



ANNUAL REPORT 2000

Contents

Corporate information	1
Financial highlights	2
Chairman's statement	3
Business objectives review	8
Biographical details of directors and senior management	10
Report of the directors	14
Notice of Annual General Meeting	22
Auditors' report	23
Consolidated profit and loss account	24
Consolidated balance sheet	25
Balance sheet	26
Consolidated cash flow statement	27
Consolidated statement of recognised gains and losses	28
Notes to the accounts	29
Comparative table of results, assets and liabilities	50

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.

Corporate information

Directors

Executive directors

CHENG Kin Kwan
CHENG Wan Cheung, Danny
LAW Kwai Lam

Non-executive directors

HO Man Kee, Jeffrey
KAN Siu Kei, Laurie
LAU Yee Wan, Yvonne

Independent non-executive directors

CHAN Vivien
CHENG Kam Chiu, Stewart
POON Cho Yiu, Ronald

Secretary

LAW Kwai Lam

Qualified accountant

SO Mi Ling, Winnie

Compliance officer

LAW Kwai Lam

Audit committee

CHAN Vivien
CHENG Kam Chiu, Stewart
POON Cho Yiu, Ronald

Registered office

22nd Floor, China Resources Building
26 Harbour Road, Hong Kong

Auditors

PricewaterhouseCoopers

Bankers

Hang Seng Bank Limited
Standard Chartered Bank

Share registrars

Central Registration Hong Kong
Limited
Rooms 1901-5, 19th Floor
Hopewell Centre
183 Queen's Road East
Hong Kong

Financial highlights

Revenue increased by 254% to reach HK\$155.2 million

Operating expenses reduced by 11.9%

Profit for the year reached HK\$68.9 million, exceeding the forecast made at the time of the prospectus by 241%

Profit margin achieved for the year was as high as 44.4%

Earnings per share was HK12.75 cents

Revenue from the People's Republic of China grew by over 30 times

Chairman's statement



Mr. Cheng Kin Kwan
Chairman

A record year

The company became the first company listed on GEM on 25 November 1999, marking a significant milestone in the development of the information technology ("IT") industry in Hong Kong.

Boosted by a robust 4th quarter, the group generated a profit of HK\$68.9 million on revenues of HK\$155.2 million in the year ended 31 March 2000, yielding a respectable 44.4% profit margin. The result is substantially higher than the forecast made in the group's prospectus, and the profit made in this year alone is sufficient to offset almost the total accumulated deficit of the group in the preceding three years. Amid the recent deep corrections in the technology and Internet counters, the group's record performance demonstrates solid proof of our unique business model.

The outstanding performance is a result of the group's capability to capture the surge in demand for sophisticated software solutions, especially those centered around e-commerce and Internet technology, providing the most demanded products, solutions and services in record time. After over three years of intensive research and development ("R&D"), we launched our cross platform, multilingual Internet Technology Platform in the 2nd quarter of the year ended 31 March 2000 and in a few months it became a major contributor to the group's revenue and margin. The group is also making good progress in penetrating into the China market, and has been successfully leveraging on the substantial resource in China to improve the cost structure of the group's R&D such that productivity increases significantly while expenses are kept under control.

Right time, right market, right people

Internet technology is expected to remain the group's major source of revenue and profit margin in the coming years. The group has successfully built a very high technical entry barrier to its core business by focusing on the provision of sophisticated Internet portal and e-commerce platforms, which is the most sought-after capabilities in the market as demonstrated by strong demand from the new economy.

The expected admission of China into the World Trade Organization ("WTO") and the Chinese government's policy of prioritising IT development are making China a very viable market.

The group is an early entrant to the software market in the People's Republic of China ("PRC") and has formed a very good relationship with the Ministry of Information Industry, the government authority overseeing IT and telecommunications development in the PRC, through a co-operation in the Zhuhai Southern Software Park. Technologically, all solutions offered by

Chairman's statement

the group have the China market in mind and have built-in Globalisation functionalities, a technology to process the same application in multiple languages. As such, our PRC business is growing at an extremely rapid rate and Globalisation technology is set to be another important source of revenue for the group.

As veterans in the industry, we understand that software is a human business. A consistent management culture in an ever changing technological and market environment is the intangible yet most important success factor of the group. Timeless has established a solid reputation in the market and is able to continually attract a new generation of IT talents for its expansion. It is especially so for the PRC in which the group has devoted substantial effort to build a solid management practice and technological framework such that the potential of IT talents can be leveraged in software development of all kinds. Our PRC operation is managed by talented PRC professionals and their contribution goes beyond serving the market of the PRC, but also providing a vast resource pool to fuel the strong growth of the whole group.

The power of technology

There have been three stages of evolution in human history, from an agricultural society to an industrial society, eventually advancing to the technological society of today. In the agricultural days, people competed physically. Since the industrial revolution, people leveraged on machinery. In the new economy dominated by technology, the key to success is the ability to quickly turn experimental technology to the market and therefore profit.

Since inception, the management of the company has correctly envisaged the tidal changes to be brought by the Internet in which the major purpose and approach of computing are redefined. We were among the earliest entrants that have devoted its resources in building a complete Internet Technology Platform, which is essential to any serious Internet and e-commerce business.

The company is a clear leader among Internet Technology Providers ("ITP"s). Our capabilities in building high-end, sophisticated portals rapidly have been elegantly demonstrated by our success in the like of www.gznet.com for China Telecom, www.tdctrade.com for the Trade Development Council of Hong Kong, and the www.asia-steel.com and www.echinasteel.com series of business-to-business (B2B) portals. We have provided over 30 customers from the United States, China and the rest of Asia with best-of-breed, state-of-the-art software solutions to their mission-critical Internet and e-commerce initiatives.

While our Internet Technology Platform is becoming more mature and complete, the common functionalities required by a high-end portal of any kind from the market are also converging. We are among the few ITPs that can provide a standard product covering over 80% of the requirement of most Internet-centric solutions. There is a high potential for us to productise our Internet solution and establish distribution channels in the near future to elevate our capacity to the next dimensions.

Technology without border

Internet links up the whole world of diversified languages, cultures and practices, which is quickly becoming a single, unified, huge marketplace. There is an emerging demand for solutions to bridge all such gaps between different websites and portals.

In our listing prospectus, we indicated our focus in localisation technologies. However seeing that there is applicability in multiple languages we believe that it is more appropriate to rename this line of business as "globalisation". Our niche expertise in software globalisation enables our Internet solutions to fully support multiple languages, including but not limited to different versions of Chinese, Japanese, Korean, Thai and English. As examples, our portals possess the capability of displaying characters of multiple languages in the same web page simultaneously, which is very important for multinational B2B portals. Our online translation engines have achieved efficiency and accuracy not found elsewhere in the world.

We are the only major ITP known for offering portal solutions compatible with all major languages. We have been partnering with companies offering European languages processing technology and integrating those into our Internet Technology Platform. It is worth noting that in the 4th quarter of this financial year, revenue from the US based customers presented an encouraging trend. There has been remarkably strong response for our products from overseas despite of our minimal promotional effort there. We will continue to look for opportunities to enhance our overseas distribution capabilities by forming alliances with US and European companies with established distribution network.

Ahead of change

Our success today rests upon our earlier vision in the trend of technological and market development, which is paying off now. We have built a high technological barrier of entry to our core technology and targeted market, which shall continue to benefit the group in the foreseeable future. However, we are fully aware of the rapidly changing nature of the IT industry, and are already intensively working on forthcoming technologies and exploring new,

Chairman's statement

under-penetrated markets, just like what we have been doing over the past four years.

Our technological focus is centered around software building blocks and infrastructure to support future trends in Internet applications. These cover but are not limited to the following areas:

- Broadband software;
- Wireless application including WAP;
- ASP backend technologies;
- 3G mobile telecommunication; and
- InfraNet (still an alien word in vocabulary of today).

Broadband

There is a comparatively low availability of broadband Internet access in Asia today, but we reckon this will improve sooner than anticipated. The responsiveness and interactivity of broadband Internet will make it the only major way of communication in the human society. There will come a time when broadband Internet applications become the most demand products in the world, like portal and e-commerce solutions nowadays.

