TIMELESS

Software Limited

Annual Report 2002

TCP

Timeless Consolidated Platform

Informatization Age

Timeless Consolidated Platform

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

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

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

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

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Corporate Information

Directors

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

Independent non-executive directors
CHAN Shui Ying Henry
CHONG Siu Pui

Secretary

LAW Kwai Lam

Qualified accountant

SO Mi Ling, Winnie

Compliance officer

LAW Kwai Lam

Audit committee

CHAN Shui Ying Henry
CHONG Siu Pui

Registered Office

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

Auditors

PricewaterhouseCoopers

Legal adviser

Deacons

Bankers

Hang Seng Bank Limited
Standard Chartered Bank

Share Registrars

Computershare Hong Kong
Investor Services Limited
Rooms 1901-5, 19th Floor
Hopewell Centre
183 Queen's Road East
Hong Kong

Chairman's Statement

Mr. Cheng Kin Kwan
Chairman

The substantial loss for the year, after profits recorded in the previous years, was not due to the software development operation, but rather was attributable to two factors:

Firstly, we decided to make full provision on those investments that failed to achieve their respective targets as a result of the 911 incident or of the burst of technology bubble.

Secondly, a number of substantial contracts for this year were obtained in the PRC. The reality of "One Country Two Systems" is, however, that contract terms may have dissimilar interpretations in China and in Hong Kong. Project amounts aggregating over HK$70 million out of the contracts which the Company obtained in Ningxia, China and which were fully endorsed by the local government, were thus not recognized in the accounts for this year.

However, it should be noted that the progress on the development and implementation of these and other contracts that the Company entered into in the PRC this year was smooth. At 31 March 2002, contracts on hand amount to approximately HK$700 million. We are in addition devoting our best endeavors to secure more contracts for the subsequent phases of these existing projects.

Therefore, we are not pessimistic on the results for this year.

Company consolidation and the consolidated platform

As indicated in the report for the first quarter results of this year, one of the focus for this year was to step up efforts on corporate consolidation and the expedition of the construction of the Group's own consolidated platform. These two tasks were closely linked, in term of finance and in term of technology.

With respect to finance, the Company endeavoured to minimize its expenditures on three fronts: staff deployment through the elite system, combination of the development workflow of the consolidated platform and the contracted projects, as well as the strengthening of the development results from the Tsinghua Timeless Research Centre in Beijing. These have helped reduce the costs of platform and project developments.

With respect to technology, we insist to build a business platform for each of the affiliates that the Group has invested, that is compatible with their operations through contractual arrangement. Such platforms covered areas in operation and technology extensively. In fact, in technological terms, such platforms covered every aspects of the information networking environment.

During the year, we have enabled and completed the thorough consolidation, inter-connection and integration of these platforms, and connected them with the consolidated platform that Timeless has been developing. From the point of structure, embedding and connection have been achieved. Based on the foundation of the Timeless Consolidated Platform that has been developed for six years, the first version of Timeless Consolidated Platform (TCP.VI) has been built successfully.

We can declare from the above that our efforts in consolidating the affiliates were effective. All platforms of the affiliates, including those that we have made full provision on, have contributed to the completion of the Timeless Consolidated Platform, and have their intrinsic values.

Project development and consolidated platform

A substantial amount of the contracts entered into this year involved information and networking technologies that were highly complicated and difficult to implement. Such technologies have no existing products and solutions. At the same time, they are cross-platform application projects which cannot be handled by any existing stand-alone platform. As a result, such projects have to be developed on a consolidated platform.

Thus, the most important task for this year will be the integration of the projects completed with the consolidated platform.

Our strategy from the outset is to develop projects under the direction of the consolidated platform, particularly the direction of the key technology under the consolidated platform on the one hand, and to expand structure of the consolidated platform by every results developed by the projects on the other hand.

