21. OBLIGATIONS UNDER A FINANCE LEASE

	THE GROUP AND THE COMPANY			
	Minimum lease payments		Present value of minimum lease payments	
	2005 <i>HK\$'000</i>	2004 <i>HK\$'000</i>	2005 <i>HK\$'000</i>	2004 <i>HK\$'000</i>
Amount payable under a finance lease:				
Within one year	69	69	60	57
Between one to two years	69	69	63	60
Between two to five years	<u>69</u>	<u>138</u>	<u>65</u>	<u>128</u>
	207	276	188	245
Less: Future finance charges	<u>19</u>	<u>31</u>	<u>—</u>	<u>—</u>
Present value of lease obligations	<u><u>188</u></u>	<u><u>245</u></u>	188	245
Less: Amount due within one year shown under current liabilities			<u>60</u>	<u>57</u>
Amount due after one year			<u><u>128</u></u>	<u><u>188</u></u>

22. BANK LOAN

	THE GROUP	
	2005 <i>HK\$'000</i>	2004 <i>HK\$'000</i>
The secured bank loan is repayable as follows:		
Within one year	3,904	3,756
Between one to two years	3,972	3,812
Between two to five years	12,364	11,784
After five years	<u>16,224</u>	<u>19,407</u>
	36,464	38,759
Less: Amount due within one year shown under current liabilities	<u>3,904</u>	<u>3,756</u>
Amount due after one year	<u><u>32,560</u></u>	<u><u>35,003</u></u>

23. AMOUNT DUE TO A SUBSIDIARY

The amount is unsecured, interest-free and has no fixed repayment terms. In the opinion of the directors, the amount is unlikely to be repaid within the next twelve months of the balance sheet date and is therefore shown in the balance sheet as non-current.

24. SHARE CAPITAL

	Number of ordinary shares	Amount HK\$'000
Authorised:		
Ordinary shares of HK\$0.05 each		
- at 1 April 2003, 31 March 2004 and 31 March 2005	<u>2,500,000,000</u>	<u>125,000</u>
Issued and fully paid:		
Ordinary shares of HK\$0.05 each		
- at 1 April 2003	948,855,503	47,443
- issue of new shares on subscription	36,866,000	1,843
- exercise of share options	<u>4,340,000</u>	<u>217</u>
- at 31 March 2004	990,061,503	49,503
- exercise of share options	<u>19,420,000</u>	<u>971</u>
- at 31 March 2005	<u>1,009,481,503</u>	<u>50,474</u>

During the year, 1,650,000, 3,300,000, 900,000, 670,000 and 12,900,000 (2004: 2,040,000 and 2,300,000) share options were exercised at a subscription price of HK\$0.1900 per share, HK\$0.0870 per share, HK\$0.0900 per share, HK\$0.0982 per share and HK\$0.0722 per share respectively (2004: HK\$0.2280 per share and HK\$0.1900 per share respectively), resulting in an aggregate issue of 19,420,000 (2004: 4,340,000) ordinary shares of HK\$0.05 each in the Company. All the shares issued during the year ranked pari passu with the then existing shares in all respects.

25. SHARE OPTIONS**(a) 2000 share option scheme**

Pursuant to the share option scheme adopted by the Company on 21 November 2000 (the "2000 share option scheme"), the Company may grant options at HK\$1 per offer to any full-time employees including executive directors of the Company or its subsidiaries, for the primary purpose of providing incentives to them, to subscribe for shares in the Company. The exercise price of the share option will be determined at the higher of the average of closing prices of the shares on the Stock Exchange on the five trading days immediately preceding the date of grant of the options; the closing price of the shares on the Stock Exchange on the date of grant; and the nominal value of the shares.

Details of the movements in the number of share options during the year under the Company's 2000 share option scheme are as follows:

Type of participants	Exercisable period	Exercise price per share HK\$	Number of share options					
			Outstanding at 1.4.2003	Reclassified during the year	Lapsed during the year	Outstanding at 31.3.2004	Lapsed during the year	Outstanding at 31.3.2005
Directors	6.3.2002 - 5.3.2005	0.630	5,400,000	200,000	—	5,600,000	(5,600,000)	—
	9.4.2002 - 8.4.2005	0.592	—	100,000	—	100,000	—	100,000
	27.4.2002 - 26.4.2005	0.818	1,600,000	100,000	—	1,700,000	—	1,700,000
	3.10.2002 - 2.10.2005	0.445	3,060,000	200,000	(60,000)	3,200,000	—	3,200,000
	22.4.2003 - 21.4.2006	0.455	1,840,000	—	(590,000)	1,250,000	—	1,250,000
Employees	16.2.2002 - 15.2.2005	0.734	2,200,000	—	(700,000)	1,500,000	(1,500,000)	—
	6.3.2002 - 5.3.2005	0.630	4,300,000	(200,000)	(500,000)	3,600,000	(3,600,000)	—
	9.4.2002 - 8.4.2005	0.592	150,000	(100,000)	—	50,000	(50,000)	—
	27.4.2002 - 26.4.2005	0.818	400,000	(100,000)	(50,000)	250,000	(100,000)	150,000
	3.10.2002 - 2.10.2005	0.445	5,220,000	(200,000)	(1,310,000)	3,710,000	(910,000)	2,800,000
	22.4.2003 - 21.4.2006	0.455	6,000,000	—	(2,100,000)	3,900,000	(1,600,000)	2,300,000
			<u>30,170,000</u>	<u>—</u>	<u>(5,310,000)</u>	<u>24,860,000</u>	<u>(13,360,000)</u>	<u>11,500,000</u>

Pursuant to an ordinary resolution passed in the Company's extraordinary general meeting held on 28 April 2003, the Company has terminated the operation of the 2000 share option scheme (such that no further options could thereafter be offered under the 2000 share option scheme but outstanding options granted under the 2000 share option scheme shall remain effective subject to the relevant provisions of the 2000 share option scheme) and approved and adopted the 2003 new share option scheme. The maximum number of shares available for issue under the 2000 share option scheme is 11,500,000 shares, representing 1.1% of the issued share capital of the Company at 14 June 2005.

(b) **2003 share option scheme**

The options of the 2003 new share option scheme may be granted to any director, employee, consultant, customer, supplier, agent, partner, provider of financial assistance, shareholder or adviser of or contractor to the Group or a company in which the Group holds an interest or a subsidiary of such company ("Eligible Participants"), the trustee of the Eligible Participants or a company beneficially owned by the Eligible Participants. The purpose of the 2003 share option scheme is to recognise and acknowledge the contributions that the Eligible Participants had made or may make to the Group. The total number of shares available for issue under the 2003 share option scheme is 228,562,550 shares, representing 22.4% of the issued share capital of the Company at 14 June 2005. The maximum number of shares which may be issued upon the exercise of all outstanding options granted and yet to be exercised under the 2003 share option scheme and other share option schemes of the Company shall not, in aggregate, exceed 30% of the shares of the Company in issue from time to time. No options may be granted to any Eligible Participants which if exercised in full would result in the total number of shares issued and to be issued upon exercise of the share options already granted to such Eligible Participants in the 12-month period up to and including the date of such new grant exceeding 1% of the issued share capital of the Company as at the date of grant unless approval is obtained from the shareholders of the Company. Pursuant to an extraordinary general meeting held on 25 February 2004, ordinary resolutions were passed by the shareholders to approve the granting of options exceeding 1% limit that entitle certain Eligible Participants to subscribe for an aggregate of 49,000,000 shares. The exercisable period is determined by the board of directors in its absolute discretion, save that such period shall not be more than ten years from the date of grant. There is no generally applicable minimum period for which the options must be held before it can be exercised.