Our Internet Technology Platform has the design vision and sophistication to accommodate broadband functionality. Since there is virtually no mature broadband software available now, the group will continue to focus on developing the generic components and horizontal platforms, investing in and integrating any vertical applications as they emerge from the market. We are again among the early birds in this new territory and our broadband Internet solutions will be the most complete and timely for the market. We are excited by this golden opportunity to extend our technological leadership in the global Internet software marketplace.

China

While Hong Kong was the most important market for the group last year, China is the most under-penetrated substantial market in the world in terms of software and Internet. We believe the IT industry, especially the software industry in China is heading for a takeoff. We have observed a very substantial demand for quality software and Internet solutions from the great country and the group expects to be the one who can fill the gap. We intend to invest aggressively in branding the company in China and will open more

branches in major cities. We shall also pay attention to acquisition opportunities to supplement our business model and enhance our market coverage.

As a technology company based in a country that is not yet a major market for technology, the road of Timeless has not been easy. The Timeless legend is one born out of software and Internet technology by Chinese, yet with a target to be a world-class technology leader. It has been a unique story with few believers at the beginning. We overcame difficulties and defied skeptics by sticking to the business model in which we believe, that of a software and ITP investing in talented people and cutting edge technology.

Everything is changing and so should our way of thinking. That is precisely why some are stronger than others, and why some companies do better. The excellent result achieved in the year may come as a surprise to some, but certainly not to our dedicated and committed management team and staff, who have put in relentless effort throughout the year to make it happen. Timeless will continue to prove to be a genuine winner by applying the power of technology to a borderless new economy, at the right time, in the right place, by the right people.

By Order of the Board

Cheng Kin Kwan

Chairman

Hong Kong, 18 May 2000

Business objectives review

The group generated a profit of HK\$68.9 million in the year ended 31 March 2000, which is 241% over the profit forecast made in the prospectus for the placing and listing of the company's shares on the GEM of the Exchange. The reasons behind such achievement are discussed in more details in the Chairman's statement.

In addition to the financial results, the group has been making progress in other business objectives stated in the prospectus.

Revenues

The group has increased revenue generated from software services in the PRC by over 30 times to approximately HK\$15.5 million in the year ended 31 March 2000. The proportion of PRC - generated revenues relative to the group's total revenues increased from about 1% last year to 10% this year. To cope with the growth in business, the group's PRC-based employees grew from 49 to 85 in the 7 months from September 1999 to March 2000.

Product development

The group has been providing Internet services to various portals operated in the PRC, including those related to China Telecom. In Hong Kong, the group has successfully launched the www.tdctrade.com portal for the Trade Development Council of Hong Kong and has been providing business-to-business (B2B) and business-to-consumer (B2C) e-commerce applications for a number of online trading companies. The group is also working in conjunction with Hewlett-Packard to provide Internet payment services for a quasi-government body.

Marketing

The group is in negotiation with relevant official bureaus in the PRC regarding publication and copyright, as part of the process to obtain an authorized International Standard Book Number ("ISBN") for the IT Magazine owned by the group, and has submitted an application for such purpose.

Among other promotional activities, an "Internet saloon" was held in the group's Guangzhou, PRC office in January 2000 with the theme of "Current status and opportunity of e-commerce in China" and "Total solution for super web-sites management". The event attracted considerable interest among Internet content providers ("ICP"s) and e-commerce companies in the PRC, and brought encouraging business opportunities for the group's PRC operation.

Acquisitions, subsidiaries and branches

The group has tentatively identified the location of a new branch office in Beijing, and is working towards the opening of this operation in the second quarter of the group's financial year.

In the year ended 31 March 2000 the group invested, through its wholly owned subsidiary Timeless Strategy Limited, approximately HK\$54 million in five technology and e-commerce companies. These companies include those possessing technological capabilities in multinational language processing, broadband Internet applications, as well as companies offering online trading and payment services, which also fall into the business category of eDynasty21.com Limited, another subsidiary of the group.

The company invested approximately HK\$15.6 million in i100 Corporation, and has entered into a memorandum of understanding with subsidiaries of the Ministry of Information Industry and the State Development and Investment Corporation Group of the PRC which may lead to further investment in the Zhuhai Southern Software Park. The details of such were given in the interim report for the quarter ended 31 December 1999.

Biographical details of directors and senior management

Directors

Executive directors

Mr. Cheng Kin Kwan, aged 61, is a founder and Chairman and Chief Executive Officer of the company. Prior to establishing the company, Mr. Cheng was the proprietor of numerous IT ventures. He also took up various senior positions in software development companies and provided his services as technical consultant for multinational vendors. Mr. Cheng has over 30 years of experience in the IT industry.

Mr. Cheng Wan Cheung, Danny, aged 33, is a founder and Chief Operating Officer of the company. Mr. Cheng is responsible for the overall strategic planning and management of the group. He has worked in the IT field since beginning his career as a programmer at the age of 14. Prior to establishing the company, Mr. Cheng worked in major IT companies in Hong Kong. During this period, Mr. Cheng led significant IT projects in Hong Kong, including projects with leading banks in Hong Kong. He holds a degree in applied computing from the Open University of Hong Kong.

Mr. Law Kwai Lam, aged 53, 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.

Non-executive directors

Mr. Ho Man Kee, Jeffrey, aged 55, is an executive director of Crimson Asia Capital Singapore Pte Ltd. Prior to joining Crimson Asia Capital Singapore Pte Ltd, Mr. Ho was the Senior Vice President of Wuthelam Holdings where he was responsible for their telecommunication business in Asia as President of Cortelco Asia. He also managed other Wuthelam investments in Asia. As an entrepreneur, Mr. Ho was involved in the start up of successful businesses in the Silicon Valley like Raster Graphics and Luxcom of California. Mr. Ho received his Bachelor of Science degree in electrical engineering and computer sciences from Santa Clara University and sits on the board of various companies in Singapore, the US and the PRC. Mr. Ho joined the group in July 1999.

Mr. Kan Siu Kei, Laurie, aged 39, is the President and Chief Executive Officer of i100 Limited. Mr. Kan has over 16 years of experience in IT, including 7 years as the managing director of Microsoft (Hong Kong) Limited. He is also a member of the Advisory Panel of the Hong Kong Technology Center. Mr. Kan joined the company as President and director in March 1998 and his term as a non-executive director of the company began on 30 January 2000.

Ms. Lau Yee Wan, Yvonne, aged 47, is an executive director of Crimson Asia Capital Singapore Pte Ltd. She has extensive experience in private equity investments. Prior to joining the professional investment team of Crimson Asia Capital Singapore Pte Ltd., she had been the general manager of a world-famous fast food chain in Singapore, vice president of corporate finance at a telecom company in Singapore, and corporate secretary and financial officer of a conglomerate in South East Asia. Ms. Lau holds a Bachelor of Accountancy degree from Singapore University. Ms. Lau joined the group in July 1999.

Independent non-executive directors

Ms. Vivien Chan, aged 46, is a solicitor of over 18 years standing. She holds a Bachelor degree in law from Reading University and a Master degree in law from King's College, London University. She is the founding partner of Vivien Chan & Co., a Notary Public for Hong Kong and a Notarial Attesting Officer for the PRC. She is also an appointed arbitrator for the China International Economic and Trade Arbitration Commission and the Shenzhen Arbitration Commission. She is a member of the Council of the Hong Kong Law Society and serves on various professional and government advisory bodies of both Hong Kong and the PRC. Ms. Chan is also active in community service. Ms. Chan was appointed as an independent non-executive director of the company in November 1999.

Mr. Cheng Kam Chiu, Stewart, aged 45, is a director of New World Services Ltd. and an executive director of Hip Hing Construction Co. Ltd. Mr. Cheng holds a Bachelor of Science degree in Civil and Environmental Engineering from the University of Wisconsin, Madison, a Master of Science degree in Structural Engineering from the University of California, Berkeley and a Master of Business Administration degree from the Chinese University of Hong Kong. He is a member of the Institute of Structural Engineers and the Hong Kong Institute of Engineers. Mr. Cheng was appointed as an independent non-executive director of the group in November 1999.

Biographical details of directors and senior management

Mr. Poon Cho Yiu, Ronald, aged 58, is an architect and development consultant. He is currently the managing director of Ronald Poon Consultants Ltd. Mr. Poon is currently a member of the 9th National Committee CPPCC, China; member of the Solicitors Disciplinary Tribunal Panel; Honorary council member of the Architectural Society of China; adviser to ARCASIA; Advisory Professor of South China University of Technology since 1993 and Shenzhen University and Consultant to the Shenzhen City Planning Committee. Mr. Poon was appointed as an independent non-executive director in November 1999.