We have set up a committee for the consolidated platform and working group for the project execution for implementation purpose. The standard for the expedition in the parallel development of software was preliminarily determined.

The underlying business of the Company has always been software development. During the year, software development was commenced with a view to meet requirements of the market. Therefore, various platform products were developed based on a consolidated platform. These products in turn constituted the application solutions for various platforms, as well as the stand-alone platforms for particular industries. This will also be regarded as the ultimate solution to the cost and efficiency of project development.

Market standards and consolidated platform

In a market where requirements for application are diversified, the market share and profitability of any product, solution and platform are determined by two factors: whether they are able to integrate with the existing structure and whether they are standardized or not.

Therefore, during the year, under the combination of consolidated platform and market standards, more efforts have been focused on the market techniques and securing of the focusing of technology market on market standards. In the actual case, the success of Microsoft has been based on software development for a decade, and ultimately won a standard in a PC market consolidation.

During the year, we have at last completed our efforts in becoming the standards of six sets of software packages, and application for certification was made to the relevant government authorities of the PRC. Approval was granted in May 2002 for these software packages which will be used nationwide. These packages are as follows:

— Timeless Consolidated Platform

— Timeless Consolidated Platform - eLogistics Suite

— Timeless Consolidated Platform - eMedia Suite

— Timeless Consolidated Platform - eLearning Suite

— Timeless Consolidated Platform - eGovernment Suite

— Timeless Consolidated Platform - eEnterprise Suite

Each of the above packages contains one or various standards. They enable the Timeless platform to be specific and market-oriented, and explored the actual path to win market standards for the Timeless Consolidated Platform.

Conclusion

In this software dominant era, the strength of our competitiveness has its base on our solid software development capabilities. During the year, such capability was fully reflected in the vitality of the Timeless Consolidated Platform TCP.VI that has just been initially established. Timeless Consolidated Platform almost represents the entire value of Timeless itself. We have so much confidence in this consolidated platform that we move to make substantial provisions on our past investments, so as to reap the fruits that are going to bear from Timeless Consolidated Platform in the years to come.

In fact, the time when we can derive positive contribution from the Timeless Consolidated Platform will be the time for us to celebrate. After spending six years persistently developing the consolidated platform, and after the countless difficult moments, this time will not be remote for Timeless.

On behalf of the Board
Cheng Kin Kwan
Chairman

Hong Kong, 21 June 2002

Review of Operations

Results for the year

A series of unexpected events happened in the latter part of year 2001. The immediate shocks had been profound, the aftershocks far-reaching and they are seen still impacting every walk of life, every business and every economy around the world. In keeping with unfolding developments in this ever-changing environment, the Directors have decided to take a more conservative view on, and to apply more stringent estimation criteria toward, the treatments of various of the Group's ongoing projects and investments. The Directors noted that following recent international examples of accounting failures, it is becoming market practice for companies to take a more conservative view for accounting purposes.

The loss for the year was approximately HK$338.1 million compared to a profit of approximately HK$37.4 million in previous year, which was mainly resulted from the deferral of recognition of work in progress and revenues of certain projects and provisions being made on certain assets of the Group. The Directors would stress that such work in progress will be recognized when the relevant projects are in more advanced stages and that provisions are only made pursuant to conservative management. The Directors have no reason to believe that any work in progress or assets will not be recognized or recovered in future. The Directors would also like to stress that the afore-mentioned accounting treatments do not have any adverse impact on the operations of the Group.

The effect of the adoption of a more conservative view in accounting treatments is described in the following paragraphs.

Accrued revenues

The Group has reported aggregate accrued revenues of approximately HK$35.4 million over the three previous interim accounting periods between 1 April 2001 and 31 December 2001 from its ongoing projects with MediaFriendly, Inc. in the U.S. as well as government projects with West China Electronic Business Co. Ltd. and Ningxia Educational Information Technology Co. Ltd. in the Ningxia Province of the People's Republic of China ("PRC"). In view of the long term nature of the projects, the Directors believe that it would be more appropriate not to recognize the revenues until such time when the projects are in more advanced stages. However, the Directors are pleased to note that the progress of these projects is satisfactory.