An offer of the grant of an option shall be accepted when the Company receives in writing the acceptance of the offer from the grantee together with a remittance in favour of the Company of HK\$1 by way of consideration for the grant thereof. The option shall remain open for acceptance by the Eligible Participants concerned for a period of 28 days from the date of offer. The exercise price shall be determined by the board of directors at the time of grant of the relevant option and notified to each Grantee and shall not be less than the highest of:

- (i) the closing price of a share as stated in the Stock Exchange's daily quotation sheet on the date of grant of the relevant option, which must be a business day;
- (ii) an amount equivalent to the average closing price of shares as stated in the Stock Exchange's daily quotation sheets for the five business days immediately preceding the date of grant of the relevant option; and
- (iii) the nominal value of a share.

The 2003 share option scheme is valid for a period of ten years commencing on the adoption date.

Details of the movements in the number of share options granted during the year under the Company's 2003 share option scheme are as follows:

Type of participants	Exercisable period	Exercise price per share HK\$	Number of share options								Notes
			Granted during the year	Exercised during the year	Lapsed during the year	Outstanding at 31.3.2004	Granted during the year	Exercised during the year	Lapsed during the year	Outstanding at 31.3.2005	
Directors	5.9.2003 - 4.9.2013	0.2280	35,000,000	(2,040,000)	—	32,960,000	—	—	—	32,960,000	N/A
	26.11.2003 - 25.11.2013	0.2300	400,000	—	—	400,000	—	—	—	400,000	N/A
	8.12.2003 - 7.12.2013	0.2130	6,300,000	—	—	6,300,000	—	—	—	6,300,000	N/A
	9.1.2004 - 8.1.2014	0.1900	12,000,000	—	—	12,000,000	—	—	—	12,000,000	N/A
	25.2.2004 - 24.2.2014	0.1900	29,000,000	(2,300,000)	—	26,700,000	—	(1,070,000)	—	25,630,000	(1)
	16.9.2004 - 15.9.2014	0.0870	—	—	—	—	2,500,000	(200,000)	—	2,300,000	(2)
	13.12.2004 - 12.12.2014	0.0982	—	—	—	—	5,200,000	(670,000)	—	4,530,000	(3)
	28.2.2005 - 27.2.2015	0.0722	—	—	—	—	32,900,000	(12,900,000)	—	20,000,000	(4)
Employees	5.9.2003 - 4.9.2013	0.2280	33,800,000	—	(300,000)	33,500,000	—	—	(5,000,000)	28,500,000	N/A
	15.9.2003 - 14.9.2013	0.2550	11,200,000	—	(200,000)	11,000,000	—	—	(1,500,000)	9,500,000	N/A
	26.11.2003 - 25.11.2013	0.2300	7,200,000	—	—	7,200,000	—	—	(2,800,000)	4,400,000	N/A
	8.12.2003 - 7.12.2013	0.2130	800,000	—	—	800,000	—	—	—	800,000	N/A
	9.1.2004 - 8.1.2014	0.1900	18,800,000	(22,000)	—	18,778,000	—	(558,000)	(6,196,000)	12,024,000	(5)
	25.2.2004 - 24.2.2014	0.1900	20,000,000	—	—	20,000,000	—	—	—	20,000,000	N/A
	19.4.2004 - 18.4.2014	0.2096	—	—	—	—	4,650,000	—	(1,500,000)	3,150,000	(6)
	16.9.2004 - 15.9.2014	0.0870	—	—	—	—	13,000,000	(3,100,000)	(2,000,000)	7,900,000	(7)
	30.9.2004 - 29.9.2014	0.0900	—	—	—	—	11,100,000	(900,000)	(1,300,000)	8,900,000	(8)
	13.12.2004 - 12.12.2014	0.0982	—	—	—	—	3,400,000	—	(300,000)	3,100,000	(9)
28.2.2005 - 27.2.2015	0.0722	—	—	—	—	24,600,000	(4,650,000)	(200,000)	19,750,000	(10)	
			<u>174,500,000</u>	<u>(4,362,000)</u>	<u>(500,000)</u>	<u>169,638,000</u>	<u>97,350,000</u>	<u>(24,048,000)</u>	<u>(20,796,000)</u>	<u>222,144,000</u>	

Notes:

- (1) The weighted average closing prices of the Company's shares immediately before the date of exercise of 550,000 options on 13 April 2004, 200,000 options on 22 November 2004 and 320,000 options on 23 November 2004 were HK\$0.2270, HK\$0.0950 and HK\$0.0900 respectively.

- (2) The closing price of the Company's shares immediately before the date of grant on 16 September 2004 was HK\$0.0810 while the weighted average closing price of the Company's shares immediately before the date of exercise of 200,000 options on 21 February 2005 was HK\$0.0740.
- (3) The closing price of the Company's shares immediately before the date of grant on 13 December 2004 was HK\$0.0980 while the weighted average closing price of the Company's shares immediately before the date of exercise of 370,000 options on 21 February 2005 and 300,000 options on 23 February 2005 was HK\$0.0704.
- (4) The closing price of the Company's shares immediately before the date of grant on 28 February 2005 was HK\$0.0690 while the weighted average closing prices of the Company's shares immediately before the date of exercise of 9,900,000 options on 10 March 2005, 2,000,000 options on 14 March 2005, and 1,000,000 options on 31 March 2005 were HK\$0.0800, HK\$0.0740 and HK\$0.0870 respectively.
- (5) The weighted average closing prices of the Company's shares immediately before the date of exercise of 550,000 options on 8 April 2004, 2,000 options on 10 June 2004 and 6,000 options on 9 August 2004 were HK\$0.2050, HK\$0.1810 and HK\$0.1690 respectively.
- (6) The closing price of the Company's shares immediately before the date of grant on 19 April 2004 was HK\$0.1940.
- (7) The closing price of the Company's shares immediately before the date of grant on 16 September 2004 was HK\$0.0810 while the weighted average closing prices of the Company's shares immediately before the date of exercise of 1,300,000 options on 8 October 2004, 200,000 options on 11 November 2004, 700,000 options on 17 November 2004, 200,000 options on 8 December 2004, 200,000 options on 11 January 2005, 250,000 option on 12 January 2005, 50,000 options on 24 January 2005 and 200,000 options on 18 February 2005 were HK\$0.0930, HK\$0.0900, HK\$0.0910, HK\$0.0980, HK\$0.0890, HK\$0.0890, HK\$0.0830 and HK\$0.0720 respectively.
- (8) The closing price of the Company's shares immediately before the date of grant on 30 September 2004 was HK\$0.0880 while the weighted average closing prices of the Company's shares immediately before the date of exercise of 300,000 options on 11 November 2004, 200,000 options on 18 November 2004, 200,000 options on 25 November 2004 and 200,000 options on 20 December 2004 were HK\$0.0900, HK\$0.0910, HK\$0.0980 and HK\$0.1040 respectively.
- (9) The closing price of the Company's shares immediately before the date of grant on 13 December 2004 was HK\$0.0980.
- (10) The closing price of the Company's shares immediately before the date of grant on 25 February 2005 was HK\$0.0690 while the weighted average closing prices of the Company's shares immediately before the date of exercise of 1,000,000 options on 11 March 2005 and 3,650,000 options on 31 March 2005 were HK\$0.0710 and HK\$0.0870 respectively.

The financial impact of share options granted is not recorded in the Company's or the Group's balance sheet until such time as the options are exercised, and no charge is recognised in the income statement in respect of the value of options granted during the year. Upon the exercise of the share options, the resulting shares issued are recorded by the Company as additional share capital at the nominal value of the shares, and the excess of the exercise price per share over the nominal value of the shares is recorded by the Company in the share premium account. Options which lapsed or are cancelled prior to their exercise date are deleted from the register of outstanding options.

