



TIMELESS SOFTWARE LTD.



Annual Report 2005

Characteristics of The Growth Enterprise Market (“GEM”) of The Stock Exchange of Hong Kong Limited (the “Exchange”)

GEM has been established as a market designed to accommodate companies to which a high investment risk may be attached. In particular, companies may list on GEM with neither a track record of profitability nor any obligation to forecast future profitability. Furthermore, there may be risks arising out of the emerging nature of companies listed on GEM and the business sectors or countries in which the companies operate. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.

Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board and no assurance is given that there will be a liquid market in the securities traded on GEM.

The principal means of information dissemination on GEM is publication on the internet website operated by the Exchange. Listed companies are not generally required to issue paid announcements in gazetted newspapers. Accordingly, prospective investors should note that they need to have access to the GEM website in order to obtain up-to-date information on GEM-listed issuers.

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Corporate Information

Directors

Executive directors

CHENG Kin Kwan
LAW Kwai Lam
CHUNG Yiu Fai
LEUNG Mei Sheung Eliza
SO Mi Ling Winnie
WONG Wai Ping Mandy
ZHENG Ying Yu

Independent non-executive directors

CHONG Siu Pui
NG Kwok Tung
TSANG Wai Chun Marianna

Secretary

LAW Kwai Lam

Qualified accountant

SO Mi Ling Winnie

Compliance officer

LAW Kwai Lam

Audit committee

CHONG Siu Pui
NG Kwok Tung
TSANG Wai Chun Marianna

Registered Office

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

Auditors

Deloitte Touche Tohmatsu

Legal adviser

Deacons

Bankers

Hang Seng Bank Limited
DBS Bank (Hong Kong) Limited

Share Registrars

Computershare Hong Kong
Investor Services Limited
46th Floor, Hopewell Centre
183 Queen's Road East
Hong Kong

Chairman's Statement

In the year just past, we have not only devoted concentrated efforts to the continuous development of the Timeless Consolidated Platform ("the TCP"), but have also gone one step further to make use of its technological power.

By continuous development, we mean in the past year we continued to focus our development effort on the five core technology elements, which make up the technology pillar of the TCP. These five core technology elements are 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). Each of these elements is oriented toward one of the five significant domains in information processing. The five domains are (respectively) the practical consolidation of portals, the platform environment for rapid development, the comprehensive storage for massive amount of information, the search processing for information, and the integrated presentation of multimedia information. The development of the five core technology elements was basically completed during the year. In order to encourage information exchange with the market, this and many other details about the TCP and, in particular, the five core technology elements were made available on our website at about November last year.

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. In the past year, we took this capability one step further. We started to build on TCP's technological advantage, consolidating or incorporating into it application and market factors. The output of these exercises, as can be expected, would not be another pure, technology platform, nor would it be another simple, single-purpose technology product. Rather, it would be a "complex", that is to say, — a consolidation of solutions addressing the combined needs and requirements of application, technology and the market. One exercise, codenamed "XTE2005", done during the year is representative. "XTE2005", initiated at the request of a strategic partner engaged in public services to address certain application requirements in its social industry management program, materializes as a cross-platform, open, original platform (or, complex). In effect, "XTE2005" has the capability to integrate both software and hardware resources, and to continuously and rapidly adopt and absorb new technology and new application into itself. The final application system or solutions would come through the deployment of many of its 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, the time needed to actualize the application requirements into final solutions and application system could be significantly shortened.

We are in earnest discussion with our strategic clients and partners about the details of various potential projects and we are also in preparation for the official introduction of the TCP. With the development work on the TCP and its derivative complexes and sub-platforms basically done, we are cautiously optimistic about the prospect of their timely realization.

On behalf of the Board

Cheng Kin Kwan

Chairman and Chief Executive Officer

Hong Kong, 14 June 2005

Review of Operations

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. The net loss attributable to shareholders for the year ended 31 March 2005 was approximately HK\$82.5 million representing an increase of 116.5% as compared to the net loss of HK\$38.1 million in previous year. The significant increase in net loss is mainly due to the following:-

1. The impairment in value of goodwill of HK\$11.9 million this year;
2. The increase in the share of losses of associates and jointly controlled entities from HK\$3.3 million and HK\$0.7 million to HK\$23.9 million and HK\$8.8 million respectively; and
3. Disposal of our entire 10% interest in Tigermetal International Limited, an overseas unlisted investee company, at a loss of HK\$5.7 million.

For the year under review, turnover was approximately HK\$3.4 million, a drop of 63.8% from HK\$9.4 million 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\$2.2 million to HK\$13.3 million whereas other operating expenses were largely decreased from HK\$21.7 million to HK\$7.9 million.

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\$17.2 million compared to approximately HK\$38.8 million as at 31 March 2004. The decrease was mainly due to the reduction in turnover and net cash paid for the acquisition of 70% equity interest in Talent Valley Company Limited, a company established in the PRC.

As at 31 March 2005, the Group had outstanding bank loans and obligations under finance lease amounted to HK\$36.5 million (2004: HK\$38.8 million) and HK\$0.2 million (2004: HK\$0.3 million) respectively. In accordance with the terms of the banking facilities, such bank loans are installment loans and will be fully repaid in 2013 and 2015. The following is the maturity profile of the Group's bank loans as of 31 March 2005:

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

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.

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 million as mentioned in the previous paragraph. A commercial property situated in Guangzhou held by a PRC subsidiary was also mortgaged to a bank for a loan of approximately HK\$1.5 million. Bank deposits totalling approximately HK\$10.2 million (2004: HK\$10.2 million) were pledged to banks for banking facilities of HK\$5 million (2004: HK\$5 million) available to the Company and some of its subsidiaries and a loan facility of approximately HK\$4.7 million (2004: HK\$4.7 million) 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.