Provisions for accounts receivable

In line with the Group's conservative management, the Directors have decided to give full provision to its doubtful account receivables, in the approximate sum of HK$39.5 million, that had been due for over one year or recoverability of which is uncertain. The Directors have had discussions with the management of and have reviewed the financial statements of these debtors and are pleased to note that some of these debts would be repaid. However, in view of the volatile markets, the Directors believe that it would be appropriate to take a more conservative view for all of these debts.

Provision for investment securities and other investments

The total provision for impairment losses of investment securities and other investments amounted to approximately HK$109.7 million for the year ended 31 March 2002. The Directors noted that the market conditions for technology stocks all over the world have been adverse in recent years. The Directors further noted that the stock value of even some of the more formidable international technology companies had been affected by these adverse market conditions. Although the Group adopts conservative and defined investment strategies and closely monitors the technology companies in which it invested, the Directors note that the value of its investments may be adversely affected by volatile market conditions beyond their control or that of the management of such companies. The Directors have therefore taken the decision to make full provision and write down to their fair value.

Provisions for intangible assets

The total provision for impairment losses on goodwill on acquisition of subsidiaries and associated companies amounted to approximately HK$152.2 million. The Directors are pleased to note that the Group has invested in various sound and formidable PRC entities. Whilst the Directors are confident in the future profitability and success of these PRC entities, particularly in view of the recent accession of the PRC to the WTO, these entities are still in an early stage of development. The Directors do not wish to paint a rosy picture prematurely and have therefore decided to make provision for any goodwill arising from such investments.

The total provision for impairment losses on computer software development costs amounted to approximately HK$17.9 million. This represents the computer software development costs of two subsidiaries which the Group acquired during the year. As the successes of the software applications possessed by these newly acquired subsidiaries have yet to be tested in the market, the Directors have therefore decided to make provision for such assets.

Liquidity and financial resources

The Group generally financed its operations and investing activities with internally generated cash flows and loan from a bank.

As at 31 March 2002, the Group had bank balances and cash (excluding pledged bank deposits) of approximately HK$56.4 million compared to approximately HK$167.6 million as at 31 March 2001. During the year, the Group utilized approximately HK$60 million in investing activities and approximately HK$58.7 million in repaying the bank loan, convertible note and an amount due to a shareholder and former director.

As at 31 March 2002, the Group had a bank loan of HK$45 million and obligation under finance lease of HK$0.3 million. The bank loan is an installment loan and will be fully repaid in 2006. Subsequent to 31 March 2002, the Group was able to renew the banking facilities with this bank for more favourable terms. Apart from enjoying the reduction of interest rate from 1.2% over HIBOR per annum to 1% over HIBOR per annum, the pledged deposits of HK$30 million was released and an overdraft facility of HK$10 million was granted. This revision of the banking facilities has undoubtedly improved the cash flow of the Group.

The following is the maturity profile of the Group's bank loan as of 31 March 2002:

Within one year	33.3%
In the 2nd year	22.2%
In the 3rd to 5th year	44.5%
	100.0%

Gearing ratio

The gearing ratio of the Group, which is calculated as the ratio of total borrowings to shareholders' funds, was 13% compared to 19% in previous year.

Charge on the Group's assets

As at 31 March 2002, the Group's headquarters at 79/F The Center, 99 Queen's Road Central, Hong Kong and bank deposits of HK$30 million were pledged to a bank for a loan of HK$45 million as mentioned in the previous paragraph. The pledged deposits of HK$30 million was released subsequent to the financial year end upon renewal of banking facilities.