26. RESERVES

	Share premium <i>HK\$'000</i>	Deficit <i>HK\$'000</i>	Total <i>HK\$'000</i>
THE COMPANY			
At 1 April 2003	622,635	(467,637)	154,998
Issue of shares	7,690	—	7,690
Expenses incurred in connection with the issue of shares	(393)	—	(393)
Net loss attributable to shareholders	<u>—</u>	<u>(26,225)</u>	<u>(26,225)</u>
At 31 March 2004	629,932	(493,862)	136,070
Issue of shares	708	—	708
Expenses incurred in connection with the issue of shares	(15)	—	(15)
Net loss attributable to shareholders	<u>—</u>	<u>(69,146)</u>	<u>(69,146)</u>
At 31 March 2005	<u>630,625</u>	<u>(563,008)</u>	<u>67,617</u>

At the balance sheet date, the Company had no reserves available for distribution to shareholders.

27. PURCHASE OF A SUBSIDIARY

In March 2005, the Group acquired the 70% equity interest in 廣州市新信薈智信息產業有限公司 (Talent Valley Company Limited) (“Talent Valley”) for a cash consideration of HK\$13,230,000. This transaction has been accounted for by the purchase method of accounting.

	2005 <i>HK\$'000</i>	2004 <i>HK\$'000</i>
Net assets acquired:		
Property, plant and equipment	2,377	—
Trade and other receivables	7,581	—
Bank balances and cash	9,527	—
Other payables	(3,213)	—
Secured long-term bank loan	(1,455)	—
Minority interests	<u>(4,445)</u>	<u>—</u>
	10,372	—
Goodwill arising on acquisition	<u>2,858</u>	<u>—</u>
Total consideration	<u>13,230</u>	<u>—</u>
Satisfied by cash	<u>13,230</u>	<u>—</u>
Net cash inflow arising on acquisition:		
Cash consideration paid	(13,230)	—
Bank balances and cash acquired	<u>9,527</u>	<u>—</u>
	<u>(3,703)</u>	<u>—</u>

Talent Valley did not contribute significant revenue nor results for the year from the date of acquisition to 31 March 2005.

28. MAJOR NON-CASH TRANSACTIONS

In 2004, the Group entered into a finance lease in respect of property, plant and equipment with total capital value at the inception of the lease of HK\$298,000.

29. UNRECOGNISED DEFERRED TAXATION

At the balance sheet date, the Group and the Company has unutilised tax losses of approximately HK\$268 million (2004: HK\$245 million) and HK\$146 million (2004: HK\$136 million) respectively available to set off against future assessable profits. No deferred tax asset has been recognised in respect of the unutilised tax losses due to the unpredictability of future profit stream. These tax losses may be carried forward indefinitely except an amount of approximately HK\$29 million (2004: HK\$23 million) which may be carried forward for a maximum of five years.

30. OPERATING LEASE COMMITMENTS

While the Company had no outstanding operating lease commitments at the balance sheet date, its subsidiaries were committed to make the following future minimum lease payments in respect of land and buildings rented under non-cancellable operating leases which fall due as follows:

	THE GROUP	
	2005	2004
	<i>HK\$'000</i>	<i>HK\$'000</i>
Within one year	396	313
In the second to fifth year inclusive	<u>432</u>	<u>—</u>
	<u><u>828</u></u>	<u><u>313</u></u>

31. CONTINGENT LIABILITIES

At the balance sheet date, the Company has given corporate guarantees of HK\$45 million (2004: HK\$45 million) to certain banks to secure the credit facilities granted to its subsidiaries.

32. RETIREMENT BENEFITS SCHEME

The Group operates a Mandatory Provident Fund Scheme (the "Scheme") for all qualifying employees in Hong Kong. The assets of the Scheme are held separately from those of the Group in funds under the control of trustee. The Group contributes 5% of the relevant payroll costs to the Scheme up to a limit of HK\$1,000, which contribution is matched by employees.

The employees of the Company's PRC subsidiaries are members of the state-managed retirement benefits scheme operated by the PRC government. The Company's PRC subsidiaries are required to contribute a certain percentage of their payroll to the retirement benefits scheme to fund the benefits. The only obligation of the Group with respect to the retirement benefits scheme is to make the required contributions under the scheme.

33. PRINCIPAL SUBSIDIARIES

Details of the Company's principal subsidiaries, all of which are limited liability companies, at 31 March 2005 are as follows:

Name of subsidiary	Place of incorporation/ establishment/ operations	Nominal value of issued and fully paid ordinary share/ registered capital	Attributable proportion of nominal value of issued/ registered capital held by the Company		Principal activities
			Directly	Indirectly	
Corp-Vision Publishing Limited	Hong Kong	HK\$100,000	100%	—	Magazine publishing
Expert Consulting Limited	Hong Kong	HK\$5,000,000	100%	—	Provision of computer consultancy services, and development and sales of computer software
Three Principles Computer Service Company Limited	Hong Kong	HK\$5,000,000	100%	—	Provision of computer consultancy services, and development and sales of computer software
天時北方軟件(北京)有限公司 (Timeless Software (Beijing) Limited)	PRC	RMB2,000,000	—	100%	Design, development and maintenance of computer software and systems as well as provision of computer consultancy services for a term of 12 years commencing July 2000
天時軟件(廣州)有限公司 (Timeless Software (Guangzhou) Limited)	PRC	RMB10,000,000	—	100%	Design, development and maintenance of computer software and systems as well as provision of computer consultancy services for a term of 10 years commencing January 1998
廣州市新信薈智信息產業有限公司 (Talent Valley Company Limited)	PRC	RMB20,000,000	—	70%	Provision of computer consultancy services for a term of 30 years commencing November 2004

Timeless Software (Beijing) Limited is a foreign wholly owned enterprise established in the PRC while Timeless Software (Guangzhou) Limited (“Timeless Guangzhou”) is a sino-foreign co-operative joint venture company established in the PRC. Pursuant to the joint venture agreement, the PRC joint venture partner of Timeless Guangzhou has forfeited its economic interests in connection with the operation and management of Timeless Guangzhou in consideration for a contracted annual payment of RMB120,000. Accordingly, the Group is entitled to all the net results, risks and liabilities of Timeless Guangzhou throughout the entire co-operative joint venture period, after the payment of the pre-determined annual payment to the PRC joint venture partner. At the expiry of the co-operation period, the Group is entitled to all the remaining assets of Timeless Guangzhou.

The above table lists the subsidiaries of the Company which, in the opinion of the directors, principally affected the results or assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

None of the subsidiaries had any debt securities outstanding at the end of the year, or at any time during the year.

2. WORKING CAPITAL STATEMENT

The Directors are of the opinion that, after taking into account the financial resources and credit facilities available to the Group, including the proceeds from the Disposal and its internally generated funds, the Group has sufficient working capital to satisfy its requirements.

3. INDEBTEDNESS STATEMENT

As at the close of business on 30 June 2005, being the latest practicable date for the purpose of ascertaining information contained in this indebtedness statement prior to the printing of this circular, the Group had outstanding borrowings of approximately HK\$36,033,000, comprising secured bank overdraft of approximately HK\$430,000, secured bank loans of approximately HK\$35,469,000 and finance lease payable of approximately HK\$134,000. Certain of the borrowings were secured by certain of the Group’s leasehold land and buildings.

As at 30 June 2005, the Company has given corporate guarantees of HK\$45,000,000 to banks to secure credit facilities granted to its subsidiaries. As at 30 June 2005, credit facility of approximately HK\$34,068,000 was utilized by a subsidiary.

Save as aforesaid and apart from intra-group liabilities, the Group did not have outstanding at the close of business on 30 June 2005 any mortgages, charges, debentures, loan capital, bank loans and overdrafts, debt securities or other similar indebtedness, finance leases or hire purchase commitments, liabilities under acceptances or acceptances creditors, or any guarantees, or other material contingent liabilities.