Segmental information

In accordance with the Group's internal financial reporting the Group has determined that business segments be presented as the primary reporting format and geographical segments as the secondary reporting format. The Group reports its businesses in three business segments namely software development, investment and other operations, and in two geographical segments namely Mainland China and Hong Kong.

In respect of business segments, the Group continues to focus on software development. During the year ended 31 March 2005, the Group disposed of its entire 10% interest in Tigermetal International Limited, an overseas unlisted company for a consideration of approximately HK\$2.9 million and recorded a loss of approximately HK\$5.7 million.

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 compared to approximately 68.7% and 31.3% in previous year.

Order book and prospects for new business

The amount of orders on hand of the Group was over HK\$7 million as at 31 March 2005. In respect of those large projects of relatively longer term in nature in Ningxia Province in Mainland China, progress will be made when funding for these projects becomes certain. Please refer to Chairman's statement for description of the prospects of the Group.

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 RMB14 million.

Save as mentioned above, there was no disposal or acquisition of subsidiaries and affiliated companies for the period under review.

Future plans for material investments

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

Exposure to exchange risks

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

Contingent liabilities

As at 31 March 2005, the Company has given corporate guarantees of HK\$45 million (2004: HK\$45 million) to banks to secure credit facilities granted to its subsidiaries. As at 31 March 2005, credit facility of HK\$35 million (2004: HK\$38.8 million) was utilized by a subsidiary.

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.

Biographical Details of Directors and Senior Management

Directors

Executive directors

Mr. Cheng Kin Kwan, aged 66, is the founder and Chairman and Chief Executive Officer of the Company. Prior to establishing the Company, Mr. Cheng has been serving the IT industry for over 30 years. He was the inventor who developed the first Chinese processing system and brought into China the first generation of image processing PC, the first dealer of Novell system in Hong Kong and China, and also, the developer of the first computer system for Hong Kong Futures Exchange. He took up various senior positions in software development companies and provided services as technical consultant for multinational vendors.

Mr. Chung Yiu Fai, aged 41, joined the Group in February 1998. Mr. Chung became the Chief Information Officer since February 2001 and assists the CEO to strategize and execute the Group's business directions and IT strategies. He has over 13 years of IT experience and substantial experience in project management in Hong Kong and China. He obtained a Bachelor of Science degree in Computer Information Science from Ohio State University and gained the Engineering Honour Student Award.

Mr. Law Kwai Lam, aged 58, is the Corporate Affairs Director and the Company Secretary of the Company. Mr. Law has been with the Group since its establishment, and has since been responsible for the Company's and the Group's administrative, legal and secretarial matters. Mr. Law holds a Bachelor degree in Biochemistry from the University of Kansas. Prior to joining the Group, Mr. Law was the Company Secretary of a listed company in Hong Kong for 10 years.

Ms. Leung Mei Sheung, Eliza, aged 40, is the Administration Director of the Group and is responsible for the overall administrative management of the Group and special assignments by the CEO. Ms. Leung joined the Group in June 1996. She has over 19 years of experience in office administration and accounting in the IT field.

Ms. So Mi Ling, Winnie, aged 37, was appointed to the Board in May 2001 and is responsible for finance and accounting of the Group. Ms. So joined the Group in April 1999, after having worked in the accounts division of a listed company in Hong Kong for over eight years. Ms. So has over 15 years experience in finance and accounting. She holds a professional diploma in accountancy from the City University of Hong Kong, and is a fellow of the ACCA and an associate of the Hong Kong Institute of Certified Public Accountants.

Ms. Wong Wai Ping, Mandy, aged 42, is the Marketing Director of the Company, responsible for planning and executing marketing programmes, handling investors relationship and marketing communications, and special assignments by the CEO. She joined the Group in 1996 and has over 21 years experience in marketing in the IT field.

Ms. Zheng Ying Yu, aged 31, is the Chief Representative of the Group's Guangzhou subsidiary, responsible for market promotion, business development and the overall operation of the Guangzhou office. She joined the Group in 1998 and has nine years experience in the IT industry. Ms. Zheng holds a Bachelor of Science degree in Computer Science from ZhongShan University.

Biographical Details of Directors and Senior Management (Continued)

Independent non-executive directors

Mr. Chong Siu Pui, aged 35, is the General Manager of Commonwill Catering Management Company Limited and has been in the catering management business for over ten years. Mr. Chong holds a Bachelor degree in Accountancy from The Hong Kong Polytechnic University and a Master degree in Business Administration from The University of Sydney. He is a fellow of the ACCA, an associate of the Hong Kong Institute of Certified Public Accountants as well as an associate of the Australia Society of Accountants. Mr. Chong was appointed as an independent non-executive director in January 2002.

Mr. Ng Kwok Tung, aged 54, was appointed as an independent non-executive director in 2003. Mr. Ng is a practising accountant. He holds a Bachelor of Commerce Degree and a Licentiate in Accountancy from McGill University, Canada and a Diploma in Chinese Law from the University of East Asia, Macau. Mr. Ng is a member of the Hong Kong Institute of Certified Public Accountants, the Institute of Chartered Accountants of British Columbia, the Order of Chartered Accountants of Quebec, the Canadian Institute of Chartered Accountants and the Taxation Institute of Hong Kong.

Ms. Tsang Wai Chun, Marianna, aged 50, is the director of Chan & Wat, Certified Public Accountants. She is a member of the Institute of Chartered Secretaries and Administrators, the Hong Kong Institute of Company Secretaries and the Association of Professionals in Business Management. Ms. Tsang has around 20 years of company secretarial, corporate affairs, and related legal working experience in major commercial corporations and in professional firms. She has an MBA and a postgraduate certificate in Advanced Taxation. She was appointed as an independent non-executive director in October 2003.