Capital structure

During the year, the Company issued in total 187,355,503 new ordinary shares at prices ranging from HK$0.588 to HK$1.043 per share as part of the consideration for the acquisition of investment securities and investments in associated companies and a joint venture (details of each of such Share Transaction defined under the GEM Listing Rules have already been disclosed in separate announcements made by the Group previously).

Segmental information

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

In respect of business segments, the Group continues to focus on software development. Activity under investment segment decreased in view of the adverse market conditions.

In respect of geographical segments, there was a change during the year. Turnover generated from mainland China represents approximately 67% of the total turnover of the Group during the year ended 31 March 2002 compared to approximately 64% in previous year. As the Group has substantial contracts on hand in mainland China, it is expected that the level of the Group's activities in mainland China will continue to increase in future.

Order book and prospects for new business

Please refer to chairman's statement for description of the prospects and amount of orders on hand of the Group.

Material acquisitions and disposal of subsidiaries and affiliates

The Group has made the following material investments in joint ventures, associated companies and subsidiary during the year:

	Percentage of interests held	Costs of investments/ deposits paid HK$'million
China Lake International Limited	70%	16.7
West China Electronic Business Co. Ltd.	25%	73.9
Ningxia Educational Information Technology Co. Ltd.*	25%	77.7
Tianjin Timeless Cyber Gateway Co. Ltd.	33.3%	4.7
TTA Software Limited*	45%	4.3

* As at year end date, deposits have been paid for these investments pending completion of capital verification. The Directors have no reason to believe that the capital verification process would not be completed.

Apart from the investment in TTA Software Limited, the remaining four of the above investments represent Share Transactions of which details can be referred to separate announcements made by the Group previously. The deposits paid for the investment in TTA Software Limited are entirely in cash and the principal activities of TTA Software Limited will be the conduction of software export business in mainland China.

There was no disposal of subsidiaries and affiliates during the year.

Future plans for material investments

Subsequent to 31 March 2002, the Group entered into an agreement with Grenashe Group Limited (an independent third party) pursuant to which the Group agreed to acquire a 12% interest in Grenashe Group Limited for a cash consideration of HK$9.2 million. The funding of this investment was satisfied by the working capital of the Group and this transaction was completed in May 2002.

Apart from the above, the Group does not have any plan for material investments in the coming year.

Exposure to exchange risks

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

Contingent liabilities

As at 31 March 2002, the Group was granted banking facilities totaling HK$15 million which was secured by the Group's bank deposits of HK$5 million. As at 31 March 2002, none of these banking facilities was utilized by the Group.

As at 31 March 2002, 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. A claim from a customer which relates to a contract of HK$8,580,000 has been agreed by the parties concerned to settle out of the court in June 2002. The total cost incurred for such settlement is estimated to be approximately HK$50,000.

Employee information

As at 31 March 2002, the Group employed a total staff of 152. Staff remuneration is reviewed by the Group from time to time and increases are granted normally annually or by special adjustment depending on length of service and performance when warranted. In addition to salaries, the Group provides staff benefits including medical insurance and provident fund. Share options and bonuses are also available to employees of the Group at the discretion of the Directors and depending upon the financial performance of the Group.

Business Objectives Review

Revenues

As Timeless' Internet Technology Platform (ITP) has evolved into the Timeless Consolidated Platform, it is regarded as an integral and significant part of the Group's assets. Our achievements obtained from the business development in western part of the PRC were made through deploying this platform technology. Operations in the PRC continued to expand, and revenues derived in the PRC accounted for over 65% of the Group's aggregate revenues in the current year. There was not much development in Hong Kong and the United States as the global economy was not yet recovered.

