



Timeless

Software Limited

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.

Contents

	<i>Page</i>
Corporate information	2
Chairman's statement	3
Review of operations	11
Business objectives review	14
Biographical details of directors & senior management	16
Report of the directors	19
Auditors' report	27
Consolidated profit and loss account	29
Consolidated balance sheet	30
Balance sheet	32
Consolidated cash flow statement	34
Consolidated statement of recognised gains and losses	36
Notes to the accounts	37
Comparative table of results, assets and liabilities	68
Notice of Annual General Meeting	69

Corporate Information

Directors

Executive directors

CHENG Kin Kwan
LAW Kwai Lam
CHUNG Yiu Fai
LEUNG Mei Sheung Eliza
LIN Kai Horng
SO Mi Ling Winnie
WONG Wai Ping Mandy
ZHANG Hong

Independent non-executive directors

CHAN Vivien
CHENG Kam Chiu Stewart
TONG Tuen Yee Junie

Secretary

LAW Kwai Lam

Qualified accountant

SO Mi Ling Winnie

Compliance officer

LAW Kwai Lam

Audit committee

CHAN Vivien
CHENG Kam Chiu Stewart
TONG Tuen Yee Junie

Registered Office

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

Auditors

PricewaterhouseCoopers

Legal adviser

Vivien Chan & Co.

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

Chairman's Statement



Mr. Cheng Kin Kwan
Chairman

The year 2000, marked by the advent of the network economy, was an eventful year when the whole world rushed to get connected. The year 2000 was also a year when just as dreamy dotcom startups twinkled and dwindled, we kept to our proclaimed business pursuits and made accelerated progress in our key technology and marketing objectives.

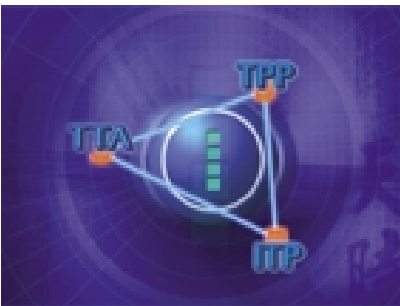
Significant advances and achievements

- Maintained core business profitability under stagnant economic conditions
- Achieved significant progress in the group's software development
- Set up operation in New York to head the group's drive in the U.S.
- Set up subsidiary in Beijing to lead the group's various regional efforts in the PRC
- Moved into the group's new headquarters in the HKSAR
- Spearheaded IT development in the Western Hinterland in the PRC
- Implemented staff incentive program
- Took part in China's "Society Informatisation" process, in position and in step with the nation's goal to transform its traditional enterprises into vibrant and profitable modern businesses through innovative technologies.

Fruitful and profitable in a difficult year

We achieved a turnover of approximately HK\$140,163,000 and total revenue of approximately HK\$174,608,000 for the year ended 31 March 2001 and generated a profit after taxation of approximately HK\$37,389,000. While the turnover was comparable to that of last year, the decrease in the profit after taxation was due mainly to the stagnant market situation induced by the technology bubble that burst. We took advantage of the situation during the year to strengthen our technological capabilities as well as our business strategies, such that we would be fit and ready to seize opportunities as they arose. This was the Timeless success strategy "We prepare when it is cold, we succeed when it is hot." in action. This was also the very same success strategy employed by Timeless during the financial crisis, one year before we were listed.

Technology is wealth; Turn IT into Fortune



Technology

Truth of IT

From day one, the business pursuit of Timeless Software Limited (“Timeless”) has been software development. Our profit has been the outcome of the satisfaction of market demand by the software system technology we developed.

In this difficult year, we were able to sustain our profitability because we could better manage the three ingredients implicit in profitable software development: low cost; short cycle; high efficiency. High efficiency is the measurement of the quantity and quality of the developed software in term of profitability.

We could better manage the three ingredients because we have developed our own Internet Technology Platform (ITP), Tian Tai Actions (TTA) and Timeless Platform Product (TPP).

Timeless’ ITP is a unique consolidated technology framework comprising components, modules, interfaces, and discrete platforms.

TTA (Tian Tai Action) is the continuous software development behaviour, integrating Timeless’ technologies and other market technologies, enhancing and perfecting the ITP producing TPP (Timeless Platform Product) in a timely manner.

Timeless’ TPP (Timeless Platform Product) is a product which possesses in addition to the general features of other products its own unique characteristics that are fundamentally different. It is a product that answers market demand on multi-platform that function in a multimode technology environment.

The above three form the cornerstones that support Timeless’ ability to achieve continued profitability.

Asia-steel.com, a popular steel exchange platform is a typical successful case. Instead of the 5-year timeframe projected to require for development of its Asia-wide steel trading portal sites, Timeless spent only 6 months to complete the project. Without the foundation work done in ITP in previous years, and the combination of TTA (Tian Tai Action) and TPP (Timeless Platform Product), we could not have achieved the low cost, short cycle and high efficiency in such an amazing result in six months. Similar successful cases in Timeless are numerous.

For the TPP (Timeless Platform Product) developed by Timeless, we can quote a lot of successful cases from this year. To cite a few, there were the Web Publishing System (WPS) for the Hong Kong Trade Development Council (HKTDC); the multi-Language Transformation System (LTS) for our affiliate, Transclick, Inc. who obtained a U.S. Army Contract; the Timeless Search Engine (TSE) chosen by the Information Technology Services Department of the HKSAR for their Central Cyber Government Office Portal; Timeless e-Component Bank (TCB) for Tianjin Information Port Project; and the Timeless Mobile Vision (TMV) deployed for the Guizhou Information exchange platform and Tianjin Information Port Project. Broadband technology was also employed by TMV for the development of remote education network for Yunnan in the western region and Nanhai in Guangdong of the PRC.

All the five TPP (Timeless Platform Products) mentioned above, namely the WPS (Web Publishing System), the LTS (multi-Language Transformation System), the TSE (Timeless Search Engine), the TCB (Timeless e-Component Bank) and the TMV (Timeless Mobile Vision), cater for broad and long-term market demand and possess very high re-usability.

Value of IT

The continuous development and improvement of ITP, TTA (Tian Tai Action) and TPP (Timeless Platform Product) create another source of income for the company's development technology. By contributing mainly in the form of technology, complemented by cash or issue of new shares, Timeless took up stakes of a certain percentage in our affiliates; by perfecting their technology infrastructure and business model, their earning potential is enlarged and subsequently our mutual goal of profitability is attained. Our criteria for choosing our affiliates are as follows:

1. That company possesses capability that has synergy with the group's core business.
2. That company's technical backbone is supported by Timeless ITP and thus becomes long-term strategic partner with Timeless.
3. That company possesses viable and proven business models to achieve profitability and listing potential.

This is fundamentally different from common investment behaviour. Timeless would not invest purely by cash. We insisted that these three criteria must be met and the outcome had been fascinating. For example, Pro-Market Global Plc, a one-stop e-marketing company, was listed and started to trade on OFEX in London in October 2000 at a price substantially higher than the group's investment cost. Pro-Market Global Plc is also in the process of applying for the listing on NASDAQ and a migration from OFEX to AIM in London. One of our affiliates is in the process of applying for the listing on GEM and a few other affiliates are well into the process of preparing for listing.

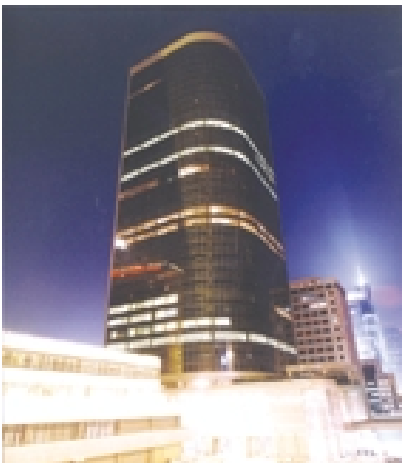
Summing up, since we have always applied our principles to strive for low cost, short cycle and high efficiency in software development, our profit margin from software development alone remains comparatively high. The reason for the dip in our profit margin this year can mainly be attributed to the fact that some of the sizeable contracts we undertook in the year consisted of high value but lower profit margin system integration (SI) components. Normally Timeless would not undertake SI projects; but we agreed to those contracts only at the request of some valued customers for us to prime the whole system. One of the contracts which included the SI component undertaken by Timeless was the provision of ISP solution with related broadband capability for the nationwide Internet services network of a famous private mobile telecommunication enterprise in the PRC. Since contracts with SI were usually high valued but of lower margin, the overall profit margin would inevitably be dragged down. As the market share is increased, we should view the decrease in profit margin in a positive light.

Market

The one and only one standard to examine technology, in terms of its competence or its value, is the market.

Timeless Technologies are "Market Technologies", meaning that Timeless possesses the basic technologies mostly demanded by the market at various stages; Timeless Technologies are also "Technologies Market", meaning that current technologies developed by Timeless are technologies required in the future.

Our subsidiary in Beijing, set up in July 2000 and our U.S. operation in Manhattan, New York set up in April 2001 are the arena where the interaction of Timeless Technologies with the market will come into play.



With the support and backing of the central government, China is determined to make the transformation of state-owned, traditional enterprises into innovative modern businesses through “Society Informatisation”. China is by far the largest market for information technologies.

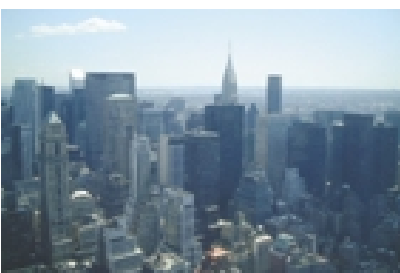
Timeless, based on many years of experience in the China market and Chinese technologies, is likely to utilise resources in the PRC, including human resources trained by Timeless and technologies from the consolidation of Chinese technologies with our ITP. This tactic basically guarantees that our software development in the PRC would fit the low cost, short cycle and high efficiency criteria.



In the course of PRC’s “Society Informatisation”, Timeless will develop software products suitable for the Chinese and the global markets and be involved in the growth of the software industry in the PRC. By promoting the export of Chinese software, we hope to assist in China’s overtaking India as the world’s largest software exporting country in the shortest time-frame.