Senior management

Mr. Lin Kai Horng, aged 32, is the Technology Director of the group. Mr. Lin joined the group in July 1996 and has acted as Project Director and Project Manager of substantial projects of the company, including the www.gznet.com portal project and projects for the Information Technology & Broadcasting Bureau, the Hospital Authority and Immigration Department. He has over 11 years experience in the IT industry, in particular in relation to the government and utilities fields. Mr. Lin holds a Master of Science degree from the National University of Ireland and a Diploma in Computer Studies from the University of East Asia, Macau.

Ms. Wong Wai Ping, Mandy, aged 37, is the Marketing Manager of the company, responsible for planning and executing marketing programmes, and assisting the directors in personnel and office administration for the group. She joined the group in 1996 and has over 15 years experience in marketing in the IT field.

Mr. Chung Yiu Fai, aged 36, is the Project Director of the group. Mr. Chung joined the group in February 1998. He is a Year 2000 expert and has substantial experience in project management. He obtained a Bachelor of Science Degree in Computer Information Science from Ohio State University and gained the Engineering Honour Student Award.

Mr. Wong Tai Wai, David, aged 41, is the group's Practice Director, Professional Services and is responsible for the establishment and management of the professional services practice of the group. He joined the group in May 1997, and has 15 years experience in IT management and practice development. Mr. Wong studied industrial engineering when he was at the University of Windsor between 1981 to 1984, and he holds diplomas in Computer Aided Design and Computer Graphics from Humber College of Toronto.

Mr. Leung Pui Kie, Raymond, aged 39, is the group's Business Director and is responsible for business development and account management. He joined the group in August 1997, and has 15 years experience in business development and account management. Mr. Leung is member of the Hong Kong Computer Society, the Hong Kong Information Technology Federation and the Legislative Council IT Functional Seat Lobbying Group.

Mr. Ho Wing Hang, aged 33, is the group's Solutions Manager. He joined the group in March 1996 and has been involved in major projects of the company, including the www.gznet.com portal project, the Hong Kong Police project and the Housing Authority project. Mr. Ho has over 12 years experience in the computer industry.

Ms. So Mi Ling, Winnie, aged 32, is the Finance Manager of the group and is responsible for finance and accounting. 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 11 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 Associate of the Hong Kong Society of Accountants.

Report of the directors

The directors submit their report together with the audited accounts for the year ended 31 March 2000.

Principal activities and geographical analysis of operations

The principal activities of the company are investment holding and the provision of computer consultancy services and the development and sale of computer software. The principal activities of the subsidiaries are the provision of computer consultancy services, development and sale of computer software, magazine publishing and investment holding.

An analysis of the group's turnover and contribution to operating profit for the year by principal activities and markets is as follows:

	Turnover <i>HK\$'000</i>	Contribution to operating profit <i>HK\$'000</i>
Principal activities:		
Provision of computer consultancy services	104,387	85,776
Sale of computer hardware and software	37,189	2,536
Advertising	61	(146)
Subscription	12	(28)
	<u>141,649</u>	<u>88,138</u>
Other revenues		13,553
Administrative and operating expenses		<u>(25,034)</u>
Operating profit		<u>76,657</u>
Principal markets:		
Hong Kong	126,122	
The People's Republic of China (excluding Hong Kong)	<u>15,527</u>	
	<u>141,649</u>	

Contribution to operating profit by principal markets has not been presented as the contribution to operating profit from each market is substantially in line with the group's overall ratio of profit to turnover.

Results and appropriations

The results of the group for the year are set out in the consolidated profit and loss account on page 24.

The directors do not recommend the payment of a dividend.

Reserves

Movements in the reserves of the group and the company during the year are set out in note 15 to the accounts.

Donations

Charitable and other donations made by the group during the year amounted to HK\$300,000.

Subsidiaries

Details of the company's subsidiaries at 31 March 2000 are set out in note 10 to the accounts.

Fixed assets

Details of the movements in fixed assets of the group and the company are set out in note 9 to the accounts.

Share capital

Details of the movements in share capital of the company are set out in note 14 to the accounts.

Comparative table of results, assets and liabilities

A summary of the results and of the assets and liabilities of the group for the last four financial years is set out on page 50.

Report of the directors

Purchase, sale or redemption of shares

During the period from 25 November 1999 (date of listing) to 31 March 2000, there were no purchases, sales or redemptions by the company, or any of its subsidiaries, of the company's listed securities.

Directors

The directors during the year were:

Mr. Cheng Kin Kwan (<i>Chairman</i>)	
Mr. Cheng Wan Cheung Danny	
Mr. Law Kwai Lam	
Mr. Ho Man Kee Jeffrey	(appointed on 7 July 1999)
Mr. Kan Siu Kei Laurie	
Ms. Lau Yee Wan Yvonne	(appointed on 7 July 1999)
Ms. Chan Vivien	(appointed on 16 November 1999)
Mr. Cheng Kam Chiu Stewart	(appointed on 16 November 1999)
Mr. Poon Cho Yiu Ronald	(appointed on 16 November 1999)
Mr. Choi Kin Chung	(resigned on 5 June 1999)
Mr. Li Yau	(resigned on 22 October 1999)
Mr. Wan Wai Man	(resigned on 22 October 1999)

Ms. Lau Yee Wan Yvonne and Mr. Ho Man Kee Jeffrey are non-executive directors and were appointed for a term of one year.

Mr. Kan Siu Kei Laurie became a non-executive director on 30 January 2000 and was appointed for a term of one year.

Ms. Chan Vivien, Mr. Cheng Kam Chiu Stewart and Mr. Poon Cho Yiu Ronald are independent non-executive directors and were appointed for a term of one year.

In accordance with Articles 96 and 105 of the company's Articles of Association, Mr. Cheng Wan Cheung Danny, Mr. Law Kwai Lam, Ms. Lau Yee Wan Yvonne, Mr. Ho Man Kee Jeffrey, Ms. Chan Vivien, Mr. Cheng Kam Chiu Stewart and Mr. Poon Cho Yiu Ronald retire and, being eligible, offer themselves for re-election.

Directors' service contracts

Each of Mr. Cheng Kin Kwan, Mr. Cheng Wan Cheung Danny, Mr. Kan Siu Kei Laurie and Mr. Law Kwai Lam, entered into a service contract with the company on 15 November 1999. The annual salary of each of these directors is subject to periodic review and these directors may not vote on any resolution of the directors regarding such review of their salaries.

The above service contracts continue after their commencement date unless and until terminated by not less than three months' notice in writing served by either party on the other.

The service contract between Mr. Kan Siu Kei Laurie and the company was terminated on 30 January 2000.

Apart from the above, none of the directors has a service contract with the company which is not determinable within one year without payment of compensation, other than statutory compensation.

Biographical details of directors and senior management

Brief biographical details of directors and senior management are set out on page 10.

Directors' interests in contracts

Save as disclosed in note 22 to the accounts, no other contracts of significance in relation to the company's business to which the company or 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.

Report of the directors

Directors' interests in equity securities

At 31 March 2000, the interests of the directors and chief executives in the shares of the company and its associated corporations (within the meaning of the Securities (Disclosure of Interests) Ordinance ("SDI Ordinance")), as recorded in the register maintained by the company under Section 29 of the SDI Ordinance or as notified to the company were as follows:

	Personal interests in the company
Mr. Cheng Kin Kwan	48,400,000 shares
Mr. Cheng Wan Cheung Danny	42,400,000 shares
Mr. Kan Siu Kei Laurie	42,400,000 shares
Mr. Law Kwai Lam	10,000,000 shares

Mr. Cheng Kin Kwan, Mr. Cheng Wan Cheung Danny and Mr. Kan Siu Kei Laurie are initial management shareholders as defined in Rule 13.15(2) of the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited ("GEM Listing Rules"). Their holdings represent respectively 6.45%, 5.65% and 5.65% of the issued share capital of the company.

Save as disclosed above and other than nominee shares in certain wholly-owned subsidiaries held in trust for the group, at 31 March 2000, none of the directors, chief executives or their associates had any interests in any securities of the company and its associated corporations as defined in the SDI Ordinance.