4. FINANCIAL AND TRADING PROSPECT OF THE GROUP

Results for the year ended 31 March 2005

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. For these projects, the Group would recognize revenue only when services, which are rendered in stages as identifiable phases of a project, are completed and when the successful collection of such revenue is probable. The net loss attributable to Shareholders for the year ended 31 March 2005 was approximately HK\$82,500,000 representing an increase of 116.5% as compared to the net loss of HK\$38,100,000 in the year ended 31 March 2004. The significant increase in net loss for the year ended 31 March 2005 was mainly due to the following:

1. The impairment in value of goodwill of HK\$11,900,000;
2. The increase in the share of losses of associates and jointly controlled entities from HK\$3,300,000 and HK\$700,000 in the year ended 31 March 2004 to HK\$23,900,000 and HK\$8,800,000 respectively in the year ended 31 March 2005; and
3. Disposal of the Group's entire 10% interest in Tigermetal International Limited, an overseas unlisted investee company, at a loss of HK\$5,700,000.

For the year ended 31 March 2005, turnover was approximately HK\$3,400,000, a drop of 63.8% from HK\$9,400,000 in previous year. Despite a reduction in turnover, the Group continued to control its operating costs in an effective manner. The staff costs were further reduced by HK\$2,200,000 to HK\$13,300,000 whereas other operating expenses were largely decreased from HK\$21,700,000 to HK\$7,900,000.

Liquidity and financial resources

The Group generally financed its operations and investing activities with internally generated cash flows and loans from banks.

As at 31 March 2005, the Group had bank balances and cash (excluding pledged bank deposits) of approximately HK\$17,200,000 compared to approximately HK\$38,800,000 as at 31 March 2004. As at 31 March 2005, the Group had outstanding bank loans and obligations under finance lease amounted to HK\$36,500,000 (2004: HK\$38,800,000) and HK\$200,000 (2004: HK\$200,000) respectively. In accordance with the terms of the relevant banking facilities, such bank loans are installment loans and will be fully repaid in 2013 and 2015. The following was the maturity profile of the Group's bank loans as at 31 March 2005:

Within one year	11%
In the 2nd year	11%
In the 3rd to 10th year	78%
	<u>100%</u>

Gearing ratio

The gearing ratio of the Group, which is calculated as the ratio of total borrowings to Shareholders' funds, was 26.6% compared to 18.6% as at 31 March 2004. The reason for a higher level of gearing was mainly due to the decrease in Shareholders' funds resulting from the net loss of approximately HK\$82,500,000 incurred for the year ended 31 March 2005.

Charge on the Group's assets

As at 31 March 2005, the Group's headquarters at 79/F The Center, 99 Queen's Road Central, Hong Kong was mortgaged to a bank for a loan of HK\$35,000,000. A commercial property situated in Guangzhou held by a PRC Subsidiary was also mortgaged to a bank for a loan of approximately HK\$1,500,000. Bank deposits totalling approximately HK\$10,200,000 (2004: HK\$10,200,000) were pledged to banks for banking facilities of HK\$5,000,000 (2004: HK\$5,000,000) available to the Company and some of its Subsidiaries and a loan facility of approximately HK\$4,700,000 (2004: HK\$4,700,000) available to a jointly-controlled entity.

Capital structure

Certain Directors and employees of the Group exercised their share options and as a result 19,420,000 Shares of the Company were issued and allotted to them during the year ended 31 March 2005. Further details on the Company's capital structure can be found in the Company's annual report for the year ended 31 March 2005.

Segmental information

In accordance with the Group's internal financial reporting, the Group had 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 Hong Kong and Mainland China.

In respect of business segments, the Group continues to focus on software development providing total solutions and customised development in respect of web technologies and related services, back-end and supporting technologies, software localization, China informatization and social industry management projects, as well as business applications and system maintenance. For the year ended 31 March 2005, turnover from software development of approximately HK\$3,400,000 accounted for over 99% of total turnover whereas operating loss from software development of approximately HK\$27,200,000 accounted for about 55% of the Group's operating loss.

In respect of geographical segments, there was no significant change in the percentage of revenue contribution from Hong Kong and Mainland China during the year ended 31 March 2005. Turnover generated from Hong Kong and Mainland China accounted for approximately 63.2% and 36.8% of the total turnover of the Group respectively during the year ended 31 March 2005 compared to approximately 68.7% and 31.3% in year ended 31 March 2004.

Material acquisitions and disposal of subsidiaries and affiliated companies

During the year ended 31 March 2005, the Group has acquired a 70% interest in Talent Valley Company Limited, a company established in the PRC, at a consideration of approximately HK\$13,200,000.

Save as mentioned above, there was no disposal or acquisition of subsidiaries and affiliated companies during the year ended 31 March 2005.

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, its exposure to foreign exchange rate fluctuations is minimal.

Contingent liabilities

As at 31 March 2005, the Company has given corporate guarantees of HK\$45,000,000 (2004: HK\$45,000,000) to banks to secure credit facilities granted to its Subsidiaries. As at 31 March 2005, credit facility in respect of a mortgage loan of HK\$35,000,000 (2004: HK\$38,000,000) was utilized by TLL.

Employee information

As at 31 March 2005, the Group employed a total staff of 54. 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.

Pro forma financial information

As at 31 March 2005, the net assets of the Group amounted to approximately HK\$137,940,000 and the loss for the year ended 31 March 2005 was approximately HK\$82,478,000. As at 31 March 2005, the Group had bank balances and cash of HK\$27,451,000 of which approximately HK\$10,205,000 were pledged to banks for facilities granted to the Group.

Based on the pro forma financial information of the Remaining Group as set out in Appendix II to this circular, the net assets of the Remaining Group after the Completion will be increased to approximately HK\$172,014,000 and the loss for the year ended 31 March 2005 will be reduced to approximately HK\$54,180,000. As at 31 March 2005, the Remaining Group had bank balances and

cash of approximately HK\$146,130,000 of which approximately HK\$10,205,000 were pledged to banks for facilities granted to the Remaining Group. As at 31 March 2005, total borrowings will be reduced from approximately HK\$36,652,000 to approximately HK\$1,643,000 with the gearing ratio of the Remaining Group, calculated as the ratio of total borrowings to Shareholders' funds, improving from approximately 26.6% to approximately 1%.

Group's order book and trading prospects

As at 31 March 2005, the amount of orders on hand of the Group in relation to software development contracts was over HK\$7,000,000. Over the years, the Group has devoted concentrated efforts to the development of the TCP and completed the five core technology elements — namely, the ZiWangYuan (子網元), the ZiFaYuan (子發元), the GuangCunYuan (廣存元), the SouSuoYuan (搜索元) and the ShiXiangYuan (視像元) — as well as the internal system connectivity among all five elements and their external application connectivity. Each of the five core technology elements is designed to handle a significant area of the five domains in information processing — namely, the practical consolidation of portals, the platform environment of development, the comprehensive storage for information, the search processing for information and the integrated presentation of multimedia information. With the five core technology elements in place, the TCP is thus empowered within its design the capability to process information among and between the various domains in a relatively open manner.