This is basically the company’s strategy with respect to the Chinese market. It was carefully implemented and has achieved significant results. Our contracts include but not limited to Tianjin Information Port Project, Guizhou information exchange platform, Internet securities trading platform in Shenzhen, education network embracing remote education for Yunnan in the China Western Region and Nanhai in Guangdong, China, telecommunication project for China Telecom Guangdong and a nationwide representative complicated telecommunication infrastructure project. Some of these contracts have been completed, some of them are in the course of completion and some of them are being enlarged during the course of completion.

These results, a manifest of the interactive activities between our technologies and the market in the PRC, have special significance for Timeless in its drive for expanding market share and further co-operations, from its centres in Beijing and Tianjin.



From our base in New York, our approach to business development in the U.S. will be totally different from our strategy for the PRC market. Although we built our foundation in Hong Kong, we have never lost touch with the mature U.S. market. We have sufficient resources of our own to develop and accomplish projects for the U.S. market. These resources include talents with global market experience from Timeless and the PRC, and software products and solutions as consolidated and packaged to U.S. market requirements by Timeless.

This is the key to success in implementing software development in the U.S. and to achieve low cost, short cycle and high efficiency. For U.S. resources we select our appropriate affiliate, support and assist it to win U.S. contract. A typical example is Transclick, Inc., our affiliate in the U.S. With the support from Timeless, this affiliate won a U.S. Army Contract, an important one with huge market potential.

Our bold strategy in the U.S. market will be totally different from those of other companies. While many other companies operating in unfamiliar environments will just move blindly, wasting away money, energy and time, our marketing activities are practical and efficient. We have every confidence in our strategy and believe it will succeed.



We moved into our self-owned permanent group headquarters in Hong Kong, the top floor of The Center. It frees us forever from the uncertainty in rental increment - the ever increasing class A office rental in Hong Kong, overhead costs of administration, future moving and renovation. This unique modern intelligent hi-tech office building makes us determined to design elegant systems that combine hardware and software for technology development. Our TTA (Tian Tai Action) will be housed, on long term basis, on the top floor to enhance and reinforce our ITP and to produce our TPP (Timeless Platform Product). Our commitment will for sure raise our status in technology development and commercial negotiations.

Our strategy in Hong Kong is to capture large projects and out-sourcing projects from the Government of the HKSAR. For example, TSE (Timeless Search Engine), was chosen by the Information Technology Services Department of the HKSAR. This high-difficulty integrated solution is a multi-lingual, Intranet/Extranet, multi-database, multi-text-format search engine and is capable of serving the needs of various governmental departments and other commercial entities.

Talent

To software development companies, professional talents can also be viewed as technology - of fluid and dynamic in nature. A technology company that has the ability to crystallise this valuable asset will be adding value to itself. Timeless had made good progress in this area in the past year.



Staff Incentive Program

The Board has granted under the Share Option Scheme share options to our full time employees. The option exercise price was at favorable level to provide further incentive and motivation to the talented people of the group for the coming years.

Collaboration

In the north of China, we formed “Tsing-Hua Timeless Software Research Chamber” in cooperation with the most prestigious college in Beijing, Tsing Hua University, to further develop their technological results, turn them into “Market Technologies”, and incorporate them into our ITP solutions targeting the Chinese and global markets. This is part of our development of Chinese operating systems and Internet standards.

The Zhuhai Southern Software Park is the national software base of China. The development of the park is progressing well. Phase I of the park has already been completed and can accommodate over a hundred software companies, whereas Phase II of the project was started during the year. A rich pool of resources will be available there.

Elite system

The biggest difficulty facing IT companies nowadays is about talents: how to select them; how to train them; and how to utilise them. Timeless is proud to announce: we had solved this problem.

Founded on Timeless' historical success, we owned a mature leader and a stable management team; therefore we are determined to implement an elite system. Externally we allied with mighty corporations to jointly re-develop technology thus saving us time, energy and people.

Timeless' software development effort has never been short of talents.



Conclusion

In this software dominant era, the strength of our competitiveness has its base on our solid software development capabilities. These capabilities are twofold: the capability to develop platform products and the capability to develop platform compatibility. Such capabilities have enabled us to possess our own unique products; and such capabilities have enabled Timeless to become a software company with the richest technology content. Such a company would have absolute commands: over development capability, over development resources, over development costing, over profitability through its products and services and finally over standards.

When such a company had command of the market, it can truly “turn IT into Fortune”.

In a word, through the continuous improvements in our technologies-the ITP, TTA and TPP and through implementing these technologies in the markets, particularly in the PRC, the U.S. and in the HKSAR, we will be turning technologies into gold. This is what we will be engaging in in this and the coming years.

For in the end, our mission could only be to add value for those who have placed their trust in us, our shareholders.

On behalf of the Board

Cheng Kin Kwan

Chairman

Hong Kong, 18 June 2001

Review of Operations

Results for the year

The profit after taxation was approximately HK\$37.4 million for the year ended 31 March 2001 out of the turnover of approximately HK\$140.2 million and total revenue of approximately HK\$174.6 million. The operating profit for the year ended 31 March 2001 was approximately HK\$48.7 million compared to HK\$76.7 million in previous year. While the turnover is comparable to that of last year, the operating profit decreased 36.5% because of the stagnant market situation especially in the information technology industry. The decrease in operating profit is also mainly a result of the completion of contracts which involved low margin system integration business, the increase in staff costs due to our expansion in mainland China and the increase in advertising and marketing expenses incurred in mainland China during the year. Nevertheless, we have taken advantage of the situation in this year to strengthen our technological capabilities as well as our business strategies. This enables us to grasp opportunities whenever they arise.

Significant investments during the year

During the year, we continued to invest in a number of technology and e-business companies that met the three criteria as set out in the Chairman's Statement. Accordingly, our investments in investment securities and other investments increased from approximately HK\$59 million as at 31 March 2000 to HK\$142.7 million as at 31 March 2001. Apart from benefiting from the revenue generated in relation to deploying Timeless' Internet Technology Platform (ITP) on these invested companies, we have also enjoyed the substantial business development progress of these invested companies. During the year, i100 Limited, an internet investment company, was listed on The Stock Exchange of Hong Kong Limited and the group has recognised a profit of approximately HK\$20.8 million from the disposal of part of our investment in this invested company. Pro-Market Global Plc, a one-stop e-marketing company, was listed and started to trade on OFEX in London in October 2000 at a price substantially higher than the group's investment cost. Pro-Market Global Plc is also in the process of applying for the listing on NASDAQ and a migration from OFEX to AIM in London. One of our invested companies is in the process of applying for the listing on GEM and a few other invested companies are well into the process of preparing for listing on GEM or NASDAQ, and we are hopeful that some of them will be successful in the next 12 months.

After a thorough discussion and negotiation, the company has entered into an official co-operative venture agreement with China Electronics Corporation (a subsidiary of the Ministry of Information Industry (“MI”)) and SDIC Electronics company (a subsidiary of the State Development and Investment Corporation group). During the year, the company acquired 28.5% interest of the Zhuhai Southern Software Park Development Co Ltd. for approximately HK\$31.2 million and a purchase goodwill of approximately HK\$9.1 million was written off against our reserves accordingly. The software park in Zhuhai held by this jointly controlled entity has been awarded the status as a “National Software Development Base” from the MI. Our investment in this software park has earmarked the first foreign company’s participation in a national software development project in Mainland China.

The purchase of our permanent headquarters in Hong Kong

The purchase of our permanent headquarters at the top floor of The Center was completed in July 2000. The total consideration for this purchase is approximately HK\$178.4 million which was satisfied by cash of approximately HK\$142.7 million and the issue of a convertible note of approximately HK\$35.7 million to a wholly owned subsidiary of Cheung Kong (Holdings) Limited. This convertible note matures in January 2002.

Liquidity and borrowings

The group’s total bank and cash balances as at 31 March 2001 was approximately HK\$212.6 million compared with approximately HK\$339.9 million as at 31 March 2000. The group’s total bank and other borrowings as at 31 March 2001 was approximately HK\$104 million compared to approximately HK\$13 million as at 31 March 2000. The increase in the total bank and other borrowings is due to the issue of a convertible note to a wholly owned subsidiary of Cheung Kong (Holdings) Limited and the loan of HK\$60 million from a bank for working capital purposes during the year. Our permanent headquarters in Hong Kong has been pledged for this convertible note and bank loan.

Post balance sheet date events

Subsequent to 31 March 2001, the group has made four investments in Mainland China by entering into four share transactions as defined under the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited. These share transactions have been publicly announced and the details of which can be found in the website of GEM.

Apart from the above, we have also entered into two relatively small acquisitions subsequent to 31 March 2001. We have increased our shareholding in an affiliate which engages in broadband broadcasting services to make it a 51% owned subsidiary. We have also acquired from third parties the entire interest in a company which possesses certain WAP (Wireless Application Protocol) technologies.

Business Objectives Review

Revenues

Revenues generated from our business in the PRC showed substantial increment. Our operations in the PRC continued to expand and business opportunities have been promising. The proportion of revenue generated from our business in the PRC had multiple increase for the year ended 31 March 2001. Part of the increase could be attributable to the establishment of the company's subsidiary in Beijing, which generated business soon after it commenced operation. The biggest contributor was again Internet technology and related services. Approximately HK\$3.6 million from the proceeds from the placing was used for expanding our operations in the PRC.

Product development

The group's software product development efforts took on a new and significant dimension last year. Not only did we continue further refinement on our well-received Internet Technology Platform, the ITP v2, we also launched a series of Timeless Platform Products, TPP to the market with reputable recognition. We continued embarking on joint software development projects with Tsing Hua University in Beijing and with our Zhuhai Southern Software Park partners in Zhuhai. Approximately HK\$12 million from the proceeds from the placing was expended for this purpose. The fruit of our software product development was already in evidence. A well-known insurance company in the PRC has chosen our expertise over others and employed our ITP components to establish their integrated system. A software globalisation project was developed and completed with the resources from the Software Park center with the participation of our staff from our Guangzhou subsidiary.

Marketing

The group had planned to establish its presence in the Taiwanese market during the period under review. A change of leadership there last year created intense political conflict with the Beijing Government which lead us to temporary suspend the plan until harmonic situation is reached. Resources were redeployed in initialising the group's U.S. operation, and in the company's subsidiary in Beijing. Expenditure in this regard was negligible for the year under review.