Senior management

Mr. Kan Siu Kei, Laurie, aged 44, is the Deputy Chief Executive Officer of the Group. He is a veteran in the Asian IT industry. Mr. Kan has held senior positions at PointCast Asia, China Internet Corporation (now Chinadotcom), Microsoft (Hong Kong) Limited and Compaq. He graduated in Business Management from Hong Kong Baptist College and from Stanford University's Executive Program.

Directors' Report

The directors present their annual report and the audited financial statements for the year ended 31 March 2005.

PRINCIPAL ACTIVITIES

The Company 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 principal activities of the Company's principal subsidiaries are set out in note 33 to the financial statements.

RESULTS

The results of the Group for the year are set out in the consolidated income statement on page 21.

SHARE CAPITAL

Details of the movements in share capital of the Company during the year are set out in note 24 to the financial statements.

RESERVES

Movements in the reserves of the Group and the Company during the year are set out on page 24 and note 26 to the financial statements respectively.

PROPERTY, PLANT AND EQUIPMENT

Details of the movements in property, plant and equipment of the Group and the Company during the year are set out in note 11 to the financial statements.

PRINCIPAL ASSOCIATES AND PRINCIPAL JOINTLY CONTROLLED ENTITIES

The principal activities of the Group's principal associates and principal jointly controlled entities are set out in notes 15 and 16 to the financial statements respectively.

DIRECTORS AND DIRECTORS' SERVICE CONTRACTS

The directors of the Company during the year and up to the date of this report were:

Executive directors:

Cheng Kin Kwan (*Chairman and Chief Executive Officer*)

Law Kwai Lam

Chung Yiu Fai

Leung Mei Sheung, Eliza

So Mi Ling, Winnie

Wong Wai Ping, Mandy

Zheng Ying Yu

Pun Chung Sang, Trevor

(resigned on 28 May 2005)

DIRECTORS AND DIRECTORS' SERVICE CONTRACTS (continued)

Independent non-executive directors:

Chong Siu Pui
Ng Kwok Tung
Tsang Wai Chun, Marianna

In accordance with Article 105(A) of the Company's Articles of Association, Ms. Leung Mei Sheung, Eliza, Ms. Wong Wai Ping, Mandy and Ms. Zheng Ying Yu retire and, being eligible, offer themselves for re-election.

Each of the executive directors have entered into service contracts with the Company when they are appointed as directors of the Company. These service contracts will continue thereafter until terminated by either party giving to the other party not less than three months' notice in writing.

Each of the independent non-executive directors were appointed for a term of one year.

Save as disclosed above, none of the directors proposed for re-election at the forthcoming annual general meeting has any service contract with the Company or any of its subsidiaries which is not determinable by the Group within one year without payment of compensation, other than statutory compensation.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS IN SECURITIES

At 31 March 2005, the interests and short positions of the directors and the chief executives of the Company and their associates in the shares, underlying shares or debentures of the Company and its associated corporations, as recorded in the register maintained by the Company pursuant to Section 352 of the Securities and Futures Ordinance ("SFO"), or otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to Rule 5.46 of the Rules Governing the Listing of Securities on the Growth Enterprise Market (the "GEM") of the Stock Exchange (the "GEM Listing Rules"), were as follows:

Long positions

(a) Ordinary shares of HK\$0.05 each of the Company

Name of director	Number of ordinary shares held			Total number of shares	Percentage of shareholding
	Personal interest	Family interest	Corporate interest		
Cheng Kin Kwan	125,000,000	—	—	125,000,000	12.38%
Law Kwai Lam	10,000,000	—	28,325,000*	38,325,000	3.80%
Chung Yiu Fai	4,170,000	—	—	4,170,000	0.41%
Leung Mei Sheung, Eliza	2,330,000	—	—	2,330,000	0.23%
Wong Wai Ping, Mandy	3,000,000	—	—	3,000,000	0.30%
Zheng Ying Yu	500,000	—	—	500,000	0.05%
Pun Chung Sang, Trevor	1,000,000	250,000	—	1,250,000	0.12%

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

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS IN SECURITIES (continued)

(b) Options to subscribe for ordinary shares of the Company

Particulars of the directors' interests in share options to subscribe for shares in the Company pursuant to the Company's 2000 share option scheme and 2003 share option scheme were as follows:

Name of director	Date of grant	Exercisable period	Exercise price per share HK\$	Number of share options and number of underlying shares				
				Outstanding at 1.4.2004	Granted during the year	Exercised during the year	Lapsed during the year	Outstanding at 31.3.2005
Cheng Kin Kwan	6.3.2001	6.3.2002 - 5.3.2005	0.6300	1,500,000	—	—	(1,500,000)	—
	27.4.2001	27.4.2002 - 26.4.2005	0.8180	500,000	—	—	—	500,000
	3.10.2001	3.10.2002 - 2.10.2005	0.4450	800,000	—	—	—	800,000
	22.4.2002	22.4.2003 - 21.4.2006	0.4550	650,000	—	—	—	650,000
	5.9.2003	5.9.2003 - 4.9.2013	0.2280	6,960,000	—	—	—	6,960,000
	8.12.2003	8.12.2003 - 7.12.2013	0.2130	800,000	—	—	—	800,000
	25.2.2004	25.2.2004 - 24.2.2014	0.1900	7,700,000	—	—	—	7,700,000
	28.2.2005	28.2.2005 - 27.2.2015	0.0722	—	9,900,000	(9,900,000)	—	—
Law Kwai Lam	6.3.2001	6.3.2002 - 5.3.2005	0.6300	800,000	—	—	(800,000)	—
	27.4.2001	27.4.2002 - 26.4.2005	0.8180	200,000	—	—	—	200,000
	3.10.2001	3.10.2002 - 2.10.2005	0.4450	200,000	—	—	—	200,000
	5.9.2003	5.9.2003 - 4.9.2013	0.2280	2,000,000	—	—	—	2,000,000
	9.1.2004	9.1.2004 - 8.1.2014	0.1900	1,000,000	—	—	—	1,000,000
	28.2.2005	28.2.2005 - 27.2.2015	0.0722	—	1,000,000	—	—	1,000,000
	Chung Yiu Fai	6.3.2001	6.3.2002 - 5.3.2005	0.6300	1,000,000	—	—	(1,000,000)
27.4.2001		27.4.2002 - 26.4.2005	0.8180	200,000	—	—	—	200,000
3.10.2001		3.10.2002 - 2.10.2005	0.4450	500,000	—	—	—	500,000
22.4.2002		22.4.2003 - 21.4.2006	0.4550	300,000	—	—	—	300,000
5.9.2003		5.9.2003 - 4.9.2013	0.2280	5,500,000	—	—	—	5,500,000
8.12.2003		8.12.2003 - 7.12.2013	0.2130	400,000	—	—	—	400,000
25.2.2004		25.2.2004 - 24.2.2014	0.1900	7,000,000	—	(550,000)	—	6,450,000
16.9.2004		16.9.2004 - 15.9.2014	0.0870	—	2,500,000	(200,000)	—	2,300,000
13.12.2004		13.12.2004 - 12.12.2014	0.0982	—	300,000	—	—	300,000
28.2.2005		28.2.2005 - 27.2.2015	0.0722	—	7,000,000	(1,000,000)	—	6,000,000
Leung Mei Sheung, Eliza	6.3.2001	6.3.2002 - 5.3.2005	0.6300	1,000,000	—	—	(1,000,000)	—
	27.4.2001	27.4.2002 - 26.4.2005	0.8180	200,000	—	—	—	200,000
	3.10.2001	3.10.2002 - 2.10.2005	0.4450	500,000	—	—	—	500,000
	5.9.2003	5.9.2003 - 4.9.2013	0.2280	5,500,000	—	—	—	5,500,000
	8.12.2003	8.12.2003 - 7.12.2013	0.2130	4,300,000	—	—	—	4,300,000
	25.2.2004	25.2.2004 - 24.2.2014	0.1900	6,000,000	—	(200,000)	—	5,800,000
	13.12.2004	13.12.2004 - 12.12.2014	0.0982	—	3,800,000	(370,000)	—	3,430,000
	28.2.2005	28.2.2005 - 27.2.2015	0.0722	—	6,000,000	(500,000)	—	5,500,000
So Mi Ling, Winnie	6.3.2001	6.3.2002 - 5.3.2005	0.6300	300,000	—	—	(300,000)	—
	27.4.2001	27.4.2002 - 26.4.2005	0.8180	200,000	—	—	—	200,000
	3.10.2001	3.10.2002 - 2.10.2005	0.4450	200,000	—	—	—	200,000
	5.9.2003	5.9.2003 - 4.9.2013	0.2280	2,000,000	—	—	—	2,000,000
	9.1.2004	9.1.2004 - 8.1.2014	0.1900	1,000,000	—	—	—	1,000,000
	28.2.2005	28.2.2005 - 27.2.2015	0.0722	—	1,000,000	—	—	1,000,000

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS IN SECURITIES (continued)

(b) Options to subscribe for ordinary shares of the Company (continued)

Name of director	Date of grant	Exercisable period	Exercise price per share HK\$	Number of share options and number of underlying shares				
				Outstanding at 1.4.2004	Granted during the year	Exercised during the year	Lapsed during the year	Outstanding at 31.3.2005
Wong Wai Ping, Mandy	6.3.2001	6.3.2002 - 5.3.2005	0.6300	800,000	—	—	(800,000)	—
	27.4.2001	27.4.2002 - 26.4.2005	0.8180	200,000	—	—	—	200,000
	3.10.2001	3.10.2002 - 2.10.2005	0.4450	500,000	—	—	—	500,000
	5.9.2003	5.9.2003 - 4.9.2013	0.2280	5,500,000	—	—	—	5,500,000
	8.12.2003	8.12.2003 - 7.12.2013	0.2130	400,000	—	—	—	400,000
	25.2.2004	25.2.2004 - 24.2.2014	0.1900	6,000,000	—	(320,000)	—	5,680,000
	13.12.2004	13.12.2004 - 12.12.2014	0.0982	—	300,000	—	—	300,000
	28.2.2005	28.2.2005 - 27.2.2015	0.0722	—	2,000,000	(500,000)	—	1,500,000
Zheng Ying Yu	27.4.2001	27.4.2002 - 26.4.2005	0.8180	100,000	—	—	—	100,000
	3.10.2001	3.10.2002 - 2.10.2005	0.4450	300,000	—	—	—	300,000
	22.4.2002	22.4.2003 - 21.4.2006	0.4550	300,000	—	—	—	300,000
	5.9.2003	5.9.2003 - 4.9.2013	0.2280	2,000,000	—	—	—	2,000,000
	8.12.2003	8.12.2003 - 7.12.2013	0.2130	400,000	—	—	—	400,000
	9.1.2004	9.1.2004 - 8.1.2014	0.1900	7,000,000	—	—	—	7,000,000
	13.12.2004	13.12.2004 - 12.12.2014	0.0982	—	800,000	(300,000)	—	500,000
	28.2.2005	28.2.2005 - 27.2.2015	0.0722	—	2,000,000	—	—	2,000,000
Pun Chung Sang, Trevor	6.3.2001	6.3.2002 - 5.3.2005	0.6300	200,000	—	—	(200,000)	—
	9.4.2001	9.4.2002 - 8.4.2005	0.5920	100,000	—	—	—	100,000
	27.4.2001	27.4.2002 - 26.4.2005	0.8180	100,000	—	—	—	100,000
	3.10.2001	3.10.2002 - 2.10.2005	0.4450	200,000	—	—	—	200,000
	5.9.2003	5.9.2003 - 4.9.2013	0.2280	3,500,000	—	—	—	3,500,000
	26.11.2003	26.11.2003 - 25.11.2013	0.2300	400,000	—	—	—	400,000
	9.1.2004	9.1.2004 - 8.1.2014	0.1900	3,000,000	—	—	—	3,000,000
	28.2.2005	28.2.2005 - 27.2.2015	0.0722	—	1,000,000	(1,000,000)	—	—
Chong Siu Pui	28.2.2005	28.2.2005 - 27.2.2015	0.0722	—	1,000,000	—	—	1,000,000
Ng Kwok Tung	28.2.2005	28.2.2005 - 27.2.2015	0.0722	—	1,000,000	—	—	1,000,000
Tsang Wai Chun, Marianna	28.2.2005	28.2.2005 - 27.2.2015	0.0722	—	1,000,000	—	—	1,000,000
				90,210,000	40,600,000	(14,840,000)	(5,600,000)	110,370,000