Product development

In the past year, the Group has succeeded in developing applications and products on a platform basis targeting industries with future potentials, and obtained the certification issued by the information technology entities in Guangdong. These solutions and products were applied successfully in projects located within the PRC and overseas, as well as Hong Kong, such as the work-flow project of the Beijing Sports Bureau, the search engine products adopted by the Hong Kong Government, etc. These diverse projects represented the versatile functionalities of the Group's solutions and products to be useful in expanding the sources for new projects and thereby revenues; and projects in the PRC may enjoy tax advantage under PRC's policy to encourage the country's software development industry. The Group had applied the solutions and products in Ningxia and other projects in the PRC, which expedited the development progress of the projects. At the same time, the cost of development was reduced correspondingly.

Marketing

The 911 incident in the United States caused major setback on the Group's expansion in the US market. The Group is currently reviewing its strategies for the overseas market. However, in western and northern parts of the PRC, as well as the existing market in southern part of the PRC, the Group had achieved significant progress. For example, in Tianjin, the Group's cooperation with the Tianjin government and the Free Trade Zone facilitated the expansion of new segments for our current development in the logistic industry. In addition, in the south, the Group has also strengthened its contacts with cooperation partners, with a view to increase our efforts and expand our coverage in diverse industries, such as logistics, transportation and mass media.

Biographical Details of Directors & Senior Management

Directors

Executive directors

Mr. Cheng Kin Kwan, aged 63, 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 38, 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 55, 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 37, 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.

Ms. So Mi Ling, Winnie, aged 34, 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 39, 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.

Independent non-executive directors

Dr. Chan Shui Ying, Henry, aged 62, joined the group as an independent non-executive director in January 2002. Dr. Chan holds a Doctor of Philosophy degree from University of Oxford, United Kingdom and is currently Visiting Fellow, Department of Mathematics, City University of Hong Kong. He is, among others, a fellow of the Institute of Mathematics & Its Application, U. K. and a fellow of the Hong Kong Institution of Engineers. Before working as an academic in Hong Kong, he has long experiences of scientific computations and quality control in UK industry.

Mr. Chong Siu Pui, aged 32, is the General Manager of Commonwill Catering Management Company Limited and has been in the catering management business for ten years. Mr. Chong holds a Bachelor degree in Accountancy from The Hong Kong Polytechnic University and a Master degree in Business Administration from The University of Sydney. He is an associate of the ACCA, an associate of the Hong Kong Society of Accountants as well as an associate of the Australia Society of Accountants. Mr. Chong was appointed as an independent non-executive director in January 2002.

Senior management

Mr. Pun Chung Sang, Trevor, aged 33, 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 2002.

Principal activities and geographical analysis of operations

The principal activities of the company are the provision of computer consultancy services, the resale of computer hardware and software, the software development and investment holding. The principal activities of the subsidiaries are set out in note 12 to the accounts.

An analysis of the group's performance for the year by business and geographical segments 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 23.

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 2002 are set out in note 12 to the accounts.

Fixed assets

Details of the movements in fixed assets of the group and the company are set out in note 11 to the accounts.

Share capital

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

Accumulated deficit of distributable reserves

The accumulated deficit of distributable reserves of the company at 31 March 2002, calculated in accordance with section 79B of the Companies Ordinance, amounted to HK$280,630,000 (2001: Accumulated surplus of HK$29,576,000).

Five year financial summary

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 62.

Purchase, sale or redemption of shares

The company has not redeemed any of its shares during the year. Neither the company nor any of its subsidiaries has purchased or sold any of the company's shares during the year.

Share Options

Share options have been granted to full-time employees (including executive directors) under the Share Option Scheme approved by the shareholders at an Extraordinary General Meeting on 21 November 2000 (the "Scheme"). Details of the Scheme are as follows:

(a) Purpose of the Scheme

It is in line with modern commercial practice that directors and employees should be given incentives in the form of options to subscribe for shares. The directors realise that qualified and skilled persons are in demand and believe that having a share option scheme in place is one of the most attractive means to attract those persons to contribute to the continuous development of the group. The directors believe that in some instances, the granting of share options instead of cash consideration when recruiting such persons is more beneficial for the group.