Acquisitions, subsidiaries and branches

While withholding the Taiwan regional office plan, the Beijing subsidiary started commencing operation in July 2000 with instant success and contribution to the group. The preliminary costs to its establishment was approximately HK\$0.9 million.

Biographical Details of Directors & Senior Management

Directors

Executive directors

Mr. Cheng Kin Kwan, aged 62, 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 37, 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 10 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 54, 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 36, is the Administration Director of the group and is responsible for the overall administrative management of the group and special assignments by the Chief Executive Officer. Ms. Leung joined the group in June 1996. She has over 16 years of experience in office administration and accounting in the IT field.

Mr. Lin Kai Horng, aged 33, is the Chief Technology Officer of the group assisting the CEO to strategize & execute the IT strategies. 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 the Trade Development Council. He has over 12 years experience in the IT industry,

in particular in relation to the telecommunications field. 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. So Mi Ling, Winnie, aged 33, 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 12 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.

Ms. Wong Wai Ping, Mandy, aged 38, is the Marketing Director of the company, responsible for planning and executing marketing programmes, handling investors relationship and marketing communications, and special assignment by Chief Executive Officer. She joined the group in 1996 and has over 18 years experience in marketing in the IT field.

Ms. Zhang Hong, aged 29, is the Chief Representative of the group's Beijing subsidiary, responsible for business development, project management and the overall operation of the Beijing office. She joined the group in April 2000 and has seven years experience in the IT industry. Ms Zhang holds a Master degree in Computer Science from the Chinese Academy of Science and a Bachelor degree in Electronic Engineering from Tsinghua University.

Independent non-executive directors

Ms. Vivien Chan, aged 47, is a Justice of the Peace and is a solicitor of over 20 years standing. She founded Vivien Chan & Co. in 1985, a law firm in Hong Kong with office in Beijing. She is 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 chairman of Council of Hong Kong Adventure Corps and Hong Kong Committee of Unicef, both of which are Hong Kong registered charities. She also serves as member of Advisory Committee on Travel Agents and Fight Crime Committee and Vice Chairman of the Appeal Board of Public Meetings for the HKSAR. Ms. Chan was appointed as an independent non-executive director of the company in November 1999.

Mr. Cheng Kam Chiu, Stewart, aged 46, 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.

Ms. Tong Tuen Yee, Junie, aged 39, joined the group as independent non-executive director in March 2001. Ms. Tong is currently the chief executive officer of Pro-Market Global Plc, a company whose shares are traded on OFEX in London. Ms. Tong worked in corporate finance and investment banking for more than eight years. She was an associate director of the Swiss Bank Corporation from 1988 to 1992. Before joining the Swiss Bank Corporation, Ms. Tong was the investment manager for a Hong Kong listed company, Chasia Property and Investment Limited. She has extensive experience in corporate finance and investment banking. Ms. Tong graduated from Fryerning Business College in the U.K. Ms. Tong is a member of The Chinese People's Political Consultative Conference of the Jilin Province Committee, as well as the Changchun City Committee, which advises and determines the economic policies of the People's Republic of China. She is active in community services both in Hong Kong and China and has helped to raise funds for several charitable organisations.

Senior management

Mr. Cheng Wan Cheung, Danny, aged 34, is the Strategist of the company. Mr. Cheng is responsible to the Chief Executive Officer for strategic research and reports, and for special projects and specific assignments. He has worked in the IT field since beginning his career as a programmer at the age of 14. Mr. Cheng worked in major IT companies in Hong Kong and led significant IT projects, which included projects with leading banks. He holds a degree in Applied Computing from the Open University of Hong Kong.

Mr. Pun Chung Sang, Trevor, aged 32, is the Corporate Finance Manager of the group responsible for investing activities and other corporate finance affairs of the group. Before he joined the group in October 2000, he was a senior audit manager of an international accounting firm. He holds a Bachelor of Arts degree in Accountancy from the Hong Kong Polytechnic University and is a fellow of the ACCA as well as an 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 2001.

Principal activities and geographical analysis of operations

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

An analysis of the group's turnover and contribution to operating profit for the year by principal activities and markets is set out in note 2 to the accounts.

Results and appropriations

The results of the group for the year are set out in the consolidated profit and loss account on page 29.

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 23 to the accounts.

Subsidiaries

Details of the company's subsidiaries at 31 March 2001 are set out in note 11 to the accounts.

Fixed assets

Details of the movements in fixed assets of the group and the company are set out in note 10 to the accounts.

Share capital

Details of the movements in share capital of the company are set out in note 22 to the accounts.

Distributable reserves

Distributable reserves of the company at 31 March 2001, determined in accordance with section 79B of the Companies Ordinance, amounted to HK\$29,576,000.

Comparative table of results, assets and liabilities

A summary of the results and of the assets and liabilities of the group for the last five financial years is set out on page 68.

Purchase, sale or redemption of securities

There were no purchases, sales or redemptions of the company's listed securities by the company or any of its subsidiaries during the year.

Directors

The directors during the year and up to the date of this report are as follows:

Mr. Cheng Kin Kwan (<i>Chairman</i>)	
Mr. Law Kwai Lam	
Mr. Chung Yiu Fai	(appointed on 8 August 2000)
Ms. Leung Mei Sheung Eliza	(appointed on 8 August 2000)
Mr. Lin Kai Horng	(appointed on 4 May 2001)
Ms. So Mi Ling Winnie	(appointed on 4 May 2001)
Ms. Wong Wai Ping Mandy	(appointed on 24 May 2001)
Ms. Zhang Hong	(appointed on 24 May 2001)
Ms. Chan Vivien	
Mr. Cheng Kam Chiu Stewart	
Ms. Tong Tuen Yee Junie	(appointed on 6 March 2001)
Mr. Ho Man Kee Jeffrey*	(resigned on 7 July 2000)
Ms. Lau Yee Wan Yvonne*	(resigned on 7 July 2000)
Mr. Poon Cho Yiu Ronald**	(resigned on 27 December 2000)
Mr. Kan Siu Kei Laurie*	(resigned on 30 January 2001)
Mr. Cheng Wan Cheung Danny	(resigned on 31 March 2001)

* Former non-executive directors

** Former independent non-executive director

Ms. Chan Vivien and Mr. Cheng Kam Chiu Stewart are independent non-executive directors and their term of service was extended for one year from 16 November 2000.

Ms. Tong Tuen Yee Junie became an independent non-executive director on 6 March 2001 and was appointed for a term of one year.

In accordance with Article 105 of the company's Articles of Association, Mr. Law Kwai Lam retires and, being eligible, offers himself for re-election.

In accordance with Article 96 of the company's Articles of Association, Mr. Chung Yiu Fai, Ms. Leung Mei Sheung Eliza, Mr. Lin Kai Horng, Ms. So Mi Ling Winnie, Ms. Wong Wai Ping Mandy, Ms. Zhang Hong and Ms. Tong Tuen Yee Junie retire at the forthcoming annual general meeting and, being eligible, offer themselves for re-election.

Directors' service contracts

Mr. Cheng Kin Kwan and Mr. Law Kwai Lam entered into service contracts with the company on 15 November 1999. Mr. Chung Yiu Fai and Ms. Leung Mei Sheung Eliza entered into service contracts with the company on 8 August 2000. Mr. Lin Kai Horng and Ms. So Mi Ling Winnie entered into service contracts with the company on 4 May 2001. Ms. Wong Wai Ping Mandy and Ms. Zhang Hong entered into service contracts with the company on 24 May 2001. 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 the review of their salaries.

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

A service contract dated 15 November 1999 and entered into between Mr. Cheng Wan Cheung Danny and the company was by mutual consent terminated on 31 March 2001.

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 16 to 18.

Directors' interests in contracts

Ms. Tong Tuen Yee Junie is a controlling shareholder of one of the group's investees. Prior to her appointment as a director of the company, the group had entered into contracts for provision of computer consultancy services and sale of computer hardware and software totalling HK\$20,730,000 with the investee company during the year.

Ms. Chan Vivien is a partner of Vivien Chan & Co., a firm of solicitors which rendered legal services to the group during the year and received normal remuneration for such services.

Save as disclosed in note 28 to the accounts and above, no other contracts of significance in relation to the group'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.

Connected transactions

Related party transactions, which also constitute connected transactions under the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited ("GEM Listing Rules"), required to be disclosed in accordance with chapter 20 of the GEM Listing Rules, are disclosed in note 28 to the accounts.

Directors' interests in equity securities

At 31 March 2001, the interests of the directors and chief executives in the shares and options 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:

	Shares	
	Personal interests	Corporate interests
Mr. Cheng Kin Kwan	60,000,000	—
Mr. Law Kwai Lam	10,000,000	28,325,000*
Mr. Chung Yiu Fai	2,700,000	—
Ms. Leung Mei Sheung Eliza	1,030,000	—
Ms. Chan Vivien	50,000	—

Mr. Cheng Kin Kwan is an initial management shareholder as defined in Rule 13.15(2) of the GEM Listing Rules. His holding represents 7.98% of the issued share capital of the company.

* *These shares were held by a private company controlled by Mr. Law Kwai Lam.*

	Options		As at
	Granted	Exercised	31 March 2001
Mr. Cheng Kin Kwan	1,500,000	—	1,500,000
Mr. Law Kwai Lam	800,000	—	800,000
Mr. Chung Yiu Fai	1,000,000	—	1,000,000
Ms. Leung Mei Sheung Eliza	1,000,000	—	1,000,000

The options were granted under the Share Option Scheme approved by the shareholders at an extraordinary general meeting on 21 November 2000. The options are exercisable at varying prices ranging from HK\$0.63 to HK\$0.734 per share at any time within three years commencing one year after the respective dates of offer of the grants.

Save as disclosed above and other than nominee shares in certain wholly-owned subsidiaries held in trust for the group, at 31 March 2001, 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.

Save as disclosed above, at no time during the year was the company or its subsidiaries a party to any arrangement to enable the directors and chief executives 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

At 31 March 2001, the register of substantial shareholders maintained under Section 16(1) of the SDI Ordinance shows that the company had been notified of the following substantial shareholder's interest, being 10% or more of the company's issued share capital. This is in addition to the interests of the directors and chief executives disclosed above.