Save as disclosed above and other than nominee shares in certain wholly-owned subsidiaries held by certain directors in trust for the Group, at 31 March 2005, none of the directors or chief executive or any of their respective associates had any interests or short positions in the shares, underlying shares or debentures of the Company or its associated corporations which fall to be notified to the Company and the Stock Exchange pursuant to Part XV 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 to be notified to the Company and the Stock Exchange pursuant to Rule 5.46 of the GEM Listing Rules.

SHAREHOLDERS' INTEREST IN SECURITIES

As at 31 March 2005, according to the register maintained by the Company pursuant to Section 336 of the SFO, the following persons (not being a director or the chief executive of the Company) were, directly or indirectly, interested in 5% or more of the nominal value of any class of share capital of the Company.

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 31 March 2005
Educational Information Technology (HK) Company Limited *	108,057,374	—	108,057,374	10.70%
Crimson Asia Capital Limited, L.P.**	105,203,591	—	105,203,591	10.42%
Kan Siu Kei, Laurie**	41,978,000	14,000,000	55,978,000	5.55%

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

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

Save as disclosed in the section "Directors' and Chief Executive's interests in securities", at 31 March 2005, the Company had not been notified of any other interests or short position in the shares or underlying shares of the Company which would fall to be disclosed to the Company and the Stock Exchange under Part XV of the SFO.

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.

A summary of the share options granted under the Company's 2000 share option scheme is as follows:

Type of participants	Exercisable period	Exercise price per share HK\$	Number of share options		
			Outstanding at 1.4.2004	Lapsed during the year	Outstanding at 31.3.2005
Directors	6.3.2002 - 5.3.2005	0.6300	5,600,000	(5,600,000)	—
	9.4.2002 - 8.4.2005	0.5920	100,000	—	100,000
	27.4.2002 - 26.4.2005	0.8180	1,700,000	—	1,700,000
	3.10.2002 - 2.10.2005	0.4450	3,200,000	—	3,200,000
	22.4.2003 - 21.4.2006	0.4550	1,250,000	—	1,250,000
Employees	16.2.2002 - 15.2.2005	0.7340	1,500,000	(1,500,000)	—
	6.3.2002 - 5.3.2005	0.6300	3,600,000	(3,600,000)	—
	9.4.2002 - 8.4.2005	0.5920	50,000	(50,000)	—
	27.4.2002 - 26.4.2005	0.8180	250,000	(100,000)	150,000
	3.10.2002 - 2.10.2005	0.4450	3,710,000	(910,000)	2,800,000
	22.4.2003 - 21.4.2006	0.4550	3,900,000	(1,600,000)	2,300,000
			<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 "2003 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.

SHARE OPTIONS (continued)

(b) 2003 share option scheme

The options of the 2003 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:

- (a) 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;
- (b) 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
- (c) the nominal value of a share.

The 2003 share option scheme is valid for a period of ten years commencing on the adoption date on 28 April 2003.

SHARE OPTIONS (continued)

(b) 2003 share option scheme (continued)

A summary of the share options granted 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				Outstanding at 31.3.2005	Notes
			Outstanding at 1.4.2004	Granted during the year	Exercised during the year	Lapsed during the year		
Directors	5.9.2003 - 4.9.2013	0.2280	32,960,000	—	—	—	32,960,000	N/A
	26.11.2003 - 25.11.2013	0.2300	400,000	—	—	—	400,000	N/A
	8.12.2003 - 7.12.2013	0.2130	6,300,000	—	—	—	6,300,000	N/A
	9.1.2004 - 8.1.2014	0.1900	12,000,000	—	—	—	12,000,000	N/A
	25.2.2004 - 24.2.2014	0.1900	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	33,500,000	—	—	(5,000,000)	28,500,000	N/A
	15.9.2003 - 14.9.2013	0.2550	11,000,000	—	—	(1,500,000)	9,500,000	N/A
	26.11.2003 - 25.11.2013	0.2300	7,200,000	—	—	(2,800,000)	4,400,000	N/A
	8.12.2003 - 7.12.2013	0.2130	800,000	—	—	—	800,000	N/A
	9.1.2004 - 8.1.2014	0.1900	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	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>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.