(b) Participants of the Scheme

The company may grant options to any full-time employees (including executive directors) of the company or of its subsidiaries to subscribe for shares in the company.

(c) Total number of shares available for issue under the Scheme

Pursuant to the letter issued by the Stock Exchange on 6 December 2000, the total number of shares in respect of which options may be granted is 75,150,000 shares, which is equivalent to 10% of the issued share capital of the company at the date of approval of the Scheme.

As at 31 March 2002, the total number of shares of the company available for issue under the Scheme was 33,670,000, representing approximately 3.55% of the enlarged issued share capital of the company as at 21 June 2002.

(d) Maximum entitlement of each participant

No participant shall be granted an option which, if exercised in full, would result in such person's entitlement exceeding 25% of the aggregate number of shares of the company for the time being issued and issuable under the Scheme.

(e) Exercise of options

An option may be exercised in accordance with the terms of the Scheme at any time during a period to be determined by the directors and notified to each grantee at the time of grant. Such period of time shall not exceed a period of 5 years commencing on the expiry of 1 year after the date of grant.

An option shall lapse automatically (to the extent not already exercised) on the date of cessation of employment by reason either of voluntary resignation, retirement or expiry of employment contract, or of dismissal.

(f) Payment on acceptance of option

Pursuant to the Scheme, HK$1 is payable by the grantee to the company on acceptance of the option within 28 days from the date of grant.

Share Options (Continued)

(g) Basis of determining the subscription price

The subscription price per share under the Scheme shall be a price determined at the discretion of the directors and notified to each grantee and will be the highest of:-

(i) the closing price of the shares as stated in the Stock Exchange's daily quotations sheet on the date of grant, which must be a business day;

(ii) the average of the closing prices of the shares as stated in the Stock Exchange's daily quotations sheets for the five business days immediately preceding the date of grant; and

(iii) the nominal value of a share of the company.

(h) Remaining life of the Scheme

The Scheme will remain valid until 20 November 2010.

Share Options (Continued)

(i) Share options outstanding

Details of the outstanding options granted under the Scheme as at 31 March 2002 are as follows:

Directors:	Options: As at 1 April 2001	Options: Granted during the year	Options: Exercised during the year	Options: Lapsed during the year	Options: As at 31 March 2002	Subscription price per share HK$	Date of grant	Option period
Cheng Kin Kwan	1,500,000	—	—	—	1,500,000	0.630	6/3/2001	6/3/2002 - 5/3/2005
	—	500,000 *(note 2)*	—	—	500,000	0.818	27/4/2001	27/4/2002 - 26/4/2005
	—	800,000 *(note 4)*	—	—	800,000	0.445	3/10/2001	3/10/2002 - 2/10/2005
Law Kwai Lam	800,000	—	—	—	800,000	0.630	6/3/2001	6/3/2002 - 5/3/2005
	—	200,000 *(note 2)*	—	—	200,000	0.818	27/4/2001	27/4/2002 - 26/4/2005
	—	200,000 *(note 4)*	—	—	200,000	0.445	3/10/2001	3/10/2002 - 2/10/2005
Chung Yiu Fai	1,000,000	—	—	—	1,000,000	0.630	6/3/2001	6/3/2002 - 5/3/2005
	—	200,000 *(note 2)*	—	—	200,000	0.818	27/4/2001	27/4/2002 - 26/4/2005
	—	500,000 *(note 4)*	—	—	500,000	0.445	3/10/2001	3/10/2002 - 2/10/2005
Leung Mei Sheung Eliza	1,000,000	—	—	—	1,000,000	0.630	6/3/2001	6/3/2002 - 5/3/2005
	—	200,000 *(note 2)*	—	—	200,000	0.818	27/4/2001	27/4/2002 - 26/4/2005
	—	500,000 *(note 4)*	—	—	500,000	0.445	3/10/2001	3/10/2002 - 2/10/2005

Share Options (Continued)

(i) Share options outstanding (Continued)