To promote better appreciation of the attractions embedded in, and the advantages offered by, the TCP, the Group has in the past year and a half embarked on the methodology of infusing specific market and application factors into the TCP in the early stages of negotiation with potential clients and partners about potential projects. “XTE2005”, a complex of sub-platforms so derived, would be illustrative. Initiated at the request of a strategic partner engaged in public services to address certain application requirements in its social industry management program, “XTE2005” combined TCP's capability of integrating both software and hardware resources with the deployment of many of TCP-derived sub-platforms such as the Information Integration Sub-platform, the Information Security Sub-platform, the Interactive Feedback Sub-platform, the Terminal Identification Sub-platform and the Broadcast Application Sub-platform. In short, To put it more simply, as “XTE2005” has incorporated all the technological elements to satisfy the application requirements of the partner's social industry management program, including the ability to integrate all existing hardware and software resources, “XTE2005” is project-ready. In other words, when the structure and the specifications of the projects under the social industry management program are determined, “XTE2005” will become the basic technology framework of the project and as a result the time needed to actualize the application requirements into final solutions and application system could be significantly shortened. At present, the Group continues its earnest preliminary discussions with strategic clients and partners about the details of various potential projects and the Group is also in preparation for the official market launch of the TCP. With the development work on the TCP and its derivative complexes and sub-platforms basically done, the Group is cautiously optimistic about the prospect of their timely realization.

Terms defined herein apply to this appendix only.

The following is the text of the report of the pro forma financial information of the Remaining Group from Deloitte Touche Tohmatsu, prepared for the purpose of incorporation in this circular:

1. REPORT ON PRO FORMA FINANCIAL INFORMATION OF THE REMAINING GROUP

Deloitte.
德勤

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香港中環干諾道中111號
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Deloitte Touche Tohmatsu
26/F Wing On Centre
111 Connaught Road Central
Hong Kong

31 August 2005

The Directors
Timeless Software Limited
79/F, The Center
99 Queen's Road Central
Hong Kong

Dear Sirs,

We report on the pro forma financial information of Timeless Software Limited (the “Company”) and its subsidiaries (hereinafter collectively referred to as the “Group”) set out in Appendix II of the circular dated 31 August 2005 in connection with the proposed very substantial disposal of a property located at 79/F, The Centre, 99 Queen's Road Central, Hong Kong (the “Property”), which has been prepared, for illustrative purposes only, to provide information about how the proposed disposal of the Property might have affected the financial information presented.

Responsibilities

It is the responsibility solely of the directors of the Company to prepare the pro forma financial information in accordance with paragraph 31 of Chapter 7 of the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (the “GEM Rules”).

It is our responsibility to form an opinion, as required by paragraph 31(7) of Chapter 7 of the GEM Rules, on the pro forma financial information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the pro forma financial information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

Basis of opinion

We conducted our work with reference to the Statements of Investment Circular Reporting Standards and Bulletin 1998/8 “Reporting on pro forma financial information pursuant to the listing rules” issued by the Auditing Practices Board in the United Kingdom, where applicable. Our work, which involved no independent examination of any of the underlying financial information, consisted primarily of comparing the unadjusted financial information with the source documents, considering the evidence supporting the adjustments and discussing the pro forma financial information with the directors of the Company.

Our work does not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and accordingly we do not express any such assurance on the pro forma financial information.

The pro forma financial information has been prepared on the basis set out in Appendix II of the circular for illustrative purpose only and, because of its nature, it may not give an indicative financial position of the Group as at 31 March 2005 or at any future date.

Opinion

In our opinion:

- a) the pro forma financial information has been properly compiled on the basis stated;
- b) such basis is consistent with the accounting policies of the Group; and
- c) the adjustments are appropriate for the purposes of the pro forma financial information as disclosed pursuant to paragraph 31(1) of Chapter 7 of the GEM Rules.

Yours faithfully,
Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong

2. UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE REMAINING GROUP

The Property is occupied by and acted as office of the Group. The Property is not a revenue-generating unit of the Group and does not have identifiable income stream nor asset valuation.

UNAUDITED PRO FORMA CONSOLIDATED NET ASSETS STATEMENT

The unaudited pro forma consolidated net assets statement of the Remaining Group set out below has been prepared based on the published audited financial statements of the Group for the year ended 31 March 2005 and on the assumption that the disposal of the Property were completed on 31 March 2005. This statement is presented for illustrative purposes only and because of its nature, it may not give a true picture of the financial position of the Remaining Group as at any dates.

	The Group as at 31 March 2005 (audited) HK\$'000	Pro forma adjustments		Pro forma Remaining Group (unaudited) HK\$'000
		<i>HK\$'000</i>	<i>Notes</i>	
Non-current assets				
Property, plant and equipment	131,370	(121,906)	<i>1</i>	9,464
Product development costs	2,291			2,291
Interests in associates	6,460			6,460
Interests in jointly controlled entities	5,430			5,430
Investments in securities	<u>1,234</u>			<u>1,234</u>
	<u>146,785</u>			<u>24,879</u>
Current assets				
Amounts due from customers for contract work	4,775			4,775
Trade and other receivables	11,246	2,292	<i>2</i>	13,538
Pledged bank deposits	10,205			10,205
Bank balances and cash	<u>17,246</u>	118,679	<i>3</i>	<u>135,925</u>
	<u>43,472</u>			<u>164,443</u>

	The Group	Pro forma adjustments		Pro forma
	as at 31			Remaining
	March 2005			Group
	(audited)			(unaudited)
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>Notes</i>	<i>HK\$'000</i>
Current liabilities				
Other payables	8,878			8,878
Obligations under a finance lease due within one year	60			60
Current portion of secured long-term bank loan	<u>3,904</u>	(3,795)	3	<u>109</u>
	<u>12,842</u>			<u>9,047</u>
Net current assets	<u>30,630</u>			<u>155,396</u>
Non-current liabilities				
Obligations under a finance lease due after one year	128			128
Secured long-term bank loan	<u>32,560</u>	(31,214)	3	<u>1,346</u>
	<u>32,688</u>			<u>1,474</u>
Minority interests	<u>6,787</u>			<u>6,787</u>
Net assets	<u><u>137,940</u></u>			<u><u>172,014</u></u>

UNAUDITED PRO FORMA CONSOLIDATED INCOME STATEMENT

The unaudited pro forma consolidated income statement of the Remaining Group set out below has been prepared based on the published audited financial statements of the Group for the year ended 31 March 2005 and on the assumption that the disposal of the Property were completed on 1 April 2004. This statement is presented for illustrative purposes only and because of its nature, it may not give a true picture of the results of the Remaining Group for any financial periods.

	The Group			Pro forma Remaining Group (unaudited) HK\$'000
	Year ended 31 March 2005 (audited) HK\$'000	Pro forma adjustments		
		HK\$'000	Notes	
Turnover	3,441			3,441
Other operating income	820			820
Cost of computer software and hardware sold	(25)			(25)
Staff costs	(13,336)			(13,336)
Depreciation and amortisation	(14,286)	4,032	4	(10,254)
Other operating expenses	(7,905)	(6,350)	5	(14,255)
Impairment in value of goodwill	(11,938)			(11,938)
Impairment in value of investment securities	(334)			(334)
Loss on disposal of investment securities	(5,664)			(5,664)
Gain on disposal of Property	—	30,050	6	<u>30,050</u>
Loss from operations	(49,227)			(21,495)
Finance costs	(578)	566	7	(12)
Share of results of associates	(23,867)			(23,867)
Share of results of jointly controlled entities	<u>(8,824)</u>			<u>(8,824)</u>
Loss before taxation	(82,496)			(54,198)
Taxation	<u>—</u>			<u>—</u>
Loss before minority interests	(82,496)			(54,198)
Minority interests	<u>18</u>			<u>18</u>
Net loss attributable to shareholders	<u>(82,478)</u>			<u>(54,180)</u>

Notes:

1. Adjustments to eliminate the carrying amounts of the Property and the related leasehold improvements at 31 March 2005 of HK\$120,872,000 and HK\$1,034,000 respectively as shown in note 11 of Appendix I on page 31 of the circular, which were disposed of.
2. Adjustments to account for the refund of utilities deposits of HK\$94,000 on the Property as extracted from the accounting records of the Vendor and the payment of rental deposits of HK\$2,386,000 in respect of 12-month tenancy agreement entered with the Purchaser.
3. The adjustment of HK\$118,679,000 to bank balances and cash represents the balance of the estimated net proceeds of approximately HK\$155,988,000 from the disposal of the Property after deducting HK\$35,009,000 assumed to have been used to repay the bank's mortgage loan, HK\$2,292,000 assumed to have been used to pay as the net rental deposits for the continued tenancy and HK\$8,000 assumed to have been used to pay as stamp duty in respect of 12-month tenancy agreement. The net proceeds from the Disposal is arrived at after deducting transaction costs estimated by management of HK\$2,568,000.
4. Adjustments to reflect the decrease in depreciation and amortisation charges of HK\$2,861,000 and HK\$1,171,000 in respect of the Property and the related leasehold improvements on the assumption that the Disposal had been completed on 1 April 2004.
5. Adjustments to account for the increase in operating lease rental of land and building of HK\$6,342,000 and payment of stamp duty of HK\$8,000 on the assumption that the continued tenancy commenced on 1 April 2004.
6. Adjustments to reflect the gain on disposal of the Property of HK\$30,050,000, representing the excess of the net proceeds from the Disposal of HK\$155,988,000 over the carrying amounts at 31 March 2004 of the Property of HK\$123,733,000 and related leasehold improvements of HK\$2,205,000.
7. Adjustment to reflect the decrease in bank interest expense of HK\$566,000, as shown in note 8 of Appendix I on page 29 of the circular, representing the interest expense that would be saved by the Group for the period from 1 April 2004 to 31 March 2005 had the disposal of the Property undertaken and the mortgage loan repaid on 1 April 2004. The interest is charged at an interest rate of HIBOR plus 0.5% per annum on the outstanding bank loan.
8. No adjustment has been made to account for any additional income which the Group would have earned for the net sale proceeds on the Disposal after repayment of the bank loan as mentioned in note 3 above.
9. The tax impact of the Disposal has not been accounted for in the above pro forma financial information of the Remaining Group.
10. Only the adjustments as described in notes 4, 5 and 7 have a continuing effect on the Group.



利駿行測量師有限公司

LCH (Asia-Pacific) Surveyors Limited

CHARTERED SURVEYORS

PLANT AND MACHINERY VALUERS

BUSINESS & FINANCIAL SERVICES VALUERS

27th Floor
Li Dong Building
No. 9 Li Yuen Street East
Central
Hong Kong

31 August 2005

The Board of Directors
Timeless Software Limited
79th Floor
The Center
No. 99 Queen's Road Central
Hong Kong

Dear Sirs,

In accordance with your instructions to value the property in which Timeless Software Limited (hereinafter referred to as the “Company”) and its subsidiaries (together with the Company referred to as the “Group”) have interests in Hong Kong for the Company’s internal management reference and to be incorporated in a circular to the Company’s shareholders, we confirm that we have carried out inspections, made relevant enquiries and obtained such further information as we consider necessary to support our opinion of the market value of the property as at 7 July 2005 (hereinafter referred to as the “date of valuation”).

We understand that the management of the Company will use our work product (i.e. this letter and the attached valuation certificate) as part of its due diligence and we have not been engaged to make specific sale or purchase recommendations. We further understand that the use of our work product will not supplant other due diligence, which the management of the Company should conduct, in reaching its business decisions regarding the property valued. Our work is designed solely to provide an independent valuation that will allow the management of the Company to make an informed decision.

According to the 1st Edition of the HKIS Valuation Standards on Properties (the “HKIS Standards”) published by the Hong Kong Institute of Surveyors, the term “Market Value” is defined as “the estimated amount for which a property should exchange on the date of valuation between a willing buyer and a willing seller in an arm’s-length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion”.

Our valuation of the property has been made on the assumption that the Company sells the property on the open market in its existing state without the benefit of a deferred terms contract, joint venture, management agreement or any other similar arrangement which would serve to increase the value of the property.

The property has been valued on open market basis assuming sale with vacant possession by using the sales comparison approach. This approach considers the sales, listing or offerings of similar or substitute properties and related market data establishes a value estimate by processes involving comparison. The underlying assumption of this approach is that an investor will pay no more for a property than he or she would have to pay for a similar property of comparable utility.

We have relied solely on the information provided by the management of the Company and have accepted advice given to us on such matters as occupation and floor areas and all other relevant matters. In the course of valuation, we have adopted the following procedures to value, they are i.) to conduct physical inspection, ii.) to conduct a title search and iii.) to obtain the necessary information of the property independently from public domains. We have had no reason to doubt the truth and accuracy of the information provided to us by the management of the Company. We consider that we have been provided with sufficient information to reach an informed view, and have had no reason to suspect that any material information has been withheld.

We have not carried out on-site measurements to verify the correctness of the floor areas of the property, but have assumed that the floor areas shown on the documents and official floor plans handed to us are correct. All dimensions, measurements and areas are approximations.

Our engagement did not include land survey to verify the legal boundaries and the exact location of the property. We need to state that we are not in the land survey profession, therefore, we are not in the position to verify or ascertain the correctness of the representation of the Company's personnel with regard to the legal boundaries and location of the property. No responsibility is assumed.

We have inspected the property in respect of which we have been provided with such information as we have requested for the purpose of our valuation. We have not inspected those parts of the property which were covered, unexposed or inaccessible and such parts have been assumed to be in reasonable condition. We cannot express an opinion about or advice upon the condition of uninspected parts and the attached valuation certificate should not be taken as making any implied representation or statement about such parts. No structural survey, investigation or examination has been made, but in the course of our inspections we did not note any serious defects in the property valued. We are not, however, able to report that the property is free from rot, infestation or any other structural defects. No tests were carried out to the services (if any).

Our valuation has been made on the assumption that no unauthorized alteration, extension or addition has been made to the property, and that the use of the attached valuation certificate did not purport to be a building survey of the property.

No allowance has been made in our valuation for any charges, mortgages or amounts owing on the property. Unless otherwise stated, it is assumed that the property is free from encumbrances, restrictions, and outgoings of an onerous nature which could affect its value.

We have not been provided with copy of the title document regarding to the property but we have caused searches in the Land Registry of Hong Kong. However, we have not searched the original documents to verify ownership or to verify any amendment which may not appear on the information made available to us. We are not attorney by nature, thus we are unable to ascertain the titles and to report any encumbrances (if any) that are registered against the property. No responsibility and liability is assumed.

We are not aware of the content of any environmental audit or other environmental investigation or soil survey which may have been carried out on the property and which may draw attention to any contamination or the possibility of any such contamination. In undertaking our work, we have been instructed to assume that no contaminative or potentially contaminative uses have ever been carried out in the property. We have not carried out any investigation into past or present uses, either of the property or of any neighbouring land, to establish whether there is any contamination or potential for contamination to the property from these uses or sites, and have therefore assumed that none exists. However, should it be established subsequently that contamination, seepage or pollution exists at the property or on any neighbouring land, or that the premises have been or are being put to a contaminative use, this might reduce the value now reported.

Within the time frame made available to us, we are unable to identify any adverse news against the property which may affect the reported value in the attached valuation certificate. Thus, we are not in the position to report and comment on its impact (if any) to the property. However, should it be established subsequently that such news did exist at the date of valuation, we reserve the right to adjust the value reported herein.

To the best of our knowledge, all data set forth in the attached valuation certificate is true and accurate. Although gathered from reliable sources, no warranty is made nor liability assumed for the accuracy of any data, opinions, or estimates identified as being furnished by others which have been used in formulating the attached valuation certificate.