At no time during the year was the company or its subsidiaries a party to any arrangement to enable the directors of the company to acquire benefits by means of the acquisition of shares in, or debentures of, the company or any other body corporate.

Substantial shareholders

The register of substantial shareholders maintained under section 16(1) of the SDI Ordinance shows that as at 31 March 2000, the company had been notified of the following substantial shareholders' interests, being 10% or more of the company's issued share capital. These interests are in addition to those disclosed above in respect of the directors and chief executives.

Name	Number of shares	Percentage of issued share capital
Crimson Asia Capital Limited, L.P.	144,786,580	19.30%
Encore Holdings Limited	113,300,000	15.11%

Interest of sponsor

ING Barings Asia Limited has entered into a sponsorship agreement with the company whereby, for a fee, ING Barings Asia Limited will act as the company's continuing sponsor for the purpose of Chapter 6 of the GEM Listing Rules for the period from 18 November 1999 to 31 March 2002.

ING Barings Asia Limited, its directors, employees and associates, at 31 March 2000, did not have any interests in securities of the company or any member of the group, or any right to subscribe for or to nominate persons to subscribe for the securities of the company or any member of the group.

Management contracts

No contracts concerning the management and administration of the whole or any substantial part of the business of the company were entered into or existed during the year.

Report of the directors

Major customers and suppliers

The percentages of purchases and sales for the year attributable to the group's major suppliers and customers are as follows:

Purchases	
- the largest supplier	28%
- five largest suppliers combined	64%
Sales	
- the largest customer	10%
- five largest customers combined	38%

None of the directors, their associates or any shareholder (which to the knowledge of the directors owns more than 5% of the company's issued share capital) had an interest in the major suppliers or customers noted above.

Audit committee

Pursuant to the GEM Listing Rules, an audit committee, comprising three independent non-executive directors, namely Ms. Chan Vivien, Mr. Cheng Kam Chiu Stewart and Mr. Poon Cho Yiu Ronald, was established on 16 November 1999.

By reference to "A Guide for The Formation of An Audit Committee" published by the Hong Kong Society of Accountants, written terms of reference which describe the authority and duties of the audit committee were prepared and adopted by the board of the company on the same date. The principal activities of the audit committee include the review and supervision of the group's financial reporting process and internal control systems.

Since its establishment, the audit committee met twice reviewing the company's annual report and accounts, and providing advice and recommendations to the board of directors.

Connected transactions

Related party transactions, which also constitute as connected transactions under the GEM Listing Rules, are disclosed in note 22 to the accounts.

Year 2000 compliance

All the computer systems of the group have passed the millennium date safely. As of the date of this report, the group has not received any complaint relating to the Year 2000 issue from customers to whom the group has rendered services and solutions.

Board practices and procedures

The company has complied with rules 5.28 to 5.39 of the GEM Listing Rules since the listing of the company's shares on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited on 25 November 1999.

Auditors

The accounts have been audited by PricewaterhouseCoopers who retire and, being eligible, offer themselves for re-appointment.

The accounts of the company for the period from incorporation to year ended 31 March 1998 were audited by Messrs. C.W. Lee & Co.. PricewaterhouseCoopers were appointed as auditors of the company on 11 May 1999 and audited the accounts for the year ended 31 March 1999.

On behalf of the Board

Cheng Kin Kwan
Chairman

Hong Kong, 18 May 2000

Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN that the Annual General Meeting of the Company will be held at Grand Salon III, Grand Hyatt Hong Kong, 1 Harbour Road, Hong Kong on Friday, 7 July 2000 at 3:00 p.m. for the following purposes:—

1. To receive and consider the audited financial statements and the reports of the directors and auditors for the year ended 31 March 2000;
2. To re-elect directors; and
3. To appoint auditors and to authorise the directors to fix their remuneration.

By Order of the Board
Law Kwai Lam
Secretary

Hong Kong, 18 May 2000

Notes:

1. *A member of the Company entitled to attend and vote at the above meeting is entitled to appoint one or more proxies to attend and, on a poll, vote instead of him. A proxy need not be a member of the Company.*
2. *In order to be valid, the form of proxy together with any power of attorney or other authority, if any, under which it is signed or a notarially certified copy of that power or authority, must be deposited at the registered office of the Company at 22/F, China Resources Building, 26 Harbour Road, Hong Kong not less than 48 hours before the time appointed for holding the meeting or any adjournment thereof.*

Auditors' report



羅兵咸永道會計師事務所

PricewaterhouseCoopers
22nd Floor Prince's Building
Central, Hong Kong

Auditors' report to the shareholders of
Timeless Software Limited
(incorporated in Hong Kong with limited liability)

We have audited the accounts set out on pages 24 to 49 which have been prepared in accordance with accounting principles generally accepted in Hong Kong.

Respective responsibilities of directors and auditors

The Hong Kong Companies Ordinance requires the directors to prepare accounts which give a true and fair view. In preparing accounts 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 accounts and to report our opinion to you.

Basis of opinion

We conducted our audit in accordance with Statements of Auditing Standards issued by the Hong Kong Society of Accountants. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the accounts. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the accounts, and of whether the accounting policies are appropriate to the company's and the group's circumstances, 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 accounts are free from material misstatement. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the accounts. We believe that our audit provides a reasonable basis for our opinion.

Opinion

In our opinion, the accounts give a true and fair view of the state of affairs of the company and the group as at 31 March 2000 and of the profit and cash flows of the group for the year then ended and have been properly prepared in accordance with the Hong Kong Companies Ordinance.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 18 May 2000

Consolidated profit and loss account

For the year ended 31 March 2000

	Note	2000 HK\$'000	As restated (note 16) 1999 HK\$'000
Turnover	2	141,649	43,346
Other revenues	2	13,553	491
		<u>155,202</u>	<u>43,837</u>
Cost of sale of computer software and hardware		(34,653)	(3,566)
Staff costs		(28,355)	(34,870)
Depreciation		(3,367)	(2,398)
Other operating expenses		(12,170)	(12,533)
		<u>76,657</u>	<u>(9,530)</u>
Operating profit/(loss)	3	76,657	(9,530)
Finance costs	4	(2,582)	(6,105)
		<u>74,075</u>	<u>(15,635)</u>
Profit /(loss) before taxation		74,075	(15,635)
Taxation	5	(5,170)	—
		<u>68,905</u>	<u>(15,635)</u>
Profit/(loss) for the year retained	15	<u>68,905</u>	<u>(15,635)</u>
Basic earnings/(loss) per share	7	<u>12.75 cents</u>	<u>(6.39) cents</u>

Consolidated balance sheet

As at 31 March 2000

	Note	2000 HK\$'000	As restated (note 16) 1999 HK\$'000
Fixed assets	9	4,426	6,358
Investment in an associated company	11	—	17
Investment securities	12	58,982	—
Deposits paid for the purchase of land and buildings and investment securities		88,080	—
Current assets			
Trade receivables		76,740	10,618
Deposits, prepayments and other receivables		7,126	1,967
Bank balances and cash		339,917	4,987
		423,783	17,572
Current liabilities			
Loans from shareholders	17	5,000	20,492
Trade and other payables		40,631	8,476
Taxation payable		5,170	—
Amount due to a third party		—	2,633
		50,801	31,601
Net current assets/(liabilities)		372,982	(14,029)
		524,470	(7,654)
Financed by:			
Share capital	14	37,500	16,000
Reserves	15	476,970	(73,696)
Shareholders' funds/(capital deficiency)		514,470	(57,696)
Minority interests		2,000	—
Loans from a shareholder	17	—	50,042
Amount due to a shareholder and former director	17&18	8,000	—
		524,470	(7,654)