Name	Number of shares	Percentage of issued share capital
Crimson Asia Capital Limited, L.P.	122,357,480	16.28%

Interest of sponsor

ING Barings Asia Limited (“ING Barings”) has entered into a sponsorship agreement with the company whereby, for a fee, ING Barings 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, its directors, employees and associates, at 31 March 2001, 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.

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	72%
- five largest suppliers combined	99%

Sales

- the largest customer	19%
- five largest customers combined	63%

Ms. Tong Tuen Yee Junie, one of the company’s independent non-executive directors, held a 55% interest in the share capital of one of the group’s five largest customers included above.

Save as disclosed above, 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

The written terms of reference which describe the authority and duties of the Audit Committee were prepared and adopted with reference to "A Guide for the Formation of an Audit Committee" published by the Hong Kong Society of Accountants.

The Audit Committee provides an important link between the Board and the company's auditors in matters coming within the scope of the group audit. It also reviews the effectiveness both of the external and internal audit and of internal controls and risk evaluation. The Committee comprises three independent non-executive directors, namely Ms. Chan Vivien, Mr. Cheng Kam Chiu Stewart and Ms. Tong Tuen Yee Junie.

During the year, the Audit Committee met three times to review the company's annual report and accounts and its half year announcement, and provided advice and recommendations to the board of directors.

Board practices and procedures

The company has complied with Board Practices and Procedures as set out in rules 5.28 to 5.39 of the GEM Listing Rules throughout the year.

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 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 years ended 31 March 1999 and 2000.

On behalf of the Board

Cheng Kin Kwan
Chairman

Hong Kong, 18 June 2001

Auditors' Report



羅兵咸永道會計師事務所

PricewaterhouseCoopers
22nd Floor Prince's Building
Central Hong Kong

TO THE SHAREHOLDERS OF TIMELESS SOFTWARE LIMITED

(incorporated in Hong Kong with limited liability)

We have audited the accounts set out on pages 29 to 67 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 judgements made by the directors in the preparation of the accounts, 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 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.

Auditors' Report (Continued)

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 2001 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 June 2001

Consolidated Profit and Loss Account

For the year ended 31 March 2001

	<i>Note</i>	2001 HK\$'000	2000 <i>HK\$'000</i>
Turnover	2	140,163	141,649
Other revenues	2	34,445	13,553
		174,608	155,202
Cost of sales of computer software and hardware		(57,098)	(34,653)
Staff costs		(38,866)	(28,355)
Depreciation		(5,994)	(3,367)
Other operating expenses		(23,995)	(12,170)
Operating profit	3	48,655	76,657
Finance costs	4	(5,563)	(2,582)
Share of loss of the jointly controlled entity		(345)	—
Profit before taxation		42,747	74,075
Taxation	5	(5,358)	(5,170)
Profit for the year retained	23	37,389	68,905
Basic earnings per share	7	4.98 cents	12.75 cents

Consolidated Balance Sheet

As at 31 March 2001

	<i>Note</i>	2001 <i>HK\$'000</i>	2000 <i>HK\$'000</i>
Fixed assets	10	<u>214,349</u>	<u>4,426</u>
Investment in a jointly controlled entity	12	<u>23,560</u>	<u>—</u>
Investment in an associated company	13	<u>1</u>	<u>—</u>
Investment securities	14	<u>114,655</u>	<u>58,982</u>
Pledged deposits	19, 26	<u>45,000</u>	<u>5,000</u>
Deposits paid for the purchase of land and buildings and investment securities		<u>—</u>	<u>88,080</u>
Current assets			
Trade receivables	16	35,693	53,535
Accrued revenue		25,308	23,205
Other investments	17	28,008	—
Deposits, prepayments and other receivables		11,188	7,126
Tax recoverable		5,474	—
Bank balances and cash		<u>167,633</u>	<u>334,917</u>
		<u>273,304</u>	<u>418,783</u>
Current liabilities			
Trade and other payables		16,053	40,631
Loans from shareholders	18	—	5,000
Current portion of long-term liabilities	19	15,079	—
Amount due to a shareholder and former director	20	8,000	—
Convertible note	21	35,675	—
Taxation payable		—	5,170
		<u>74,807</u>	<u>50,801</u>
Net current assets		<u>198,497</u>	<u>367,982</u>
		<u>596,062</u>	<u>524,470</u>

Consolidated Balance Sheet (Continued)

As at 31 March 2001

	<i>Note</i>	2001 HK\$'000	2000 <i>HK\$'000</i>
Financed by:			
Share capital	22	37,575	37,500
Reserves	23	<u>509,704</u>	<u>476,970</u>
Shareholders' funds		547,279	514,470
Minority interests		2,000	2,000
Non-current liabilities			
Long-term liabilities	19	45,283	—
Amount due to a shareholder and former director	20	—	8,000
Deferred taxation	24	<u>1,500</u>	<u>—</u>
		<u>596,062</u>	<u>524,470</u>

Cheng Kin Kwan
Director

Law Kwai Lam
Director

Balance Sheet

As at 31 March 2001

	<i>Note</i>	2001 <i>HK\$'000</i>	2000 <i>HK\$'000</i>
Fixed assets	10	<u>204,089</u>	<u>745</u>
Investment in subsidiaries	11	<u>159,215</u>	<u>72,724</u>
Investment in a jointly controlled entity	12	<u>31,223</u>	<u>—</u>
Investment securities	14	<u>4,728</u>	<u>15,570</u>
Pledged deposits	19, 26	<u>45,000</u>	<u>5,000</u>
Deposits paid for the purchase of land and buildings		<u>—</u>	<u>82,700</u>
Current assets			
Amounts due from subsidiaries	15	37,742	30,819
Trade receivables	16	29,595	48,636
Accrued revenue		7,347	17,821
Deposits, prepayments and other receivables		6,020	4,366
Tax recoverable		4,300	—
Bank balances and cash		<u>140,864</u>	<u>309,033</u>
		<u>225,868</u>	<u>410,675</u>
Current liabilities			
Amount due to a subsidiary	15	78	81
Trade and other payables		11,154	29,133
Current portion of long-term liabilities	19	15,079	—
Amount due to a shareholder and former director	20	8,000	—
Convertible note	21	35,675	—
Taxation payable		<u>—</u>	<u>5,000</u>
		<u>69,986</u>	<u>34,214</u>
Net current assets		<u>155,882</u>	<u>376,461</u>
		<u>600,137</u>	<u>553,200</u>

Balance Sheet (Continued)

As at 31 March 2001

	Note	2001 HK\$'000	2000 HK\$'000
Financed by:			
Share capital	22	37,575	37,500
Reserves	23	515,779	507,700
Shareholders' funds		553,354	545,200
Non-current liabilities			
Long-term liabilities	19	45,283	—
Amount due to a shareholder and former director	20	—	8,000
Deferred taxation	24	1,500	—
		600,137	553,200

Cheng Kin Kwan
Director

Law Kwai Lam
Director

Consolidated Cash Flow Statement

For the year ended 31 March 2001

	<i>Note</i>	2001 <i>HK\$'000</i>	2000 <i>HK\$'000</i>
Net cash inflow from operating activities	25(a)	<u>6,563</u>	<u>29,720</u>
Returns on investments and servicing of finance			
Interest received		13,069	9,337
Interest paid		(5,524)	(589)
Dividends received from other investments		<u>—</u>	<u>51</u>
Net cash inflow from returns on investments and servicing of finance		<u>7,545</u>	<u>8,799</u>
Taxation			
Hong Kong profits tax paid		(13,413)	—
Overseas taxation paid		<u>(1,089)</u>	<u>—</u>
Total taxation paid		<u>(14,502)</u>	<u>—</u>
Investing activities			
Purchases of fixed assets		(97,608)	(1,456)
Sale of fixed assets		62	6
Purchases of a jointly controlled entity and investment in an associated company		(20,656)	—
Deposits paid for the purchase of land and buildings and investment securities		—	(88,080)
Purchases of investment securities and other investments		(84,643)	(58,982)
Loan to a jointly controlled entity		(10,568)	—
Proceeds of disposals of investment securities		<u>31,596</u>	<u>—</u>
Net cash outflow from investing activities		<u>(181,817)</u>	<u>(148,512)</u>
Net cash outflow before financing		<u>(182,211)</u>	<u>(109,993)</u>

Consolidated Cash Flow Statement (Continued)

For the year ended 31 March 2001

	<i>Note</i>	2001 <i>HK\$'000</i>	2000 <i>HK\$'000</i>
Financing	25(b)		
Issue of ordinary shares		—	538,250
Share issue expenses		—	(34,972)
Capital injection from a minority shareholder to a subsidiary		—	2,000
New bank loan payable		60,000	—
Bank deposits pledged for bank loan and facilities		(40,000)	(5,000)
Repayment of loans from shareholders and a third party		(5,000)	(60,355)
Capital element of finance lease payments		(73)	—
Net cash inflow from financing		14,927	439,923
(Decrease)/increase in bank balances and cash		(167,284)	329,930
Bank balances and cash at 1 April 2000/1999		334,917	4,987
Bank balances and cash at 31 March 2001/2000		167,633	334,917

Consolidated Statement of Recognised Gains and Losses

For the year ended 31 March 2001

	<i>Note</i>	2001 <i>HK\$'000</i>	2000 <i>HK\$'000</i>
Profit for the year retained and total recognised gains and losses	23	37,389	68,905
Write off of goodwill arising on consolidation of new subsidiaries and a jointly controlled entity	23	<u>(9,080)</u>	<u>(17)</u>
		<u>28,309</u>	<u>68,888</u>

Notes to the Accounts

1 Basis of preparation and principal accounting policies

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.

The principal accounting policies adopted in the preparation of these accounts are set out below:

(a) 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.

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

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 of whose board of directors it controls the composition.

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

(b) Joint venture

A joint venture is a contractual arrangement whereby the group and other parties undertake an economic activity which is subject to joint control and none of the participating parties has unilateral control over the economic activity.

The consolidated profit and loss account includes the group's share of the result of the jointly controlled entity for the year, and the consolidated balance sheet includes the group's share of the net assets of the jointly controlled entity.

In the company's balance sheet, the investment in the jointly controlled entity is stated at cost less provision, if necessary, for any diminution in value other than temporary in nature. The result of the jointly controlled entity is accounted for by the company on the basis of dividends received and receivable.