SHARE OPTIONS (continued)

(b) 2003 share option scheme (continued)

- (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 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 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 directors of the Company consider that it is inappropriate to state the value of the options granted under the Company's share option scheme due to the following reasons:

- (i) the calculation of the value of the options will be based on a number of undetermined but crucial variables such as the exercise price payable for the shares in the Company, the number of options to be granted under the scheme during its duration, the exercisable period, interest rate, expected volatility and other relevant variables. In particular, the duration of the scheme will make these volatile variables very difficult to ascertain with accuracy;
- (ii) the generally accepted pricing models of options normally value options which are transferable but the options granted to a grantee under the scheme are personal to the grantee and are non-transferable and non-assignable and hence calculation of the value of the options granted under the scheme using such pricing models may not be appropriate; and
- (iii) the directors of the Company are of the view that the calculation on speculative assumptions would not be meaningful and would be misleading to the shareholders of the Company.

DIRECTORS' INTERESTS IN CONTRACTS

During the year, the Group paid property rentals of HK\$450,000 to Mr. Cheng Kin Kwan, a director of the Company.

Save as disclosed above, there were no contracts of significance to which the Company or any of its subsidiaries was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

MAJOR CUSTOMERS AND SUPPLIERS

During the year, the aggregate sales attributable to the Group's five largest customers comprised approximately 69% of the Group's total sales while the sales attributable to the Group's largest customer was approximately 22% of the Group's total sales.

The aggregate purchases during the year attributable to the Group's five largest suppliers comprised approximately 91% of the Group's total purchases while the purchases attributable to the Group's largest supplier was approximately 35% of the Group's total purchases.

Save as disclosed above, none of the directors, their associates or any shareholder, which to the knowledge of the directors owned more than 5% of the Company's issued share capital had any interest in the share capital of any of the five largest customers or suppliers of the Group.

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

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

CORPORATE GOVERNANCE

The Company has complied with the board practice and procedures as set out in Rules 5.34 and 5.45 of the GEM Listing Rule throughout the year ended 31 March 2005.

The Company has adopted a code of conduct regarding securities transactions by directors on terms no less exacting than the required standard of dealings set out in Rules 5.48 to 5.67 of the GEM Listing Rules. Having made specific enquiry of all directors, all directors confirmed they have complied with the required standard of dealings and the code of conduct regarding securities transactions by directors adopted by the Company throughout the year ended 31 March 2005.

The Company confirmed that annual confirmations of independence were received from each of the Company's independent non-executive directors pursuant to Rule 5.09 of the GEM Listing Rules and all independent non-executive directors are considered to be independent.

The audit committee comprises three independent non-executive directors, Mr. Chong Siu Pui, Mr. Ng Kwok Tung and Ms. Tsang Wai Chun, Marianna. During the year, the audit committee held four meetings. The primary duties of the audit committee are to review and supervise the financial reporting process and internal control system of the Group.

COMPETING INTEREST

As at 31 March 2005, none of the directors or the management shareholders (as defined in the GEM Listing Rules) of the Company or their respective associates had any interest in a business which competes or may compete with the business of the Group.

AUDITORS

A resolution will be submitted to the annual general meeting of the Company to re-appoint Messrs. Deloitte Touche Tohmatsu as auditors of the Company.

On behalf of the Board

Cheng Kin Kwan

Chairman and Chief Executive Officer

Hong Kong, 14 June 2005

Deloitte.

德勤

TO THE SHAREHOLDERS OF TIMELESS SOFTWARE LIMITED

天時軟件有限公司

(incorporated in Hong Kong with limited liability)

We have audited the financial statements on pages 21 to 55 which have been prepared in accordance with accounting principles generally accepted in Hong Kong.

Respective responsibilities of directors and auditors

The Companies Ordinance requires the directors to prepare financial statements which give a true and fair view. In preparing financial statements which give a true and fair view it is fundamental that appropriate accounting policies are selected and applied consistently.

It is our responsibility to form an independent opinion, based on our audit, on those financial statements and to report our opinion solely to you, as a body, in accordance with Section 141 of the Companies Ordinance, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Basis of opinion

We conducted our audit in accordance with Statements of Auditing Standards issued by the Hong Kong Institute of Certified Public Accountants. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the circumstances of the Company and the Group, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance as to whether the financial statements are free from material misstatement. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements. We believe that our audit provides a reasonable basis for our opinion.

Opinion

In our opinion the financial statements give a true and fair view of the state of affairs of the Company and the Group as at 31 March 2005 and of the loss and cash flows of the Group for the year then ended and have been properly prepared in accordance with the Companies Ordinance.

Deloitte Touche Tohmatsu

Certified Public Accountants

Hong Kong

14 June 2005

Consolidated Income Statement

For the Year Ended 31 March 2005

	NOTES	2005 HK\$'000	2004 HK\$'000
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		(5,664)	5,635
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		(8,824)	(741)
Loss before taxation		(82,496)	(42,090)
Taxation	9	—	3,995
Loss before minority interests		(82,496)	(38,095)
Minority interests		18	6
Net loss attributable to shareholders		(82,478)	(38,089)
Loss per share - Basic	10	(8.30) cents	(3.94) cents

Consolidated Balance Sheet

As at 31 March 2005

	NOTES	2005 HK\$'000	2004 HK\$'000
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	1,234	10,147
		146,785	200,202
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		17,246	38,761
		43,472	57,068
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	3,904	3,756
		12,842	10,045
Net current assets		30,630	47,023
Total assets less current liabilities		177,415	247,225
Non-current liabilities			
Obligations under a finance lease due after one year	21	128	188
Secured long-term bank loan	22	32,560	35,003
		32,688	35,191
Net assets		144,727	212,034
Capital and reserves			
Share capital	24	50,474	49,503
Reserves		87,466	160,171
Shareholders' funds		137,940	209,674
Minority interests		6,787	2,360
		144,727	212,034