We are unable to accept any responsibility for the information that has not been supplied to us by the management of the Company. Also, we have sought and received confirmation from the management of the Company that no material factors have been omitted from the information supplied. Our analysis and valuation are based upon full disclosure between us and the Group of material and latent facts that may affect the valuation.

Our opinion of value of the property in the attached valuation certificate is valid only for the stated purpose as at the date of valuation, and for the sole use of the named client. No responsibility is taken for changes in market conditions and no obligation is assumed to revise the attached valuation certificate to reflect events or conditions, which occur subsequent to the date hereof.

The attached valuation certificate is prepared in line with the ethics and guidelines as contained in the HKIS Standards. The valuation has been undertaken by valuer, acting as external valuer, qualified for the purpose of the valuation.

Unless otherwise stated, all monetary amounts are in Hong Kong dollars.

Our maximum liability relating to services rendered under this work product (regardless of form of action, whether in contract, negligence or otherwise) shall be limited to the charges paid to us for the portion of its services or work products giving rise to liability. In no event shall we be liable for consequential, special, incidental or punitive loss, damage or expense (including without limitation, lost profits, opportunity costs, etc.), even if it has been advised of their possible existence.

The Company are required to indemnify and hold us and its personnel harmless from any claims, liabilities, costs and expenses (including, without limitation, attorney's fees and the time of our personnel involved) brought against, paid or incurred by us at a time and in any way based on the information made available in connection with our work product except to the extent any such losses, expenses, damages or liabilities are ultimately determined to be the result of gross negligence of our engagement team in conducting its work. This provision shall survive following the termination of this engagement for any reason.

Save for this circular, neither the whole nor any part of the attached valuation certificate or any reference made hereto may be included in any published documents, circular or statement, or published in any way, without our written approval of the form and context in which it may appear.

We retain a copy of this work product in our files, together with the data from which it was prepared. We consider these records confidential, and we do not permit access to them by anyone without your authorisation and prior arrangement made with us. Moreover, we will add the Company's information into our client list for our future reference.

We hereby certify that the fee for this service is not contingent upon our conclusion of value and the valuer has neither present nor prospective interest in the property, the Company, the Group or the value reported.

Our valuation certificate is attached.

Yours faithfully,
For and on behalf of
LCH (Asia-Pacific) Surveyors Limited
Joseph C. Ho
B.Sc. RPS (GP)
Managing Director

Mr. Joseph Ho Chin Choi has been conducting assets valuation (including real estate properties) and advisory work in Hong Kong, Macau, Taiwan, mainland China, Japan, South East Asia, Finland, Canada and the United States of America for various purposes since 1988. He is a valuer on the List of Property Valuers for Undertaking Valuation for Incorporation or Reference in Listing Particulars and Circulars and Valuations in Connection with Takeovers and Mergers published by the Hong Kong Institute of Surveyors.

Valuation Certificate

Property Held for Owner Occupation

Property	Description and tenure	Particulars of occupancy	Market Value in its existing state attributable to the Group as at 7 July 2005 HK\$
<p>The whole of the 79th Floor The Center No. 99 Queen's Road Central Hong Kong</p> <p>953/172,379th Shares of and in Inland Lot No. 8827 ("the Lot")</p>	<p>The Center is of 70-levels in height (numeric identification of 1st to 5th Floors, 13th to 14th Floors, 24th Floor, 34th Floor, 44th Floor, 54th Floor, 64th Floor and 74th Floor are not available in this building) with the lower 3 levels (Ground Floor, Upper Ground Floor and Entrance Hall Floor) used for communal and shopping services and, entrance hallway. There are also 3 levels of basement used for car parking purposes with vehicular access leading from Jubilee Street. There are totally 7 mechanical floors provided in the building, they are the 7th, 8th, 40th, 41st, 70th, 71st and 80th Floors. The Center was completed in 1998.</p> <p>The subject property comprises the whole of the 79th Floor which is the top level of the building.</p> <p>The property has a gross floor area of approximately 13,213 sq. ft. (1,227.5 sq. m.) and a saleable area of approximately 10,342 sq. ft. (960.8 sq. m.).</p> <p>The Lot is held under a Conditions of Exchange No. 12379 for a term from 24 November 1995 until 30 June 2047.</p> <p>The current annual Ground Rent payable for the Lot is 3% of the rateable value for the time being of the Lot.</p>	<p>The property is currently occupied by the Group for office purpose.</p>	<p>HK\$132,000,000 (100% interest)</p>

Notes:

1. The registered owner of the property is Timeless Laboratories Limited vide Memorial No. 9197751 dated 25 November 2003.
2. The property is subject to a mortgage to secure banking facilities in favour of DBS Bank (Hong Kong) Limited vide Memorial No. 9085345 dated 25 November 2003.
3. There is a Provisional Agreement for Sale and Purchase pending for registration and known as Memorial No. 05071501010063 dated 7 July 2005 in favour of Glorious Limited at a consideration of HK\$158,556,000.

1. RESPONSIBILITY STATEMENT

This circular includes particulars given in compliance with the GEM Listing Rules for the purpose of giving information with regard to the Company. The Directors jointly and severally accept full responsibility for the accuracy of the information contained in this circular and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief:

- (a) the information contained in this circular is accurate and complete in all material respects and not misleading;
- (b) there are no other matters the omission of which would make any statement in this circular misleading; and
- (c) all opinions expressed in this circular have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.

2. EXPERTS

The following are the qualifications of the experts who have given opinion or advice contained in this circular:

Name	Qualifications
Deloitte Touche Tohmatsu	Certified Public Accountants
LCH (Asia Pacific) Surveyors Limited	Professional property valuer

Deloitte Touche Tohmatsu and LCH (Asia Pacific) Surveyors Limited have each given and have not withdrawn their respective consents to the issue of this circular with inclusion of their respective letters, reports and/or summary of their respective opinions (as the case may be) and references to their respective names in the form and context in which they appear in this circular.

3. SHARE CAPITAL OF THE COMPANY

Authorised and issued share capital

As at the Latest Practicable Date, the authorised and issued share capital of the Company were as follows:

<i>Authorised:</i>	<i>HK\$</i>
<u>2,500,000,000</u> Shares	<u>125,000,000</u>

<i>Issued Shares:</i>	
<u>1,020,031,503</u> Issued Shares	<u>51,001,575</u>

All of the Shares currently in issue rank pari passu in all respects with each other, including, in particular, as to dividends, voting rights and return of capital. No part of the share capital of the Company is listed or dealt in on any stock exchange other than the Stock Exchange.

4. DISCLOSURE OF INTERESTS OF DIRECTORS

As at the Latest Practicable Date, the interests or short positions of the Directors and chief executives of the Company in the Shares and underlying Shares of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO), or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to Rules 5.40 to 5.58 of the GEM Listing Rules, to be notified to the Company and the Stock Exchange, were as follows:

Long position

Name of director	Number of ordinary shares				Aggregate interest	Total percentage of shareholding
	Interest in Shares			Interest in underlying Shares pursuant to share options		
	Personal interest	Family interest	Corporate interest	Personal interest		
Cheng Kin Kwan	132,184,000	—	—	16,910,000	149,094,000	14.62%
Law Kwai Lam	10,000,000	—	28,325,000*	4,200,000	42,525,000	4.17%
Chung Yiu Fai	4,170,000	—	—	21,750,000	25,920,000	2.54%
Leung Mei Sheung, Eliza	4,330,000	—	—	23,030,000	27,360,000	2.68%
So Mi Ling, Winnie	—	—	—	4,200,000	4,200,000	0.41%
Wong Wai Ping, Mandy	3,000,000	—	—	13,880,000	16,880,000	1.65%
Zheng Ying Yu	500,000	—	—	12,500,000	13,000,000	1.27%
Ng Kwok Tung	—	—	—	1,000,000	1,000,000	0.10%

* These shares were held by a private company which is wholly-owned by Mr. Law Kwai Lam.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors or chief executives of the Company had any interests or short positions in any Shares, underlying Shares or debentures of the Company or any of its associated corporations (within the meaning of the SFO) which would have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO) or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to Rules 5.40 to 5.58 of the GEM Listing Rules, to be notified to the Company and the Stock Exchange.