1 Basis of preparation and principal accounting policies (Continued)

(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 the management of which 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 diminution in value other than temporary in nature. The result of the associated company is accounted for by the company on the basis of dividends received and receivable.

(d) Goodwill

Goodwill represents the excess of the purchase consideration over the fair values ascribed to the net assets of subsidiaries, jointly controlled entities and associated companies acquired. It is taken to reserves in the year of acquisition.

(e) Fixed assets

Fixed assets are stated at cost less accumulated depreciation and are 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 land and buildings	Shorter of unexpired lease terms and useful lives
Leasehold improvements	20%
Computer equipment	20%
Furniture and fixtures	20%
Office equipment	20%
Motor vehicles	20%

1 Basis of preparation and principal accounting policies (Continued)

(e) Fixed assets (Continued)

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 amounts of fixed assets are reviewed regularly to assess whether their recoverable amounts have declined below their carrying amounts. Expected future cash flows have not been discounted in determining the recoverable amount.

(f) Finance leases

Leases that substantially transfer to the group all the risks and rewards of ownership of assets are accounted for as finance leases. Finance leases are capitalised at the inception of the leases at the lower of the fair value of the leased assets or the present value of the minimum lease payments. Each lease payment is allocated between the capital and finance charges so as to achieve a constant rate on the capital balances outstanding. The corresponding rental obligations, net of finance charges, are included in liabilities. The finance charges are charged to the profit and loss account over the lease periods.

Assets held under finance leases are depreciated over the shorter of their estimated useful lives or the lease periods.

(g) Operating leases

Leases where substantially all the risks and rewards of ownership of assets remain with the leasing company are accounted for as operating leases. Payments made under operating leases net of any incentives received from the leasing company are charged to the profit and loss account on a straight-line basis over the lease term.

1 Basis of preparation and principal accounting policies (Continued)

(h) Investment securities

Investment securities, which represent shares and debentures held on a long-term basis, 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 will be reduced to its fair value. The amount of the reduction is recognised as an expense in the profit and loss account.

(i) Other investments

Other securities are carried, as current assets, at fair value. At each balance sheet date, the net unrealised gains or losses arising from the changes in fair value of other investments are recognised in the profit and loss account. Profits or losses on disposal of other investments, representing the difference between the net sales proceeds and the carrying amounts, are recognised in the profit and loss account as they arise.

(j) Pre-operating costs

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

(k) Trade receivables and accrued revenue

Provision is made against trade receivables and accrued revenue to the extent they are considered to be doubtful. Trade receivables and accrued revenue in the balance sheet are stated net of such provision.

(l) 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 an asset is expected to be payable or recoverable in the foreseeable future.

1 Basis of preparation and principal accounting policies (Continued)

(m) Translation of foreign currencies

Transactions in foreign currencies are recorded 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, jointly controlled entity and associated company 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.

(n) 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. Foreseeable losses on contracts in progress are recognised in full when identified.

Sales of computer hardware and software are recognised as revenue upon 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.

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.

1 Basis of preparation and principal accounting policies (Continued)

(o) Retirement benefit costs

The group's contributions to the mandatory provident fund scheme are charged to the profit and loss account as incurred. The assets of the scheme are held separately from those of the group in an independently administered fund.

(p) Borrowing costs

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

(q) 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 Turnover, revenue and segment information

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

	Group	
	2001	2000
	HK\$'000	HK\$'000
Turnover		
Income from the provision of computer consultancy services to:		
- Jointly controlled entity (<i>note 12</i>)	3,580	—
- Other investees (<i>notes 14, 17</i>)	35,727	29,529
- Investees acquired after year end (<i>note 29</i>)	7,642	13,070
- Third parties	33,289	61,788
Sale of computer hardware and software to:		
- Jointly controlled entity (<i>note 12</i>)	2,169	—
- Other investees (<i>notes 14, 17</i>)	6,448	8,775
- Investees acquired after year end	—	7,476
- Third parties	51,118	20,938
Advertising income	147	61
Subscription income	43	12
	<u>140,163</u>	<u>141,649</u>
Other revenues		
Realised gain on:		
- Investment securities	20,754	—
- Other investments	—	607
Interest income	13,069	9,337
Write back of long outstanding payables and provisions	64	492
Commission received	—	482
Dividends received from other investments	—	51
Net waiver of accrued interest on loans from a shareholder and former director	—	1,805
Net exchange gains	330	682
Miscellaneous income	228	97
	<u>34,445</u>	<u>13,553</u>
Total revenues	<u>174,608</u>	<u>155,202</u>

2 Turnover, revenue and segment information (Continued)

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

	Turnover		Contribution to operating profit	
	2001 HK\$'000	2000 HK\$'000	2001 HK\$'000	2000 HK\$'000
Principal activities:				
Provision of computer consultancy services	80,238	104,387	52,972	85,776
Sale of computer hardware and software	59,735	37,189	2,992	2,536
Advertising	147	61	(150)	(146)
Subscription	43	12	(15)	(28)
	<u>140,163</u>	<u>141,649</u>	<u>55,799</u>	<u>88,138</u>
Other revenues			34,445	13,553
Administrative and operating expenses*			(41,589)	(25,034)
Operating profit			<u>48,655</u>	<u>76,657</u>

* Certain staff costs directly related to provision of consultancy services have been reclassified to determine contribution to operating profit.

Principal markets:

Hong Kong	50,209	126,122
The People's Republic of China (excluding Hong Kong)	89,954	15,527
	<u>140,163</u>	<u>141,649</u>

The contribution to operating profit from each principal market is substantially in line with the group's overall ratio of profit to turnover.

3 Operating profit

Operating profit is stated after charging the following:

	Group	
	2001	2000
	HK\$'000	HK\$'000
Auditors' remuneration	750	245
Operating leases - land and buildings	3,927	3,582
Pre-operating costs	610	563
Loss on disposal of fixed assets	439	15
	<u> </u>	<u> </u>

4 Finance costs

	Group	
	2001	2000
	HK\$'000	HK\$'000
Interest on		
Convertible note	2,378	—
Acquisition of land and building paid to vendor	3,146	—
Amount due to a third party	—	58
Finance lease	39	—
Loans from a shareholder	—	2,524
	<u> </u>	<u> </u>
	<u>5,563</u>	<u>2,582</u>

5 Taxation

Hong Kong profits tax has been provided at the rate of 16% (2000: 16%) on the estimated assessable profit for the year.

No provision for income tax of the People's Republic of China ("PRC") has been made in the accounts as the subsidiaries in the PRC have no assessable profits for the year. The subsidiaries in the PRC are entitled to 100% tax relief for the year ended 31 December 2000 and the year ending 31 December 2001. Pursuant to the tax rules in the PRC, these subsidiaries are also entitled to 50% tax relief for the three years ending 31 December 2004.

	Group	
	2001	2000
	HK\$'000	HK\$'000
Hong Kong profits tax	4,000	5,170
Over provision in prior year	(142)	—
Deferred taxation (<i>note 24</i>)	1,500	—
	<hr/> 5,358 <hr/>	<hr/> 5,170 <hr/>

6 Profit attributable to shareholders

The profit attributable to shareholders is dealt with in the accounts of the company to the extent of HK\$3,654,000 (2000: HK\$54,266,000).

7 Earnings per share

The calculation of basic earnings per share is based on the group's profit attributable to shareholders of HK\$37,389,000 (2000: HK\$68,905,000) and the weighted average number of 750,682,192 shares (2000: 540,583,468 shares) in issue during the year.

No diluted earnings per share has been presented for the year ended 31 March 2001 as the convertible note issued and share options granted by the company during the year both have anti-dilutive effects.

8 Retirement benefits costs

- (a) Pursuant to the Mandatory Provident Fund Scheme Ordinance (Chapter 485 of the Laws of Hong Kong) (the “MPF Ordinance”), companies within the group have enrolled all Hong Kong employees into a mandatory provident fund scheme (the “MPF Scheme”) from 1 December 2000.

Contributions to the MPF Scheme by the group and the employees are calculated at 5% of the employees’ salaries. Under the MPF Ordinance, employers and employees are required to contribute 5% of the employees’ relevant incomes defined in the MPF Ordinance up to a maximum of HK\$1,000 per employee per month (the “mandatory contributions”). The excess of the group’s contributions to the MPF Scheme over the mandatory contributions are voluntary contributions.

- (b) Contributions totalling HK\$221,000 (2000: HK\$Nil) were paid and payable to the MPF Scheme at the year end.

9 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	
	2001	2000
	HK\$’000	HK\$’000
Fees	277	113
Salaries and other emoluments	5,778	5,190
Discretionary bonuses	193	—
Pension contributions for offices other than as directors	20	—
	<u>6,268</u>	<u>5,303</u>

In addition, certain directors were granted share options of the company during the year and these are detailed in the Report of the directors.

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

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

(a) Directors' remuneration (Continued)

The remunerations paid by the group to the executive directors of the company who served during the year ended 31 March 2001, analysed on an individual basis, were as follows: HK\$2,513,000, HK\$1,804,000, HK\$964,000, HK\$394,000 and HK\$316,000.

The remunerations paid by the group to the four independent non-executive directors of the company who served during the year ended 31 March 2001, analysed on an individual basis, were as follows: HK\$100,000 (2000: HK\$37,500), HK\$100,000 (2000: HK\$37,500), HK\$73,790 (2000: HK\$37,500) and HK\$3,562 (2000: HK\$Nil).

(b) Five highest paid individuals

The five individuals whose emoluments were the highest in the group for the year include three directors (2000: three) whose emoluments are reflected in the analysis presented above. The total emoluments payable to the remaining two (2000: two) individuals during the year were as follows:

	2001 <i>HK\$'000</i>	2000 <i>HK\$'000</i>
Salaries and other emoluments	1,536	911
Pension contributions	8	—
	<u>1,544</u>	<u>911</u>

The emoluments of both individuals were in the range of HK\$Nil to HK\$1,000,000 (2000: in the range of HK\$Nil to HK\$1,000,000).