The financial statements on pages 21 to 55 were approved and authorised for issue by the Board of Directors on 14 June 2005 and are signed on its behalf by:

Cheng Kin Kwan
Chairman and
Chief Executive Officer

Law Kwai Lam
Director

Balance Sheet

As at 31 March 2005

	NOTES	2005 HK\$'000	2004 HK\$'000
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
		114,516	168,026
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
		8,274	22,150
Current liabilities			
Other payables		2,141	2,127
Obligations under a finance lease due within one year	21	60	57
		2,201	2,184
Net current assets		6,073	19,966
Total assets less current liabilities		120,589	187,992
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
		2,498	2,419
Net assets		118,091	185,573
Capital and reserves			
Share capital	24	50,474	49,503
Reserves	26	67,617	136,070
Shareholders' funds		118,091	185,573

Cheng Kin Kwan
Chairman and
Chief Executive Officer

Law Kwai Lam
Director

Consolidated Statement of Changes in Equity

For the Year Ended 31 March 2005

	Share capital	Share premium	Goodwill reserve	Deficit	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
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	—	—	—	(38,089)	(38,089)
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	—	—	—	(82,478)	(82,478)
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	—	—	—	(19,094)	(19,094)
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	—	—	—	(10,270)	(10,270)
At 31 March 2004	<u>49,503</u>	<u>629,932</u>	<u>(9,080)</u>	<u>(460,681)</u>	<u>209,674</u>

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

	NOTE	2005 HK\$'000	2004 HK\$'000
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
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)
Cash used in operations		(18,016)	(21,058)
Hong Kong Profits Tax refunded		—	8,343
Net cash used in operating activities		(18,016)	(12,715)
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		—	(5,205)
Net cash (used in) from investing activities		(778)	10,381

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

	2005 HK\$'000	2004 HK\$'000
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	(3,750)	(31,241)
	<hr/>	<hr/>
Net cash (used in) from financing activities	(2,721)	17,227
	<hr/>	<hr/>
(Decrease) increase in cash and cash equivalents	(21,515)	14,893
Cash and cash equivalents at 1 April	38,761	23,868
	<hr/>	<hr/>
Cash and cash equivalents at 31 March	17,246	38,761
	<hr/> <hr/>	<hr/> <hr/>
Analysis of the balances of cash and cash equivalents		
Bank balances and cash	17,246	38,761
	<hr/> <hr/>	<hr/> <hr/>

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.

3. Significant Accounting Policies (continued)

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.

3. Significant Accounting Policies (continued)

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.

3. Significant Accounting Policies (continued)

Property, plant and equipment (continued)

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.

3. Significant Accounting Policies (continued)

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	2004	2005	2004
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Software development	3,432	9,346	(27,231)	(31,202)
Investments	—	—	(5,955)	5,587
Other operations	9	11	(9,514)	(3,285)
	3,441	9,357	(42,700)	(28,900)
Central administrative expenses			(6,527)	(8,497)
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			(4,756)	343
Loss before taxation			(82,496)	(42,090)
Taxation			—	3,995
Loss before minority interests			(82,496)	(38,095)
Minority interests			18	6
Net loss attributable to shareholders			(82,478)	(38,089)

4. Business and Geographical Segments (continued)

Business segments (continued)

	2005	2004
	HK\$'000	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	10,205	10,206
	190,257	257,270
Liabilities		
Segment liabilities		
• software development	8,788	6,142
• investments	45	45
• other operations	45	45
Unallocated corporate liabilities	36,652	39,004
	45,530	45,236
OTHER INFORMATION		
Capital additions		
• software development	5,500	3,516
• investments	—	1,009
	5,500	4,525
Depreciation and amortisation		
• software development	14,063	13,086
• other operations	223	236
	14,286	13,322
Impairment in value of goodwill		
• software development	(2,858)	—
• other operations	(9,080)	—
	(11,938)	—
(Loss) gain on disposal of investment securities		
• investments	(5,664)	5,635

4. Business and Geographical Segments (continued)

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
	HK\$'000	HK\$'000
Hong Kong	2,174	6,426
PRC	1,267	2,931
	<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
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Hong Kong	138,960	192,029	149	4,073
PRC	51,297	65,241	5,351	452
	<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 (note 6)	4,589	4,788
Other staff's retirement benefits scheme contributions	167	212
Other staff costs	8,580	12,007
	13,336	17,007
Less: Staff costs capitalised in product development costs	—	(1,489)
	13,336	15,518
Depreciation and amortisation of property, plant and equipment		
- owned by the Group	10,510	11,157
- held under a finance lease	59	60
	10,569	11,217
Less: Depreciation and amortisation capitalised in product development costs	—	(1,113)
	10,569	10,104
Amortisation of product development costs	3,717	3,218
	14,286	13,322
Operating lease rentals in respect of land and buildings	778	1,044
Less: Operating lease rentals capitalised in product development costs	—	(49)
	778	995
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	453	—

6. Directors' Emoluments

	2005	2004
	HK\$'000	HK\$'000
Fees for		
- executive directors	—	—
- independent non-executive directors	290	246
	290	246
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	71	66
	4,299	4,542
Total directors' remuneration	4,589	4,788

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

8. Finance Costs

	2005 HK\$'000	2004 HK\$'000
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	(566)	(195)
	<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.