Cheng Wan Cheung Danny
Director

Law Kwai Lam
Director

Balance Sheet

As at 31 March 2000

	<i>Note</i>	2000 <i>HK\$'000</i>	1999 <i>HK\$'000</i>
Fixed assets	9	745	1,119
Investment in subsidiaries	10	20,410	12,410
Investment in an associated company	11	—	17
Investment securities	12	15,570	—
Deposits paid for the purchase of land and buildings		82,700	—
Current assets			
Amounts due from subsidiaries	13	83,133	38,939
Trade receivables		66,457	1,070
Deposits, prepayments and other receivables		4,366	841
Bank balances and cash		314,033	548
		<u>467,989</u>	<u>41,398</u>
Current liabilities			
Amount due to a subsidiary	13	81	83
Trade and other payables		29,133	1,671
Taxation payable		5,000	—
Loans from a shareholder	17	—	15,492
		<u>34,214</u>	<u>17,246</u>
Net current assets		<u>433,775</u>	<u>24,152</u>
		<u>553,200</u>	<u>37,698</u>
Financed by:			
Share capital	14	37,500	16,000
Reserves	15	507,700	(28,344)
Shareholders' funds/(capital deficiency)		545,200	(12,344)
Loans from a shareholder	17	—	50,042
Amount due to a shareholder and former director	17&18	8,000	—
		<u>553,200</u>	<u>37,698</u>

Cheng Wan Cheung Danny
Director

Law Kwai Lam
Director

Consolidated cash flow statement

For the year ended 31 March 2000

	<i>Note</i>	2000 <i>HK\$'000</i>	1999 <i>HK\$'000</i>
Net cash inflow/(outflow) from operating activities	19(a)	29,720	(10,066)
Returns on investments and servicing of finance			
Interest received		9,337	345
Interest paid		(589)	(1,193)
Dividends received from other investments		51	—
Net cash inflow/(outflow) from returns on investments and servicing of finance		8,799	(848)
Investing activities			
Purchase of fixed assets		(1,456)	(1,394)
Sale of fixed assets		6	23
Purchase of a subsidiary (net of bank balances and cash in hand acquired)	19(c)&(d)	—	(164)
Deposits paid for the purchase of land and buildings and investment securities		(88,080)	—
Purchase of investment securities		(58,982)	—
Net cash outflow from investing activities		(148,512)	(1,535)
Financing	19(b)		
Issue of ordinary shares		538,250	6,000
Share issue expenses		(34,972)	—
Capital injection from a minority shareholder to a subsidiary		2,000	—
New loans		—	5,000
Repayment of loans from a shareholder and a third party		(60,355)	(2,877)
Net cash inflow from financing		444,923	8,123
Increase/ (decrease) in bank balances and cash		334,930	(4,326)
Bank balances and cash at 1 April 1999/1998		4,987	9,313
Bank balances and cash at 31 March		339,917	4,987

Consolidated statement of recognised gains and losses

For the year ended 31 March 2000

	<i>Note</i>	2000 <i>HK\$'000</i>	1999 <i>HK\$'000</i>
Profit/(loss) for the year retained (1999: as restated) and total recognised gains and losses	15	68,905	(15,635)
Write off of goodwill arising on consolidation of new subsidiaries	15	<u>(17)</u>	<u>(1,406)</u>
		<u>68,888</u>	<u>(17,041)</u>
Cumulative effect of a change in accounting policy to opening reserves brought forward at 1 April 1999	1(h)	<u>—</u>	<u>(2,338)</u>

Notes to the accounts

1 Principal accounting policies

The principal accounting policies adopted by the group are set out below:

(a) Basis of preparation

The accounts have been prepared in accordance with accounting principles generally accepted in Hong Kong and comply with accounting standards issued by the Hong Kong Society of Accountants. The accounts are prepared under the historical cost convention.

(b) Consolidation

The consolidated accounts include the accounts of the company and all its subsidiaries made up to 31 March. The results of subsidiaries acquired or disposed of during the year are included in the consolidated profit and loss account from the effective date of acquisition or up to the effective date of disposal, as appropriate.

All significant intercompany transactions and balances within the group are eliminated on consolidation.

A subsidiary is a company in which Timeless Software Limited, directly or indirectly, controls more than half of the voting power or issued share capital or controls the composition of the board of directors.

Minority interests represent the interests of outside shareholders in the operating results and net assets of a subsidiary.

In the company's balance sheet the investments in subsidiaries are stated at cost less provision, if necessary, for any permanent diminution in value. The results of subsidiaries are accounted for by the company on the basis of dividends received and receivable.

(c) Associated company

An associated company is a company, not being a subsidiary, in which an equity interest is held for the long-term and in whose management significant influence is exercised.

The consolidated profit and loss account includes the group's share of the results of the associated company for the year, and the consolidated balance sheet includes the group's share of the net assets of the associated company.

In the company's balance sheet the investment in an associated company is stated at cost less provision, if necessary, for any permanent diminution in value. The results of the associated company are accounted for by the company on the basis of dividends received and receivable.

Notes to the accounts

1 Principal accounting policies (Continued)

(d) Goodwill

Goodwill represents the excess of purchase consideration over the fair values ascribed to the net assets of subsidiaries acquired and is taken to reserves in the year of acquisition.

(e) Fixed assets

Fixed assets are stated at cost less accumulated depreciation and depreciated at rates sufficient to write off their cost over their estimated useful lives on a straight-line basis. The principal annual rates of depreciation are as follows:

Leasehold improvements	20%
Computer equipment	20%
Furniture and fixtures	20%
Office equipment	20%

The gain or loss on disposal of a fixed asset is the difference between the net sales proceeds and the carrying amount of the relevant asset, and is recognised in the profit and loss account.

Major costs incurred in restoring fixed assets to their normal working condition are charged to the profit and loss account. Improvements are capitalised and depreciated over their expected useful lives to the group.

The carrying amount of fixed assets are reviewed regularly to assess whether their recoverable amounts have declined below their carrying amounts. Expected future cash flows have been discounted in determining the recoverable amount.

(f) Operating leases

Leases where substantially all the rewards and risks of ownership of assets remain with the leasing company are accounted for as operating leases. Rentals applicable to such operating leases are charged to the profit and loss account on a straight-line basis over the lease term.

(g) Investment securities

Investment securities are stated at cost less any provision for diminution in value.

The carrying amounts of individual investments are reviewed at each balance sheet date to assess whether the fair values have declined below the carrying amounts. When a decline other than temporary has occurred, the carrying amount of such securities should be reduced to its fair value. The amount of the reduction is recognised as an expense in the profit and loss account.

1 Principal accounting policies (Continued)

(h) Pre-operating costs and prior year adjustment

The pre-operating costs of new ventures are charged to the profit and loss account in the year in which they are incurred.

In prior years, the pre-operating costs of the new ventures were deferred and amortised over a period of five years from commencement of commercial operations. During the year ended 31 March 2000, the group has adopted a policy of charging all pre-operating costs of new ventures to the profit and loss account as recommended by the Statement of Standard Accounting Practice No.1 "Presentation of Financial Statements" issued by the Hong Kong Society of Accountants. The loss for the year ended 31 March 1999 and the capital deficiency as at 31 March 1999 have been increased by HK\$2,338,000 (note 16) to reflect the adoption of this new policy. The change in accounting policy has had the effect of decreasing the profit for the year ended 31 March 2000 and net assets as at 31 March 2000 by HK\$128,000.

(i) Deferred taxation

Deferred taxation is accounted for at the current taxation rate in respect of timing differences between profit as computed for taxation purposes and profit as stated in the accounts to the extent that a liability or asset is expected to be payable or recoverable in the foreseeable future.

(j) Translation of foreign currencies

Transactions in foreign currencies are translated at exchange rates ruling at the transaction dates. Monetary assets and liabilities expressed in foreign currencies at the balance sheet date are translated at rates of exchange ruling at the balance sheet date. Exchange differences arising in these cases are dealt with in the profit and loss account.

The accounts of subsidiaries expressed in foreign currencies are translated at the rates of exchange ruling at the balance sheet date. Exchange differences are dealt with as a movement in reserves.

(k) Revenue recognition

Revenue from the provision of computer consultancy services is recognised when services are rendered in stages as separate identifiable phases of a project are completed. The sale of computer software, which is part of the computer consultancy services, is recognised when the software is delivered to customers and title has passed. Foreseeable losses on contracts in progress are recognised in full when identified.

The sale of computer hardware is recognised as revenue on the transfer of risks and rewards of ownership, which generally coincides with the time when the goods are delivered to customers and title has passed.

Notes to the accounts

1 Principal accounting policies (Continued)

(k) Revenue recognition (Continued)

Revenue from advertising is recognised when the related advertisement or commercial is placed and services are rendered.

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

Interest income is recognised on a time proportion basis, taking into account the principal amounts outstanding and the interest rates applicable.