10 Fixed assets

Group	Leasehold		Computer equipment	Furniture and fixtures		Office equipment	Motor vehicles	Total
	land and buildings	Leasehold improvements						
	HK\$'000	HK\$'000		HK\$'000	HK\$'000			
Cost								
At 1 April 2000	—	3,240	6,542	1,214	2,138	—	13,134	
Additions	190,156	6,137	9,510	1,078	8,910	627	216,418	
Disposals	—	—	(2,353)	(187)	(651)	—	(3,191)	
At 31 March 2001	190,156	9,377	13,699	2,105	10,397	627	226,361	
Accumulated depreciation								
At 1 April 2000	—	2,719	3,860	863	1,266	—	8,708	
Charge for the year	2,984	302	1,679	263	746	20	5,994	
Disposals	—	—	(2,052)	(168)	(470)	—	(2,690)	
At 31 March 2001	2,984	3,021	3,487	958	1,542	20	12,012	
Net book value								
At 31 March 2001	187,172	6,356	10,212	1,147	8,855	607	214,349	
At 31 March 2000	—	521	2,682	351	872	—	4,426	

At 31 March 2001, the net book value of fixed asset held by the group under finance lease amounted to HK\$347,000 (2000: HK\$Nil).

At 31 March 2001, the net book value of fixed assets pledged as security for the group's long-term bank loan (note 19) amounted to HK\$183,991,000 (2000: HK\$Nil).

The group's interest in land and buildings at their net book values is analysed as follows:

	Group	
	2001 HK\$'000	2000 HK\$'000
In Hong Kong, held on:		
Lease of between 10 to 50 years	183,991	—
Outside Hong Kong, held on:		
Lease of over 50 years	3,181	—
	187,172	—

10 Fixed assets (Continued)

Company	Leasehold land and buildings HK\$'000	Leasehold improvements HK\$'000	Computer equipment HK\$'000	Furniture and fixtures HK\$'000	Office equipment HK\$'000	Total HK\$'000
Cost						
At 1 April 2000	—	300	1,345	499	496	2,640
Additions	186,975	5,383	6,632	664	8,314	207,968
Disposals	—	—	(434)	(127)	(74)	(635)
At 31 March 2001	186,975	5,683	7,543	1,036	8,736	209,973
Accumulated depreciation						
At 1 April 2000	—	300	814	398	383	1,895
Charge for the year	2,984	179	817	122	459	4,561
Disposals	—	—	(388)	(120)	(64)	(572)
At 31 March 2001	2,984	479	1,243	400	778	5,884
Net book value						
At 31 March 2001	183,991	5,204	6,300	636	7,958	204,089
At 31 March 2000	—	—	531	101	113	745

At 31 March 2001, the net book value of fixed asset held by the company under finance lease amounted to HK\$347,000 (2000: HK\$Nil).

At 31 March 2001, the net book value of fixed assets pledged as security for the company's long-term bank loan (note 19) amounted to HK\$183,991,000 (2000: HK\$Nil).

At 31 March 2001, the company's interest in land and buildings in Hong Kong, held on lease of between 10 to 50 years, at net book value is HK\$183,991,000 (2000: HK\$Nil).

11 Investment in subsidiaries

	Company	
	2001	2000
	<i>HK\$'000</i>	<i>HK\$'000</i>
Unlisted shares, at cost	20,410	20,410
Provision for permanent diminution in value	(12,000)	—
	<hr/>	<hr/>
	8,410	20,410
Amounts due from subsidiaries	150,805	52,314
	<hr/>	<hr/>
	159,215	72,724
	<hr/> <hr/>	<hr/> <hr/>

The amounts due from subsidiaries are unsecured and interest-free, and have no fixed terms of repayment. They are not expected to be repaid before 31 March 2002.

The following is a list of the subsidiaries as at 31 March 2001:

Name	Place of incorporation	Principal activities and place of operations	Particulars of issued share capital	Interest held	
				2001	2000
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%

11 Investment in subsidiaries (Continued)

Name	Place of incorporation	Principal activities and place of operations	Particulars of issued share capital	Interest held	
				2001	2000
Direct interest (continued)					
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	2 ordinary shares of HK\$1 each	100%	100%
Timeless Strategy Ltd.	Hong Kong	Investment holding	2 ordinary shares of HK\$1 each	100%	100%
eDynasty21.com Ltd.	Hong Kong	Investment holding	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%

11 Investment in subsidiaries (Continued)

Name	Place of incorporation	Principal activities and place of operations	Particulars of issued share capital/ registered capital	Interest held	
				2001	2000
Direct interest (continued)					
Timeless Holdings Ltd.	Hong Kong	Investment holding	2 ordinary shares of HK\$1 each	100%	100%
Timeless Southern (Zhuhai) Software Co., Ltd.*	PRC	Inactive	HK\$10,000,000	80%	80%
Indirect interest					
Timeless Software (Guangzhou) Ltd.**	PRC	Design, development and maintenance of computer software and systems as well as provision of consultancy services in the PRC	Rmb2,000,000	100%	100%
Timeless Software (Beijing) Ltd.***	PRC	Design, development and maintenance of computer software and systems as well as provision of consultancy services in the PRC	Rmb2,000,000	100%	—

11 Investment in subsidiaries (Continued)

- * *Timeless Southern (Zhuhai) Software Co., Limited is a co-operative venture between the company and Zhuhai Southern Software Park Development Co., Ltd. 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 contributed 80% of the registered capital of the venture and is entitled to 80% of the results of the venture.*
- ** *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 contributed 100% of the registered capital of the venture whereas the Joint Venturer is responsible for providing certain support 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 Software (Beijing) Limited has a life of 12 years commencing July 2000.*

12 Investment in a jointly controlled entity

	Group		Company	
	2001 HK\$'000	2000 HK\$'000	2001 HK\$'000	2000 HK\$'000
Unlisted shares, at cost	—	—	20,655	—
Share of net assets	11,230	—	—	—
Loan to the jointly controlled entity	10,568	—	10,568	—
Amount due from the jointly controlled entity	1,762	—	—	—
	<u>23,560</u>	<u>—</u>	<u>31,223</u>	<u>—</u>

Goodwill of HK\$9,080,000 arose on the acquisition of the jointly controlled entity on 8 August 2000 and has been taken to reserves (Note 23).

The financial year end of the jointly controlled entity is 31 December. The loan to the jointly controlled entity is unsecured, bears interest at 6.21% per annum, and is repayable on 7 August 2008.

12 Investment in a jointly controlled entity (Continued)

Particulars of the jointly controlled entity as at 31 March 2001 are as follows:

Name	Place of incorporation	Principal activities and place of operation	Direct percentage of interest in ownership/ voting right/ profit sharing
Zhuhai Southern Software Park Development Co., Ltd. *	PRC	Development and operating of a software base in the southern region of the PRC	28.5%

* Zhuhai Southern Software Park Development Co., Ltd. has a life of 30 years commencing November 2000.

13 Investment in an associated company

	Group	
	2001 HK\$'000	2000 HK\$'000
Share of net assets	1	—

Particulars of the associated company as at 31 March 2001 are as follows:

Name	Place of incorporation	Principal activities and place of operation	Particulars of issued share capital	Indirect interest held	
				2001	2000
Sino Orient Ltd.	Hong Kong	Inactive	2 ordinary shares of HK\$1 each	50%	—

14 Investment securities

	Group		Company	
	2001 HK\$'000	2000 HK\$'000	2001 HK\$'000	2000 HK\$'000
At cost				
Listed shares in Hong Kong	12,055	—	4,728	—
Unlisted shares	101,040	58,982	—	15,570
Unlisted promissory note	1,560	—	—	—
	<u>114,655</u>	<u>58,982</u>	<u>4,728</u>	<u>15,570</u>
Market value of listed securities	<u>13,490</u>	<u>—</u>	<u>5,344</u>	<u>—</u>

The promissory note was held by one of the company's subsidiaries in an investee company. It was in the principal sum of US\$200,000, unsecured, bore interest at JP Morgan Chase savings account rate, and was repayable on 16 January 2002. The note was redeemed in May 2001 and replaced by a new convertible loan note in the amount of US\$180,000, maturing in May 2002, secured on all the assets and intellectual property of the investee and bearing interest at 5.6% per annum.

15 Amounts due from/to subsidiaries

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

The amount due from subsidiaries under current assets is stated net of a provision of HK\$17,000,000 (2000: HK\$Nil).

16 Trade receivables (group and company)

This includes approximately HK\$10,711,000 (2000: HK\$15,525,000) due from customers in which the group holds equity interests (Note 14).

During the year, trade receivables amounting to approximately HK\$18,808,000 (2000: HK\$ Nil) due from certain investee companies were converted by the group into additional equity interests in these investee companies (Note 14).

In accordance with a non-legally binding arrangement, Rmb16,000,000 (approximately HK\$15,056,000) of the balance is proposed to be converted into an equity interest in a joint venture to be established by a subsidiary of the company and an unrelated third party customer subsequent to the year end. The establishment of this joint venture is subject to further negotiation, appropriate due diligence and the signing of a legally binding joint venture agreement.

17 Other investments

	Group	
	2001	2000
	<i>HK\$'000</i>	<i>HK\$'000</i>
Equity securities listed outside Hong Kong	10,508	—
Unlisted convertible loan notes	17,500	—
	<u>28,008</u>	<u>—</u>

The unlisted convertible loan notes comprise:

- a) A convertible loan note between one of the company's subsidiaries and a quoted investee company. The convertible loan note is in the principal sum of HK\$18,000,000, unsecured, bears interest at 5% per annum and is repayable on 19 November 2001. It carries a right to convert into shares of GBP0.01 each in the investee company at a price of GBP0.30 per share on or before the maturity date. As at 31 March 2001, an amount of HK\$2,500,000 had been redeemed.
- b) A convertible loan note between one of the company's subsidiaries and an unquoted third party company. The note was in the principal sum of HK\$2,000,000, unsecured and bore interest at 12% per annum. It had a right to convert into 2,183,600 new ordinary shares of Rmb1.00 each in the third party company on or before the maturity date. It matured on 8 April 2001 without the exercise of the conversion rights.

18 Loans from shareholders

In 2000, the loans from shareholders were unsecured, interest-free and without fixed terms of repayment.

19 Long-term liabilities

	Group and Company	
	2001	2000
	<i>HK\$'000</i>	<i>HK\$'000</i>
Bank loan - secured*	60,000	—
Obligations under finance lease	362	—
	<u>60,362</u>	<u>—</u>
Current portion of long-term liabilities	(15,079)	—
	<u>45,283</u>	<u>—</u>

All of the long-term liabilities are wholly repayable within five years.