Directors:	As at 1 April 2001	Options: Granted during the year	Options: Exercised during the year	Options: Lapsed during the year	Options: As at 31 March 2002	Subscription price per share HK$	Date of grant	Option period
So Mi Ling Winnie	300,000	—	—	—	300,000	0.630	6/3/2001	6/3/2002 - 5/3/2005
	—	200,000 *(note 2)*	—	—	200,000	0.818	27/4/2001	27/4/2002 - 26/4/2005
	—	200,000 *(note 4)*	—	—	200,000	0.445	3/10/2001	3/10/2002 - 2/10/2005
Wong Wai Ping Mandy	800,000	—	—	—	800,000	0.630	6/3/2001	6/3/2002 - 5/3/2005
	—	200,000 *(note 2)*	—	—	200,000	0.818	27/4/2001	27/4/2002 - 26/4/2005
	—	500,000 *(note 4)*	—	—	500,000	0.445	3/10/2001	3/10/2002 - 2/10/2005
Continuous contract employees	5,800,000	—	—	(1,900,000)	3,900,000	0.734	16/2/2001	16/2/2002 - 15/2/2005
	8,800,000	—	—	(2,350,000)	6,450,000	0.630	6/3/2001	6/3/2002 - 5/3/2005
	—	200,000 *(note 1)*	—	(50,000)	150,000	0.592	9/4/2001	9/4/2002 - 8/4/2005
	—	1,300,000 *(note 2)*	—	(100,000)	1,200,000	0.818	27/4/2001	27/4/2002 - 26/4/2005
	—	4,500,000 *(note 3)*	—	—	4,500,000	0.996	28/6/2001	28/6/2002 - 27/6/2005
	—	10,730,000 *(note 4)*	—	(830,000)	9,900,000	0.445	3/10/2001	3/10/2002 - 2/10/2005

Notes:

1. At the relevant date before the options were granted, 6 April 2001, the market value per share was HK$0.59.
2. At the relevant date before the options were granted, 26 April 2001, the market value per share was HK$0.78.
3. At the relevant date before the options were granted, 27 June 2001, the market value per share was HK$0.94.
4. At the relevant date before the options were granted, 27 September 2001, the market value per share was HK$0.41.

The directors consider that it is not appropriate to disclose the value of options granted during the year as any valuation of the above options would be subject to a number of assumptions that would be subjective and uncertain.

Directors

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

Mr. Cheng Kin Kwan *(Chairman)*	
Mr. Law Kwai Lam	
Mr. Chung Yiu Fai	
Ms. Leung Mei Sheung Eliza	
Mr. Lin Kai Horng	(appointed on 4 May 2001, resigned on 27 April 2002)
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, resigned on 3 May 2002)
Ms. Chan Vivien*	(resigned on 1 February 2002)
Mr. Cheng Kam Chiu Stewart*	(resigned on 1 February 2002)
Ms. Tong Tuen Yee Junie*	(resigned on 19 September 2001)
Dr. Chan Shui Ying Henry	(appointed on 25 January 2002)
Mr. Chong Siu Pui	(appointed on 25 January 2002)

* Former independent non-executive directors

Dr. Chan Shui Ying Henry and Mr. Chong Siu Pui are independent non-executive directors and were appointed for a term of a year expiring on 25 January 2003.

In accordance with Article 96 of the company's Articles of Association, Dr. Chan Shui Ying Henry and Mr. Chong Siu Pui retire at the forthcoming annual general meeting and, being eligible, offer themselves for re-election.

In accordance with Article 105 of the company's Articles of Association, Mr. Chung Yiu Fai and Ms. Leung Mei Sheung Eliza retire by rotation and, being eligible, offer themselves for re-election.

Directors' service contracts

Mr. Chung Yiu Fai and Ms. Leung Mei Sheung Eliza entered into service contracts with the company on 8 August 2000. The annual salary of each of these directors is subject to periodic review and these directors may not vote on any resolution of the directors regarding such review of their salaries.