Commission from suppliers is recognised when confirmed by the suppliers.

Dividend income is recognised when the right to receive payment is established.

Profits or losses on the disposal of securities investments, representing the difference between the net sales proceeds and the carrying amounts, are recognised in the profit and loss account on a trade date basis.

(l) Borrowing costs

All borrowing costs are charged to the profit and loss account in the year in which they are incurred.

(m) Project and computer software development costs

All costs incurred in the provision of computer consultancy services and all computer software development costs are expensed as incurred.

2 Revenue and turnover

The group is principally engaged in the provision of computer consultancy services, the development and sale of computer software, and magazine publishing. Revenues recognised during the year are as follows:

	Group	
	2000	1999
	<i>HK\$'000</i>	<i>HK\$'000</i>
Turnover		
Income from the provision of computer consultancy services	104,387	38,407
Sale of computer hardware and software	37,189	4,137
Advertising income	61	725
Subscription income	12	77
	<u>141,649</u>	<u>43,346</u>
Other revenues		
Interest income	9,337	345
Commission received	482	146
Write back of long outstanding payables and provisions	492	—
Dividends received from other investments	51	—
Realised gain on other investments	607	—
Net waiver of accrued interest on loans from a shareholder and former director (notes 17 & 18)	1,805	—
Net exchange gain	682	—
Miscellaneous income	97	—
	<u>13,553</u>	<u>491</u>
Total revenues	<u><u>155,202</u></u>	<u><u>43,837</u></u>

Notes to the accounts

3 Operating profit/(loss)

Operating profit/(loss) is stated after charging the following:

	Group	
	2000	1999
	HK\$'000	HK\$'000
Auditors' remuneration	245	115
Operating leases - land and buildings	3,582	5,563
Net exchange loss	—	44
Pre-operating costs	563	2,338
	<u>563</u>	<u>2,338</u>

4 Finance costs

	Group	
	2000	1999
	HK\$'000	HK\$'000
Interest on		
Loans from a shareholder	2,524	5,658
Amount due to a third party	58	447
	<u>2,582</u>	<u>6,105</u>

5 Taxation

Hong Kong profits tax has been provided at the rate of 16% on the estimated assessable profit for the year. No provision for Hong Kong and overseas taxes have been made in previous year's accounts as the group had no assessable profits in these jurisdictions in previous year.

No provision for income tax of the People's Republic of China ("PRC") has been made in the accounts as the subsidiary in the PRC has no assessable profit for the year ended 31 December 1999 and is entitled to a 100% tax relief for the year ending 31 December 2000. Pursuant to the tax rules in the PRC, this PRC subsidiary is also entitled to a 100% tax relief for the year ending 31 December 2001 and 50% tax relief for the three years ending 31 December 2004.

A potential deferred tax asset of approximately HK\$9,229,000 (1999: HK\$13,610,000) relating to estimated tax losses available for carry forward has not been recognised in the accounts as the crystallisation of this asset in the foreseeable future is uncertain.

6 Profit/(loss) attributable to shareholders

The profit attributable to shareholders is dealt with in the accounts of the company to the extent of HK\$54,266,000 (1999: loss of HK\$13,373,000).

7 Earnings/(loss) per share

The calculation of basic earnings/(loss) per share is based on the group's profit for the year of HK\$68,905,000 (1999: loss of HK\$15,635,000) and the weighted average number of 540,583,468 shares (1999: 244,602,739 shares after adjusting for the stock split taken place during the year ended 31 March 2000) in issue during the year.

8 Directors' and senior management's emoluments

(a) Directors' remuneration

The aggregate amounts of emoluments paid and payable to directors of the company during the year are as follows:

	Group	
	2000 <i>HK\$'000</i>	1999 <i>HK\$'000</i>
Fees	113	—
Salaries and other emoluments	5,190	5,114
	<u>5,303</u>	<u>5,114</u>

The remuneration paid by the group to the directors of the company for the year ended 31 March 1999 analysed on an individual basis was as follows: HK\$1,570,000, HK\$1,380,000, HK\$900,000, HK\$720,000 and HK\$544,000.

The remuneration paid by the group to the executive directors of the company for the year ended 31 March 2000 analysed on an individual basis was as follows: HK\$2,139,000, HK\$1,725,000, HK\$920,000, HK\$256,000 and HK\$150,000.

The remuneration paid by the group to the independent non-executive directors of the company for the year ended 31 March 2000 analysed on an individual basis was as follows: HK\$37,500, HK\$37,500 and HK\$37,500 (1999: Nil).

During the year, one director waived emoluments of HK\$160,000 (1999: Nil).

Notes to the accounts

8 Directors' and senior management's emoluments (Continued)

(b) Five highest paid individuals

The five individuals whose emoluments were the highest in the group for the year include three directors (1999: four) whose emoluments are reflected in the analysis presented above. The emoluments payable to the remaining two (1999: one) individuals during the year are as follows:

	2000 HK\$'000	1999 HK\$'000
Salaries and other emoluments	<u>911</u>	<u>845</u>

The emoluments of both individuals were in the range of HK\$Nil to HK\$1,000,000.

9 Fixed assets

Group

	Leasehold improvements HK\$'000	Computer equipment HK\$'000	Furniture and fixtures HK\$'000	Office equipment HK\$'000	Total HK\$'000
Cost					
At 1 April 1999	3,232	5,394	1,237	2,047	11,910
Additions	8	1,272	29	147	1,456
Disposals	—	(124)	(52)	(56)	(232)
At 31 March 2000	<u>3,240</u>	<u>6,542</u>	<u>1,214</u>	<u>2,138</u>	<u>13,134</u>
Accumulated depreciation					
At 1 April 1999	1,232	2,782	653	885	5,552
Charge for the year	1,487	1,202	245	433	3,367
Disposals	—	(124)	(35)	(52)	(211)
At 31 March 2000	<u>2,719</u>	<u>3,860</u>	<u>863</u>	<u>1,266</u>	<u>8,708</u>
Net book value					
At 31 March 2000	<u>521</u>	<u>2,682</u>	<u>351</u>	<u>872</u>	<u>4,426</u>
At 31 March 1999	<u>2,000</u>	<u>2,612</u>	<u>584</u>	<u>1,162</u>	<u>6,358</u>

9 Fixed assets (Continued)

Company

	Leasehold improvements <i>HK\$'000</i>	Computer equipment <i>HK\$'000</i>	Furniture and fixtures <i>HK\$'000</i>	Office equipment <i>HK\$'000</i>	Total <i>HK\$'000</i>
Cost					
At 1 April 1999	300	967	504	479	2,250
Additions	—	378	—	17	395
Disposals	—	—	(5)	—	(5)
At 31 March 2000	<u>300</u>	<u>1,345</u>	<u>499</u>	<u>496</u>	<u>2,640</u>
Accumulated depreciation					
At 1 April 1999	—	545	302	284	1,131
Charge for the year	300	269	99	99	767
Disposals	—	—	(3)	—	(3)
At 31 March 2000	<u>300</u>	<u>814</u>	<u>398</u>	<u>383</u>	<u>1,895</u>
Net book value					
At 31 March 2000	<u>—</u>	<u>531</u>	<u>101</u>	<u>113</u>	<u>745</u>
At 31 March 1999	<u>300</u>	<u>422</u>	<u>202</u>	<u>195</u>	<u>1,119</u>

During the year, the company entered into an agreement with a third party to purchase land and buildings at a consideration of approximately HK\$178,375,000. A deposit of approximately HK\$82,700,000 was paid during the year and the remaining unpaid consideration amounting to approximately HK\$95,675,000 is disclosed as a capital commitment in the accounts (note 21(a)).