19 Long-term liabilities (Continued)

At 31 March 2001, the group's bank loan and obligations under finance lease were repayable as follows:

	Bank loan		Obligations under finance lease	
	2001 HK\$'000	2000 HK\$'000	2001 HK\$'000	2000 HK\$'000
Within one year	15,000	—	79	—
In the second year	15,000	—	86	—
In the third to fifth year	30,000	—	197	—
	<u>60,000</u>	<u>—</u>	<u>362</u>	<u>—</u>

* The bank loan is secured by a second legal charge on the company's land and building (note 10) and bank deposits totalling HK\$40,000,000. The loan bears interest at HIBOR plus 1.2% per annum and is repayable in 60 instalments from 26 April 2001 to 25 March 2006.

20 Amount due to a shareholder and former director

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

21 Convertible note

On 13 July 2000, the company issued a convertible note in the principal amount of HK\$35,675,100 at par to a wholly-owned subsidiary of Cheung Kong (Holdings) Ltd as part of the consideration for the purchase of the company's office premises at 79/F, The Center, 99 Queen's Road Central, Hong Kong.

The convertible note is secured by a first legal charge over the office premises, bears interest at The Hongkong and Shanghai Banking Corporation Limited prime lending rate and carries a right to convert into ordinary shares of HK\$0.05 each in the company at a price of HK\$3.4125 per share on or before the maturity date of 12 January 2002.

22 Share capital

	Authorised			
	2001		2000	
Ordinary shares of HK\$0.05 each	No. of shares	HK\$'000	No. of shares	HK\$'000
At 1 April 2000/1999	1,000,000,000	50,000	16,000,000	16,000
Increases in authorised share capital	—	—	984,000,000	34,000
At 31 March 2001/2000	<u>1,000,000,000</u>	<u>50,000</u>	<u>1,000,000,000</u>	<u>50,000</u>

	Issued and fully paid			
	2001		2000	
	No. of shares	HK\$'000	No. of shares	HK\$'000
At 1 April 2000/1999	750,000,000	37,500	16,000,000	16,000
Issue of shares (see below)	1,500,000	75	734,000,000	21,500
At 31 March 2001/2000	<u>751,500,000</u>	<u>37,575</u>	<u>750,000,000</u>	<u>37,500</u>

The following changes in the share capital of the company took place during the year ended 31 March 2001:

On 17 October 2000, pursuant to the general mandate granted to the directors at an extraordinary general meeting of the company held on 7 July 2000, 1,500,000 shares of HK\$0.05 each were issued and allotted at a price of HK\$3 per share as part of the consideration for one of the company's subsidiaries subscribing for 1,587,302 shares of Series B Preferred Stock in an investee company.

At an extraordinary general meeting of the company held on 21 November 2000, the Share Option Scheme was approved and adopted. Options to subscribe for 20,000,000 ordinary shares of the company have been granted to selected full-time employees of the group during the year. The grantees are entitled to exercise their options at prices ranging from HK\$0.63 to HK\$0.734 per share. At 31 March 2001, there were 20,000,000 options outstanding which are exercisable at any time within three years commencing one year after the respective dates of offer of the grants.

23 Reserves

Group

	Share premium		Retained profit/ (accumulated losses)		Total	
	2001 HK\$'000	2000 HK\$'000	2001 HK\$'000	2000 HK\$'000	2001 HK\$'000	2000 HK\$'000
At 1 April 2000/1999	481,778	—	(4,808)	(73,696)	476,970	(73,696)
Issue of shares	4,425	481,778	—	—	4,425	481,778
Profit for the year	—	—	37,389	68,905	37,389	68,905
Write off of goodwill on consolidation	—	—	(9,080)	(17)	(9,080)	(17)
At 31 March 2001/2000	<u>486,203</u>	<u>481,778</u>	<u>23,501</u>	<u>(4,808)</u>	<u>509,704</u>	<u>476,970</u>

Company

	Share premium		Retained profits/ (accumulated losses)		Total	
	2001 HK\$'000	2000 HK\$'000	2001 HK\$'000	2000 HK\$'000	2001 HK\$'000	2000 HK\$'000
At 1 April 2000/1999	481,778	—	25,922	(28,344)	507,700	(28,344)
Profit for the year	—	—	3,654	54,266	3,654	54,266
Issue of shares	4,425	481,778	—	—	4,425	481,778
At 31 March 2001/2000	<u>486,203</u>	<u>481,778</u>	<u>29,576</u>	<u>25,922</u>	<u>515,779</u>	<u>507,700</u>

24 Deferred taxation

	Group and Company	
	2001	2000
	HK\$'000	HK\$'000
At 1 April 2000/1999	—	—
Transfer from profit and loss account (<i>note 5</i>)	1,500	—
At 31 March 2001/2000	1,500	—

The above deferred taxation has been provided in respect of accelerated depreciation allowances.

The potential deferred taxation asset/(liability) not provided for in the accounts amounts to:

	Group		Company	
	2001	2000	2001	2000
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Accelerated depreciation allowances	(346)	—	(608)	—
Tax losses	9,852	9,229	—	—
Other timing differences	319	—	295	—
	9,825	9,229	(313)	—

25 Notes to the consolidated cash flow statement

(a) Reconciliation of profit before taxation to net cash inflow from operating activities

	2001 <i>HK\$'000</i>	2000 <i>HK\$'000</i>
Profit before taxation	42,747	74,075
Depreciation	5,994	3,367
Share of loss of the jointly controlled entity	345	—
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	439	15
Gain on disposal of investment securities	(20,754)	—
Decrease/(increase) in trade receivables and accrued revenue	15,739	(66,122)
Increase in deposits, prepayments and other receivables	(4,062)	(5,159)
(Decrease)/increase in trade and other payables	(24,578)	32,155
Increase in amount due from a jointly controlled entity	(1,762)	—
Interest income	(13,069)	(9,337)
Interest expense	5,524	2,582
	<hr/>	<hr/>
Net cash inflow from operating activities	<u>6,563</u>	<u>29,720</u>

25 Notes to the consolidated cash flow statement (Continued)

(b) Analysis of changes in financing during the year

	Share capital		Loans from shareholders and amount due				Obligations under				Bank deposits pledged for bank loan and facilities	
	including premium		to a third party		Minority interests		finance lease		Bank loan			
	2001 HK\$'000	2000 HK\$'000	2001 HK\$'000	2000 HK\$'000	2001 HK\$'000	2000 HK\$'000	2001 HK\$'000	2000 HK\$'000	2001 HK\$'000	2000 HK\$'000	2001 HK\$'000	2000 HK\$'000
At 1 April 2000/1999	519,278	16,000	5,000	73,167	2,000	—	—	—	—	—	(5,000)	—
Capital injection to a subsidiary	—	—	—	—	—	2,000	—	—	—	—	—	—
New bank loan	—	—	—	—	—	—	—	—	60,000	—	—	—
Issue of shares	4,500	538,250	—	—	—	—	—	—	—	—	—	—
Share issue expenses	—	(34,972)	—	—	—	—	—	—	—	—	—	—
Repayment of loans	—	—	(5,000)	(60,355)	—	—	—	—	—	—	—	—
Unpaid interest for the year	—	—	—	1,993	—	—	—	—	—	—	—	—
Waiver of accrued interest	—	—	—	(9,805)	—	—	—	—	—	—	—	—
Inception of finance lease	—	—	—	—	—	—	435	—	—	—	—	—
Repayment of finance lease	—	—	—	—	—	—	(73)	—	—	—	—	—
Bank deposits pledged	—	—	—	—	—	—	—	—	—	—	(40,000)	(5,000)
At 31 March 2001/2000	<u>523,778</u>	<u>519,278</u>	<u>—</u>	<u>5,000</u>	<u>2,000</u>	<u>2,000</u>	<u>362</u>	<u>—</u>	<u>60,000</u>	<u>—</u>	<u>(45,000)</u>	<u>(5,000)</u>

(c) Major non-cash transactions

During the year, the company issued a convertible note in the principal amount of HK\$35,675,100 (2000: HK\$Nil) at par as part of the consideration for the purchase of the company's office premises (Note 21). A deposit of HK\$82,700,000 paid in 2000 was applied towards the total purchase consideration for the office premises.

Part of the consideration for the purchase of investment securities during the year comprised the issue of 1,500,000 ordinary shares of the company at HK\$3 per share (2000: HK\$Nil).

26 Banking facilities and contingent liabilities

- (a) As at 31 March 2001, the group was granted banking facilities totalling HK\$15 million (2000: HK\$5 million), secured on the group's bank deposits of HK\$5 million (2000: HK\$5 million).
- (b) As at 31 March 2001, 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.

27 Commitments

(a)	Group	
	2001 HK\$'000	2000 HK\$'000
Capital commitments for investment in a jointly controlled entity		
Contracted but not provided for	<u>4,710</u>	<u>—</u>
Capital commitments for investment in investment securities and purchase of land and buildings		
Contracted but not provided for	—	100,781
Authorised but not contracted for	—	31,477
	<u>—</u>	<u>132,258</u>

(b) Commitments under operating leases

At 31 March 2001, 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	
	2001 HK\$'000	2000 HK\$'000
Within one year	510	1,633
In the second to fifth year inclusive	634	540
	<u>1,144</u>	<u>2,173</u>

28 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:

	<i>Note</i>	2001 <i>HK\$'000</i>	Group 2000 <i>HK\$'000</i>
Rental charges paid to Cheng Wan Cheung and Cheng Kin Kwan (directors)	(a)	846	911
Interest paid on loans from Mr Choi (shareholder and former director)		—	2,524
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>

Note:

- (a) This represents the lease of the office at Guangzhou in the PRC at monthly rentals ranging from HK\$34,000 to HK\$45,000 based on market rates (2000: ranging from HK\$45,000 to HK\$98,000).