9. Taxation (continued)

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	(82,496)		(42,090)	
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	—	—	3,995	9.5
Tax effect and effective tax rate for the year	—	—	3,995	9.5

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 HK\$'000	Computer equipment HK\$'000	Furniture and fixtures HK\$'000	Leasehold improvements HK\$'000	Motor vehicles HK\$'000	Office equipment HK\$'000	Total 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

11. Property, Plant and Equipment (continued)

The net book value of property interests comprises:

	THE GROUP	
	2005	2004
	HK\$'000	HK\$'000
Properties held under		
- medium-term leases in Hong Kong	120,872	123,733
- long-term land use right in the PRC	3,090	1,330
	<u>123,962</u>	<u>125,063</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 HK\$'000
COST	
At 1 April 2003	8,162
Additions	<u>2,988</u>
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>
At 31 March 2004	5,142
Amortised for the year	<u>3,717</u>
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 HK\$'000
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
	HK\$'000	HK\$'000
Unlisted shares, at cost	21,310	21,310
Less: Impairment in value	(13,310)	(13,310)
	<u>8,000</u>	<u>8,000</u>
Amounts due from subsidiaries	332,738	329,937
Less: Allowance for amounts due from subsidiaries	(245,638)	(231,036)
	<u>95,100</u>	<u>106,901</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)
	6,460	30,327	6,460	30,327

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	622	587	622	587
	5,430	14,219	5,430	14,219

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	2004	2005	2004
	HK\$'000	HK\$'000	HK\$'000	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	(8,282)	(7,948)	(182)	(48)
	1,234	10,147	133	267
Market value of listed shares at 31 March	133	267	133	267

18. Amounts Due from Customers for Contract Work

	THE GROUP		THE COMPANY	
	2005	2004	2005	2004
	HK\$'000	HK\$'000	HK\$'000	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	(4,278)	(4,378)	—	—
	4,775	4,925	98	168

19. Trade and Other Receivables

	THE GROUP	
	2005	2004
	HK\$'000	HK\$'000
Trade receivables	471	461
Prepayments to suppliers	1,128	899
Utility deposits	700	736
Other receivables	8,947	1,081
	<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
	HK\$'000	HK\$'000
Age		
0 to 30 days	307	445
31 to 60 days	107	—
61 to 90 days	—	16
Over 90 days	57	—
	<u>471</u>	<u>461</u>

20. Other Payables

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

21. Obligations Under a Finance Lease

	THE GROUP AND THE COMPANY			
	Minimum		Present value	
	lease payments		of minimum	
	2005	2004	2005	2004
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
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	69	138	65	128
	207	276	188	245
Less: Future finance charges	19	31	—	—
Present value of lease obligations	188	245	188	245
Less: Amount due within one year shown under current liabilities			60	57
Amount due after one year			128	188

22. Bank Loan

	THE GROUP	
	2005	2004
	HK\$'000	HK\$'000
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	16,224	19,407
	36,464	38,759
Less: Amount due within one year shown under current liabilities	3,904	3,756
Amount due after one year	32,560	35,003

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	2,500,000,000	125,000
	<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	4,340,000	217
	<u>990,061,503</u>	<u>49,503</u>
- at 31 March 2004	990,061,503	49,503
- exercise of share options	19,420,000	971
	<u>1,009,481,503</u>	<u>50,474</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.

25. Share Options (continued)

(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.

25. Share Options (continued)

(b) 2003 share option scheme (continued)

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.

25. Share Options (continued)

- (b) 2003 share option scheme (continued)
- (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 HK\$'000	Deficit HK\$'000	Total HK\$'000
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	—	(26,225)	(26,225)
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	—	(69,146)	(69,146)
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 廣州市新信睿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 HK\$'000	2004 HK\$'000
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	(4,445)	—
	10,372	—
Goodwill arising on acquisition	2,858	—
Total consideration	13,230	—
Satisfied by cash	13,230	—
Net cash inflow arising on acquisition:		
Cash consideration paid	(13,230)	—
Bank balances and cash acquired	9,527	—
	(3,703)	—

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
	HK\$'000	HK\$'000
Within one year	396	313
In the second to fifth year inclusive	432	—
	828	313

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

33. Principal Subsidiaries (continued)

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.

Financial Summary

	Year ended 31 March				2005 HK\$'000
	2001 HK\$'000	2002 HK\$'000	2003 HK\$'000	2004 HK\$'000	
RESULTS					
Turnover	<u>140,163</u>	<u>47,475</u>	<u>27,970</u>	<u>9,357</u>	<u>3,441</u>
Profit (loss) before taxation	42,747	(348,422)	(117,847)	(42,090)	(82,496)
Taxation	<u>(5,358)</u>	<u>1,500</u>	<u>(191)</u>	<u>3,995</u>	<u>—</u>
Profit (loss) before minority interests	37,389	(346,922)	(118,038)	(38,095)	(82,496)
Minority interests	<u>—</u>	<u>8,813</u>	<u>974</u>	<u>6</u>	<u>18</u>
Net profit (loss) attributable to shareholders	<u>37,389</u>	<u>(338,109)</u>	<u>(117,064)</u>	<u>(38,089)</u>	<u>(82,478)</u>
	As at 31 March				2005 HK\$'000
	2001 HK\$'000	2002 HK\$'000	2003 HK\$'000	2004 HK\$'000	
ASSETS AND LIABILITIES					
Total assets	670,869	407,561	281,478	257,270	190,257
Total liabilities	(121,590)	(54,002)	(40,706)	(45,236)	(45,530)
Minority interests	<u>(2,000)</u>	<u>(3,340)</u>	<u>(2,366)</u>	<u>(2,360)</u>	<u>(6,787)</u>
Shareholders' funds	<u>547,279</u>	<u>350,219</u>	<u>238,406</u>	<u>209,674</u>	<u>137,940</u>