Notes to the accounts

10 Investment in subsidiaries

	Company	
	2000 HK\$'000	1999 HK\$'000
Unlisted shares, at cost	20,410	12,410

The following is a list of the subsidiaries as at 31 March 2000:

Name	Place of incorporation	Principal activities and place of operations	Particulars of issued share capital	Interest held	
				2000	1999
Direct interest					
Three Principles Computer Service Co. Ltd.	Hong Kong	Provision of computer consultancy services, and development and sale of computer software in Hong Kong	5,000,000 ordinary shares of HK\$1 each	100%	100%
Expert Consulting Ltd.	Hong Kong	Provision of computer consultancy services, and development and sale of computer software in Hong Kong	5,000,000 ordinary shares of HK\$1 each	100%	100%
Corp-Vision Publishing Ltd.	Hong Kong	Magazine publishing in Hong Kong	100,000 ordinary shares of HK\$1 each	100%	100%
Timeless China Ltd.	Hong Kong	Investment holding in Hong Kong	2 ordinary shares of HK\$1 each	100%	100%
Timeless Strategy Ltd.	Hong Kong	Investment holding in Hong Kong	2 ordinary shares of HK\$1 each	100%	100%

10 Investment in subsidiaries (Continued)

Name	Place of incorporation	Principal activities and place of operations	Particulars of issued share capital/registered capital	Interest held	
				2000	1999
Direct interest					
eDynasty21.com Ltd. (formerly known as Pan Asian Consultants Ltd.)	Hong Kong	Inactive	10,000 ordinary shares of HK\$1 each	100%	100%
Timeless Laboratories Ltd.	Hong Kong	Inactive	100 ordinary shares of HK\$1,000 each	100%	100%
Timeless Holdings Ltd.	Hong Kong	Inactive	2 ordinary shares of HK\$1 each	100%	50%
Timeless Southern (Zhuhai) Software Co., Ltd.**	PRC	Inactive	HK\$10,000,000	80%	—
Indirect interest					
Timeless Software (Guangzhou) Ltd.*	PRC	Design, development and maintenance of computer software and system as well as provision of consultancy services in the PRC	Rmb2,000,000	100%	100%

* Timeless Software (Guangzhou) Limited is a co-operative venture between the company's subsidiary and an unrelated third party in the PRC ("the Joint Venturer"). The company's subsidiary has unilateral control over the economic activity of this venture. The venture has a life of 10 years commencing January 1998. In accordance with the co-operative venture agreement, the company's subsidiary has to contribute 100% of the registered capital of the venture whereas the Joint Venturer is responsible for providing certain supporting services to the venture. In return, the Joint Venturer is entitled to Rmb72,000 per annum in the first year of operation of the venture and Rmb120,000 per annum in the years thereafter. Except for such fixed payment to the Joint Venturer, the company's subsidiary is entitled to the entire results of the venture.

** Timeless Southern (Zhuhai) Software Co., Limited is a co-operative venture between the company and an unrelated third party in the PRC. The company has unilateral control over the economic activity of this venture. The venture has a life of 20 years commencing November 1998. In accordance with the co-operative venture agreement, the company has to contribute 80% of the registered capital of the venture and is entitled to 80% of the results of the venture.

Notes to the accounts

11 Investment in an associated company

	Group		Company	
	2000	1999	2000	1999
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Unlisted shares, at cost	—	—	—	1
Amount due from an associated company	—	—	—	16
Share of net assets other than goodwill	—	17	—	—
	<u>—</u>	<u>17</u>	<u>—</u>	<u>—</u>
	<u>—</u>	<u>17</u>	<u>—</u>	<u>17</u>

Timeless Holdings Limited, a 50% owned associated company as at 31 March 1999, has become a wholly owned subsidiary of the company during the year ended 31 March 2000.

12 Investment securities

	Group		Company	
	2000	1999	2000	1999
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Unlisted shares, at cost	<u>58,982</u>	<u>—</u>	<u>15,570</u>	<u>—</u>

13 Amounts due from/to subsidiaries - company

The balances are interest-free, unsecured and have no fixed terms of repayment.

14 Share capital

	No. of shares	Authorised		1999 <i>HK\$'000</i>
		2000 <i>HK\$'000</i>	No. of shares	
At 1 April 1999/1998	16,000,000	16,000	10,000,000	10,000
Increases in authorised ordinary share capital (see below)	<u>984,000,000</u>	<u>34,000</u>	<u>6,000,000</u>	<u>6,000</u>
At 31 March	<u><u>1,000,000,000</u></u>	<u><u>50,000</u></u>	<u><u>16,000,000</u></u>	<u><u>16,000</u></u>
	No. of shares	Issued and fully paid		1999 <i>HK\$'000</i>
		2000 <i>HK\$'000</i>	No. of shares	
At 1 April 1999/1998	16,000,000	16,000	10,000,000	10,000
Issue of shares (see below)	<u>734,000,000</u>	<u>21,500</u>	<u>6,000,000</u>	<u>6,000</u>
At 31 March	<u><u>750,000,000</u></u>	<u><u>37,500</u></u>	<u><u>16,000,000</u></u>	<u><u>16,000</u></u>

The following changes in the share capital of the company took place during the years ended 31 March 1999 and 2000:

By a resolution passed on 21 August 1998, the authorised share capital of the company was increased from HK\$10,000,000 to HK\$12,000,000 by the creation of 2,000,000 shares of HK\$1 each. On the same date, 2,000,000 shares of HK\$1 each were issued at par for cash amounting to HK\$2 million to increase the working capital of the company.

By a resolution passed on 30 December 1998, the authorised share capital of the company was increased from HK\$12,000,000 to HK\$16,000,000 by the creation of 4,000,000 shares of HK\$1 each. On the same date, 4,000,000 shares of HK\$1 each were issued at par for cash amounting to HK\$4 million to increase the working capital of the company.

On 19 May 1999, pursuant to a resolution passed at an extraordinary general meeting of the company, the authorised share capital of the company was increased from HK\$16,000,000 to HK\$30,000,000 by the creation of 14,000,000 shares of HK\$1 each.

Notes to the accounts

14 Share capital (Continued)

On 7 July 1999, 8,387,097 shares of HK\$1 each were allotted and issued at a price of HK\$7.75 per share. Of the HK\$64.3 million net proceeds of the issue, HK\$17.5 million was used to repay outstanding debts and the balance was used for working capital purposes.

Pursuant to a written shareholders' resolution dated 21 October 1999, the authorised share capital of the company was increased from HK\$30,000,000 to HK\$50,000,000 by the creation of 20,000,000 shares of HK\$1 each.

On 2 November 1999, 2,612,903 shares of HK\$1 each were allotted and issued at a price of HK\$7.75 per share. The HK\$20.2 million net proceeds of the issue were used for working capital purposes.

Pursuant to a written shareholders' resolution dated 3 November 1999, the authorised share capital of the company consisting of 50,000,000 shares of HK\$1 each was divided into 1,000,000,000 shares of HK\$0.05 each.

On 16 November 1999, 60,000,000 shares were allotted and issued at a price of HK\$0.05 per share. The HK\$3 million proceeds were used for working capital purposes.

On 23 November 1999, 150,000,000 shares were allotted and issued at a price of HK\$3 per share in relation to the listing of the company's shares on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited.

15 Reserves

Group

	Share premium		Accumulated losses		Total	
	2000 HK\$'000	1999 HK\$'000	2000 HK\$'000	1999 HK\$'000	2000 HK\$'000	1999 HK\$'000
Issue of shares	481,778	—	—	—	481,778	—
Profit/(loss) for the year (1999: as restated)	—	—	68,905	(15,635)	68,905	(15,635)
Write off of goodwill on consolidation	—	—	(17)	(1,406)	(17)	(1,406)
At 1 April 1999/1998						
As previously stated	—	—	(71,358)	(56,655)	(71,358)	(56,655)
Prior year adjustment (note 16)	—	—	(2,338)	—	(2,338)	—
As restated	—	—	(73,696)	(56,655)	(73,696)	(56,655)
At 31 March	<u>481,778</u>	<u>—</u>	<u>(4,808)</u>	<u>(73,696)</u>	<u>476,970</u>	<u>(73,696)</u>

Company

	Share premium		Retained profit/ (accumulated losses)		Total	
	2000 HK\$'000	1999 HK\$'000	2000 HK\$'000	1999 HK\$'000	2000 HK\$'000	1999 HK\$'000
At 1 April 1999/1998	—	—	(28,344)	(14,971)	(28,344)	(14,971)
Profit/(loss) for the year	—	—	54,266	(13,373)	54,266	(13,373)
Issue of shares	481,778	—	—	—	481,778	—
At 31 March	<u>481,778</u>	<u>—</u>	<u>25,922</u>	<u>(28,344)</u>	<u>507,700</u>	<u>(28,344)</u>