29 Post balance sheet date events

- (a) On 29 March 2001, the company entered into an equity joint venture agreement with a PRC independent third party, Tianjin Information Port Development Co., Ltd., pursuant to which an equity joint venture company is to be set up with a registered capital of Rmb15,000,000 (approximately HK\$14,130,000) for the operation of an Internet Resources Platform in Tianjin. The company will invest Rmb5,000,000 (approximately HK\$4,710,000) representing 33.33% of the registered capital of the joint venture company. The capital injection is to be satisfied by the payment of Rmb2,000,000 (approximately HK\$1,884,000) in cash and Rmb3,000,000 (approximately HK\$2,826,000) by way of the issue and allotment to the joint venture company of 2,869,035 new ordinary shares of HK\$0.05 each of the company at HK\$0.985 per share.
- (b) On 12 April 2001, Timeless Strategy Ltd. ("Timeless Strategy"), a subsidiary of the company, entered into a Subscription Agreement with COL Net Securities Trading Services Ltd ("COL Net"), a company incorporated in Hong Kong, to subscribe for 222,222 new ordinary shares representing 10% of the enlarged issued share capital of COL Net for a total consideration of HK\$12,800,000. The consideration is to be satisfied by the issue and allotment to COL Net of 16,000,000 new ordinary shares of HK\$0.05 each of the company at HK\$0.80 per share. This transaction was completed in May 2001.

29 Post balance sheet date events (Continued)

- (c) On 20 April 2001, Timeless Strategy entered into a Sale & Purchase agreement with a third party to acquire 700 shares of US\$1.00 each representing 70% of the issued share capital of China Lake International Ltd., a company incorporated in the British Virgin Islands, for a total consideration of HK\$16,744,000. The consideration is to be satisfied by the payment of HK\$1,000,000 in cash and HK\$15,744,000 by way of the issue and allotment to the third party of 16,000,000 new ordinary shares of HK\$0.05 each of the company at HK\$0.984 per share. This transaction was completed in May 2001.
- (d) On 9 May 2001, Timeless Strategy entered into a Subscription Agreement with BBVision Inc., a company incorporated in the British Virgin Islands and in which Timeless Strategy held a 19.5% equity interest as at 31 March 2001, to subscribe for a further 1,834,500 ordinary shares of US\$0.01 each in the investee at US\$0.13 (equivalent to HK\$1.00) per share for cash, thereby taking Timeless Strategy's equity interest from 19.5% to 51%. This transaction was completed in May 2001. Furthermore, Timeless Strategy agreed to provide a shareholder's loan of not more than US\$350,000 to finance the investee's operations up to 31 March 2002. The shareholder's loan is unsecured, bears interest at 3% per annum and has no fixed terms of repayment.
- (e) On 30 May 2001, the company entered into a Sale & Purchase Agreement with third parties to acquire 1,030 ordinary shares of HK\$1.00 each representing the entire issued share capital of Iazonline.com Limited, a company incorporated in Hong Kong, for a total consideration of HK\$900,000 in cash. This transaction was completed in June 2001.
- (f) On 17 June 2001, the company entered into a Subscription Agreement with a PRC independent third party, West China Electronic Business Co., Ltd. ("West China"), pursuant to which the company agreed to subscribe for 7,035,000 new shares in the West China for a consideration of Rmb70,350,000 (approximately HK\$66,199,000). The consideration is to be satisfied by the payment of Rmb21,105,000 (approximately HK\$19,860,000) in cash and Rmb49,245,000 (approximately HK\$46,339,000) by way of the issue and allotment of 44,429,094 new ordinary shares of the company ("consideration shares"). Completion of this acquisition will take place upon the obtaining of the listing approval of the consideration shares from The Stock Exchange of Hong Kong Limited.

30 Comparatives

Certain comparative figures have been adjusted to conform with changes in presentation in the current year. These adjustments relate to disclosure of accrued revenue and pledged deposits in the consolidated and entity balance sheets, reclassification of certain amounts due from subsidiaries from short-term to long-term, and analysis of turnover into amounts derived from jointly controlled entity, other investees, investees acquired after year end and third parties (Note 2). These adjustments do not affect the consolidated profit for the year ended 31 March 2000.

31 Approval of accounts

The accounts were approved by the board of directors on 18 June 2001.

Comparative table of results, assets and liabilities

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

	Period from 12 March 1996 (date of incorporation) to 31 March		Year ended 31 March		2001 HK\$'000
	1997 HK\$'000	1998 HK\$'000	1999 HK\$'000	2000 HK\$'000	
Profit/(loss) before taxation	(12,133)	(25,058)	(15,635)	74,075	42,747
Taxation	—	—	—	(5,170)	(5,358)
Profit/(loss) before minority interests	(12,133)	(25,058)	(15,635)	68,905	37,389
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>	<u>37,389</u>
Total assets	33,832	33,358	23,947	575,271	670,869
Total liabilities	<u>(52,610)</u>	<u>(80,012)</u>	<u>(81,643)</u>	<u>(60,801)</u>	<u>(123,590)</u>
Net assets/(liabilities)	<u>(18,778)</u>	<u>(46,654)</u>	<u>(57,696)</u>	<u>514,470</u>	<u>547,279</u>

Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN that the Annual General Meeting of the company will be held at Coral Room 1, 3/F., Furama Hotel Hong Kong, One Connaught Road Central, Hong Kong on Friday, 3 August 2001 at 3:30 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 2001;
2. To re-elect directors;
3. To appoint auditors and to authorise the directors to fix their remuneration; and
4. As special business, to consider and if thought fit, to pass the following resolutions as ordinary resolutions of the company, namely:-

ORDINARY RESOLUTIONS

(A) **“THAT:**

- (i) subject to paragraph (ii) below, the exercise by the directors during the Relevant Period (as hereinafter defined) of all the powers of the company to repurchase shares in the capital of the company on The Growth Enterprise Market (“GEM”) of The Stock Exchange of Hong Kong Limited (“Stock Exchange”) or on any other stock exchange on which the shares of the company may be listed and recognised for this purpose by the Securities and Futures Commission and the Stock Exchange in accordance with all applicable laws and the requirements of the Rules Governing the Listing of Securities on GEM of the Stock Exchange (as amended from time to time) or of any other stock exchange, be and is hereby generally and unconditionally approved;
- (ii) the aggregate nominal amount of ordinary shares of the company to be repurchased by the company pursuant to the approval in paragraph (i) above shall not exceed 10% of the aggregate nominal amount of the share capital of the company in issue at the date of passing this Resolution and the said approval shall be limited accordingly; and

(iii) for the purposes of this Resolution, "Relevant Period" means the period from the date of passing of this Resolution until whichever is the earliest of

- (a) the conclusion of the next Annual General Meeting of the company;
- (b) the expiration of the period within which the next Annual General Meeting of the company is required by law to be held; and
- (c) the date on which the authority set out in this Resolution is revoked or varied by an ordinary resolution of the shareholders in general meeting of the company."

(B) "THAT:

- (i) subject to paragraph (iii) below, the exercise by the directors during the Relevant Period (as hereinafter defined) of all the powers of the company to allot, issue and deal with additional shares in the capital of the company and to make and grant offers, agreements and options (including warrants, bonds, debentures, notes and other securities which carry rights to subscribe for or are convertible into shares of the company) which would or might require shares to be allotted be and is hereby generally and unconditionally approved;
- (ii) the approval in paragraph (i) above shall authorise the directors of the company during the Relevant Period to make and grant offers, agreements and options (including warrants, bonds, debentures, notes and other securities which carry rights to subscribe for or are convertible into shares of the company) which would or might require shares to be allotted after the end of the Relevant Period;

(iii) the aggregate nominal amount of share capital allotted or agreed conditionally or unconditionally to be allotted (whether pursuant to an option or otherwise) by the directors of the company pursuant to the approval in paragraph (i) above, otherwise than pursuant to (a) a Rights Issue (as hereinafter defined); or (b) an issue of shares upon the exercise of subscription rights under any option scheme or similar arrangement for the grant or issue to officers or employees of the company and/or its subsidiaries of shares or rights to acquire shares of the company; or (c) any issue of shares pursuant to the exercise of rights of subscription or conversion under the terms of any existing warrants, bonds, debentures, notes and other securities of the company; or (d) an issue of shares pursuant to any scrip dividend or similar arrangement providing for the allotment of shares in lieu of the whole or part of the dividend on shares of the company in accordance with the Articles of Association of the company, shall not exceed 20% of the aggregate nominal amount of the ordinary share capital of the company in issue at the date of passing this Resolution and the said approval shall be limited accordingly; and

(iv) for the purposes of this Resolution:

“Relevant Period” means the period from the date of passing of this Resolution until whichever is the earliest of

- (a) the conclusion of the next Annual General Meeting of the company;
- (b) the expiration of the period within which the next Annual General Meeting of the company is required by law to be held; and
- (c) the date on which the authority set out in this Resolution is revoked or varied by an ordinary resolution of the shareholders in general meeting of the company.

“Rights Issue” means an offer of shares of the company or issue of option, warrants or other securities giving the right to subscribe for shares of the company, open for a period fixed by the directors of the company to holders of shares, or any class of shares, whose names appear on the register of members of the company (and, where appropriate, to holders of other securities of the company entitled to

the offer) on a fixed record date in proportion to their holdings of such shares (or, where appropriate, such other securities) as at that date (subject to such exclusions or other arrangements as the directors of the company may deem necessary or expedient in relation to fractional entitlements or having regard to any restrictions or obligations under the laws of, or the requirements of any recognised regulatory body or any stock exchange in, any territory applicable to the company).”

- (C) “**THAT** the general mandate granted to the directors of the company to exercise the powers of the company to allot, issue and deal with any additional shares of the company pursuant to Resolution (B) set out in the notice convening this meeting be and is hereby extended by the addition thereto of an amount representing the aggregate nominal amount of the share capital of the company repurchased by the company under the authority granted pursuant to Resolution (A) set out in the notice convening this meeting, provided that such extended amount shall not exceed 10 per cent. of the aggregate nominal amount of the share capital of the company in issue at the date of passing this Resolution.”

By Order of the Board

Law Kwai Lam

Secretary

Hong Kong, 28 June 2001

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 attorney, must be deposited at the registered office of the company at 79/F., The Center, 99 Queen’s Road Central, Hong Kong not less than 48 hours before the time appointed for holding the meeting or any adjournment thereof.
3. An Explanatory Statement containing further details regarding ordinary resolution no.4(A) as required by the Rules Governing the Listing of Securities on the GEM of the Stock Exchange will be dispatched to members of the company together with the 2001 annual report.