As at the Latest Practicable Date, none of the Directors or the management shareholders of the Company (as defined in the GEM Listing Rules) or their respective Associates had any interest in any business which competes or may compete or has any other conflicts of interests with the business of the Group.

5. SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN THE SHARES AND UNDERLYING SHARES OF THE COMPANY

As at the Latest Practicable Date, the respective interests of the Shareholders (not being Directors and the chief executive of the Company) in the Shares and underlying Shares of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were notified to the Company and the Stock Exchange pursuant to Divisions 2 and 3 of Part XV of the SFO and required to be entered in the register maintained by the Company pursuant to Section 336 of the SFO were as follows:

Name of shareholder	Number of ordinary shares held	Number of share options and underlying shares held	Aggregate long position	Percentage of
				the issued share capital as at the Latest Practicable Date
Educational Information Technology (HK) Company Limited*	108,057,374	—	108,057,374	10.59%
Crimson Asia Capital Limited, L.P.**	105,203,591	—	105,203,591	10.31%
Kan Siu Kei, Laurie**	41,978,000	17,000,000	58,978,000	5.78%

* These shares were held in trust for 寧夏教育信息技術股份有限公司 (Ningxia Educational Information Technology Co., Ltd.), a company which the Group held 25% equity interest.

** These shares were beneficially owned by the respective parties.

Save as disclosed above, as at the Latest Practicable Date, the Directors are not aware of any other person who had an interest or short position in the Shares or underlying Shares of the Company which would fall to be disclosed to the Company under Divisions 2 and 3 of Part XV of the SFO, or who was expected to be interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group.

6. DIRECTORS' INTERESTS IN COMPETING BUSINESS

Insofar as the Directors are aware and, save as disclosed as aforesaid, as at the Latest Practicable Date:

- (a) none of the Directors or their respective Associates was interested in any business, apart from the Group's business, which competes or is likely to compete, either directly or indirectly, with the business of the Group; and

- (b) none of the Directors or their respective Associates was materially interested in any contract or arrangement entered into by any member of the Group and subsisting at the date of this circular which was significant in relation to the business of the Group.

7. LITIGATION

As at the Latest Practicable Date, no member of the Group was engaged in any litigation or arbitration of material importance and no litigation or claim of material importance is known to the Directors to be pending or threatened against any member of the Group.

8. DIRECTORS' SERVICE CONTRACTS

Each of the executive Directors has entered into a service contract with the Company. The service contracts with executive Directors will continue thereafter unless terminated by not less than 3 months' notice in writing served by either party.

Save as disclosed, none of the Directors has entered or has proposed to enter into any service agreements with the Company or any members of the Group (other than contracts expiring or determinable by the employer within one year without payment of compensation).

9. MATERIAL CONTRACTS

The following contracts (not being contracts entered into in the ordinary course of business) have been entered into by any member of the Group within two years immediately preceding the date of this circular and are or may be material:

- (a) the placing and subscription agreement entered into between the Company and JS Cresvale Capital Limited as placing agent on 17 September 2003 for the placing and subscription of 36,866,000 new Shares of the Company at the placing price of HK\$0.24 each;
- (b) the issue of corporate guarantee by the Company to a financial institution in Hong Kong on 23 October 2003 as a security for a loan facility of HK\$40,000,000 obtained by TLL;
- (c) the Provisional Agreement; and
- (d) the Formal Agreement.

10. GENERAL

- (a) The registered office of the Company is at 79th Floor, The Center, 99 Queen's Road Central, Hong Kong.
- (b) The share registrar and transfer office of the Company is Computershare Hong Kong Investor Services Limited, at 46th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong.

- (c) The compliance officer of the Company is Mr. Law Kwai Lam.
- (d) The company secretary of the Company is Mr. Law Kwai Lam.
- (e) The qualified accountant of the Company is Ms. So Mi Ling, Winnie.
- (f) The Company has established an audit committee, the primary duties of which (in accordance with its written terms of reference) are to review and to supervise the financial reporting process and internal control system of the Group. The committee comprises the three independent non-executive Directors, namely Mr. Chong Siu Pui, Mr. Ng Kwok Tung and Ms. Tsang Wai Chun, Marianna.
- (g) Dealings in Shares may be settled through the Central Clearing and Settlement System operated by the Hong Kong Securities Clearing Company Limited, and investors should seek the advice of their stockbroker or other professional adviser for details of those settlement arrangements and how such arrangements will affect their rights and interests.
- (h) This circular has been prepared in both the English and Chinese languages. In case of any discrepancy, the English text shall prevail over the Chinese text.

11. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection during normal business hours at the offices of the Company's legal advisors, Deacons, at 5th Floor, Alexandra House, Chater Road, Central, Hong Kong from the date of this circular up to and including 14 September 2005:

- (a) the memorandum and articles of association of the Company;
- (b) the Provisional Agreement;
- (c) the Formal Agreement;
- (d) the annual report of the Company for each of the two years ended 31 March 2005, the text of which is set out on pages 13 to 46 in this circular;
- (e) the report issued by Deloitte Touche Tohmatsu regarding the pro forma financial information, the text of which is set out on pages 51 to 56 of this circular;
- (f) the letter and valuation certificate prepared by LCH (Asia Pacific) Surveyors Limited;
- (g) the written consents referred to in the paragraph headed "Experts" of this Appendix; and
- (h) the material contracts referred to in the paragraph headed "Material Contracts" in this Appendix.



TIMELESS SOFTWARE LIMITED

(incorporated in Hong Kong with limited liability)

Stock Code: 8028

NOTICE IS HEREBY GIVEN that the Extraordinary General Meeting of Timeless Software Limited (the “Company”) will be held at Chu Room, 7/F., The Dynasty Club Limited, South West Tower, Convention Plaza, 1 Harbour Road, Wanchai, Hong Kong on Thursday, 15 September 2005, at 3:30 p.m. to consider and, if thought fit, pass the following ordinary resolution of the Company:

AS ORDINARY RESOLUTION:

“THAT:

- (a) the proposed sale of the Group’s property situated at 79th Floor, The Center, 99 Queen’s Road Central, Hong Kong (the “Disposal”) in favour of Glorious Limited be and is hereby approved, confirmed and ratified;
- (b) the entering into and the execution of the provisional sale and purchase agreement dated 7 July 2005 and the formal sale and purchase agreement dated 2 August 2005, in each case in connection with the Disposal, be and is hereby approved, confirmed and ratified; and
- (c) the board of directors of the Company be and is hereby authorised to do all such acts and execute such further documents as may be necessary to give effect to the Disposal.”

By Order of the Board

CHENG Kin Kwan

Chairman & Chief Executive Officer

Hong Kong, 31 August 2005

Registered Office:

79th Floor

The Center

99 Queen’s Road Central

Hong Kong

NOTICE OF EGM

Notes:

1. A member entitled to attend and vote at the meeting convened by the above notice may appoint one or more proxies to attend the meeting and vote on a poll instead of him. A proxy need not be a member of the Company. A form of proxy for use at the meeting is enclosed.
2. To be valid, a form of proxy and the power of authority (if any) under which it is signed or a notarially certified copy of such power of authority must be deposited at the registered office of the Company in Hong Kong at 79th Floor, The Center, 99 Queen's Road Central, Hong Kong not less than 48 hours before the time appointed for holding the meeting or the adjourned meeting.