Notes to the accounts

16 Prior year adjustment

The prior year adjustment represents the effect of the change in accounting policy of the pre-operating costs of new ventures (note 1(h)). The impact of this prior year adjustment on the comparative figures of the group is summarised as follows:

	As previously stated <i>HK\$'000</i>	As restated <i>HK\$'000</i>
Consolidated profit and loss account		
Operating loss	7,192	9,530
Loss before taxation	13,297	15,635
Consolidated balance sheet		
Deposits, prepayments and other receivables	4,305	1,967
Total current assets	19,910	17,572
Net current liabilities	11,691	14,029
Accumulated loss	71,358	73,696
Capital deficiency	55,358	57,696

17 Loans from shareholders

	Group		Company	
	2000	1999	2000	1999
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Interest bearing, unsecured and repayable by instalments up to 30 September 2001 (note (a))	—	47,722	—	47,722
Accrued interest wholly repayable on 30 September 2001 (note (a))	—	7,812	—	7,812
Interest bearing, unsecured and wholly repayable on 31 October 1999	—	10,000	—	10,000
Interest-free, unsecured and no fixed terms of repayment	5,000	5,000	—	—
	5,000	70,534	—	65,534
Less: current portion	(5,000)	(20,492)	—	(15,492)
	—	50,042	—	50,042

- (a) Pursuant to an agreement dated 31 January 2000 with Choi Kin Chung ("Mr Choi"), shareholder and former director of the company, the loans were fully repaid during the year and the accrued interest totalling approximately HK\$9,805,000 was waived by Mr Choi. As part of this arrangement, the company entered into a separate agreement with Mr Choi on the same date to pay HK\$8 million to Mr Choi on 30 June 2001. This balance is disclosed as amount due to a shareholder and former director (note 18) in the accounts.

18 Amount due to a shareholder and former director

The balance is interest-free, unsecured and fully repayable on 30 June 2001.

Notes to the accounts

19 Notes to the consolidated cash flow statement

- (a) Reconciliation of profit/(loss) before taxation to net cash inflow/(outflow) from operating activities

	2000 HK\$'000	As restated 1999 HK\$'000
Profit/(loss) before taxation	74,075	(15,635)
Depreciation	3,367	2,398
Dividends received from other investments	(51)	—
Net waiver of accrued interest on loans from a shareholder and former director	(1,805)	—
Loss on disposal of fixed assets	15	362
(Increase)/decrease in trade receivables	(66,122)	243
(Increase)/decrease in deposits, prepayments and other receivables	(5,159)	2,475
Movement in amount due from a minority shareholder	—	(136)
Increase/(decrease) in trade and other payables	32,155	(5,528)
Increase in amount due from an associated company	—	(5)
Interest income	(9,337)	(345)
Interest expenses	2,582	6,105
Net cash inflow/(outflow) from operating activities	<u>29,720</u>	<u>(10,066)</u>

- (b) Analysis of changes in financing during the year

	Share capital		Loans from shareholders and amount due to a third party		Minority interests	
	2000	1999	2000	1999	2000	1999
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 April 1999/1998	16,000	10,000	73,167	66,133	—	—
Capital injection to a subsidiary	—	—	—	—	2,000	—
New loans	—	—	—	5,000	—	—
Issue of shares	538,250	6,000	—	—	—	—
Share issue expenses	(34,972)	—	—	—	—	—
Repayment of loans	—	—	(60,355)	(2,877)	—	—
Unpaid interest for the year	—	—	1,993	4,911	—	—
Waiver of accrued interest	—	—	(9,805)	—	—	—
At 31 March	<u>519,278</u>	<u>16,000</u>	<u>5,000</u>	<u>73,167</u>	<u>2,000</u>	<u>—</u>

19 Notes to the consolidated cash flow statement (Continued)

(c) Purchase of a subsidiary

	1999 <i>HK\$'000</i>
Net assets acquired	
Fixed assets	70
Bank balances and cash	136
Trade receivable, deposits, prepayments and other receivable	81
Trade and other receivables	<u>(124)</u>
	163
Goodwill	<u>137</u>
	<u>300</u>
Satisfied by cash	<u>300</u>

(d) Analysis of the net cash outflow in respect of the purchase of a subsidiary

	1999 <i>HK\$'000</i>
Cash consideration	300
Bank balances and cash in hand acquired	<u>(136)</u>
	<u>164</u>

20 Banking facilities and contingent liabilities

- (a) As at 31 March 2000, a bank guarantee of HK\$100,000 (1999: HK\$100,000) was issued by a bank of the group in favour of a customer. This bank guarantee was secured by the group's bank deposit of HK\$100,000 (1999: HK\$100,000). Apart from the afore-mentioned bank guarantee, as at 31 March 2000, the group was granted banking facilities totalling HK\$5 million, secured on the group's bank deposits.
- (b) As at 31 March 2000, the group had received various claims from customers and a former shareholder of a subsidiary. On the basis of appropriate legal advice, the directors are satisfied that the ultimate disposition of these pending legal proceedings will not have a material effect on the group's financial position or results of operations, and no provision for any loss has been made.

Notes to the accounts

21 Commitments

- (a) Capital commitments for investment in investment securities and purchase of land and buildings

	Group	
	2000 <i>HK\$'000</i>	1999 <i>HK\$'000</i>
Contracted but not provided for	100,781	8,000
Authorised but not contracted for	31,477	—
	<u>132,258</u>	<u>8,000</u>

The capital commitment as at 31 March 1999 represents a commitment in respect of capital injection to a subsidiary.

- (b) Commitments under operating leases

At 31 March 2000, the group had commitments to make payments in the next twelve months under operating leases in respect of land and buildings which expire as follows:

	Group	
	2000 <i>HK\$'000</i>	1999 <i>HK\$'000</i>
Within one year	1,633	—
In the second to fifth year inclusive	540	2,177
	<u>2,173</u>	<u>2,177</u>

22 Related party transactions

The following is a summary of significant related party transactions which were carried out in the normal course of the group's business:

		Group	
	Note	2000 HK\$'000	1999 HK\$'000
Rental charges to Cheng Wan Cheung and Cheng Kin Kwan (directors)	(a)	911	882
Interest on loans from Mr Choi (shareholder and former director)	(b)	2,524	5,658
Net waiver of accrued interest on loans from Mr Choi		1,805	—
Repayment of loan principal and interest to Mr Choi		58,253	—
		<u> </u>	<u> </u>

Notes:-

(a) This represents the lease of the office at Guangzhou in the PRC at monthly rentals ranging from HK\$45,000 to HK\$98,000 (1999: HK\$98,000).

(b) Interest was charged on the loans from Mr Choi at interest rates ranging from 8.2% to 10% per annum.

23 Post balance sheet date events

In April 2000, the group subscribed a 10% interest in an unrelated third party company at a consideration of US\$1,300,000. Part of the consideration amounting to HK\$5,380,000, which represents the deposit for such acquisition, was paid before 31 March 2000. The remaining unpaid consideration amounting to approximately HK\$4,760,000 is disclosed as capital commitment in the accounts.

In May 2000, the group subscribed 10% and 20% interests in two unrelated third party companies at considerations of US\$1,100,000 and approximately HK\$7,800,000 respectively.

24 Approval of accounts

The accounts were approved by the board of directors on 18 May 2000.

Comparative table of results, assets and liabilities

The following table summarises the results, assets and liabilities of the group for each of the last four financial years or period:—

	Period from 12 March 1996 (date of incorporation) to 31 March 1997 <i>HK\$'000</i>	1998 <i>HK\$'000</i>	Year ended 31 March 1999 <i>HK\$'000</i>	2000 <i>HK\$'000</i>
Profit/(loss) before taxation	(12,133)	(25,058)	(15,635)	74,075
Taxation	—	—	—	(5,170)
Profit/(loss) before minority interests	(12,133)	(25,058)	(15,635)	68,905
Minority interests	—	1,134	—	—
Profit/(loss) attributable to shareholders	<u>(12,133)</u>	<u>(23,924)</u>	<u>(15,635)</u>	<u>68,905</u>
Total assets	33,832	33,358	23,947	575,271
Total liabilities	<u>(52,610)</u>	<u>(80,012)</u>	<u>(81,643)</u>	<u>(60,801)</u>
Net assets/(liabilities)	<u>(18,778)</u>	<u>(46,654)</u>	<u>(57,696)</u>	<u>514,470</u>