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

Directors' interests in contracts

Save as disclosed in note 28 to the accounts, no 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.

Biographical details of directors and senior management

Brief biographical details of directors and senior management are set out on page 11.

Connected transactions

Significant related party transactions, which also constitute connected transactions under the Rules Governing the Listing of securities on the Growth Enterprise Market ("GEM") of The Stock Exchange of Hong Kong Limited ("Listing Rules"), are disclosed in note 28 to the accounts.

Directors' interests in equity securities

At 31 March 2002, 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:

(a) Directors' interests in shares

Ordinary shares of HK$0.05 each in Timeless Software Limited

	Number of shares		
Name of director	**Personal interests**	**Corporate interests**	**Total**
Mr. Cheng Kin Kwan	68,220,000*	—	68,220,000
Mr. Law Kwai Lam	10,000,000	28,325,000**	38,325,000
Mr. Chung Yiu Fai	2,420,000	—	2,420,000
Ms. Leung Mei Sheung Eliza	1,030,000	—	1,030,000
Ms. Wong Wai Ping Mandy	1,500,000	—	1,500,000

* Mr. Cheng Kin Kwan is an initial management shareholder as defined in Rule 13.15(2) of the GEM Listing Rules. His holding represents 7.27% of the issued share capital of the company.

** These shares were held by a private company in which Mr. Law Kwai Lam has a controlling interest.

(b) Directors' rights to acquire shares

Ordinary shares of HK$0.05 each in Timeless Software Limited

	Options			
Name of director	**As at 1 April 2001**	**Granted during the year**	**Exercised during the year**	**As at 31 March 2002**
Cheng Kin Kwan	1,500,000	1,300,000	—	2,800,000
Law Kwai Lam	800,000	400,000	—	1,200,000
Chung Yiu Fai	1,000,000	700,000	—	1,700,000
Leung Mei Sheung Eliza	1,000,000	700,000	—	1,700,000
So Mi Ling Winnie	300,000	400,000	—	700,000
Wong Wai Ping Mandy	800,000	700,000	—	1,500,000

Share options were granted to directors under the Share Option Scheme approved by shareholders at an Extraordinary General Meeting on 21 November 2000. Details of the options are set out above.

Directors' interests in equity securities (Continued)

Save as disclosed above and other than nominee shares in certain wholly-owned subsidiaries held in trust for the group, at 31 March 2002, 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 debt securities, including debentures, of the company or any other body corporate.

Substantial shareholders

The register of substantial shareholders maintained under Section 16(1) of the SDI Ordinance shows that as at 31 March 2002, the company had been notified of the following substantial shareholders' interest, being 10% or more of the company's issued share capital. These interests are in addition to those disclosed above in respect of the directors and chief executives.

Name of shareholder	Number of of ordinary shares	Percentage of issued share capital
China West Educational Investment Limited*	108,057,374	11.51%
Crimson Asia Capital Limited, L.P.	107,273,503	11.43%

* This company is a nominee shareholder, holding the shares in trust for Ningxia Educational Information Technology Company Limited. During the year, the group entered into an agreement with an independent third party for the acquisition of 25.03% equity interest in Ningxia Educational Information Technology Company Limited (note 16).

Interest of sponsor

To the best knowledge of ING Bank N.V. ("ING Bank"), the company's sponsor, ING Bank, its directors, employees and associates did not hold any shares of the company as at 31 March 2002.

Pursuant to an agreement dated 13 November 2001 entered into between the company and ING Bank whereby, for a fee, ING Bank acted as the company's sponsor for the period from 13 November 2001 to 31 March 2002.

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	17%
- five largest suppliers combined	53%
Sales	
- the largest customer	45%
- five largest customers combined	84%

Major customers and suppliers (Continued)

West China Electronic Business Company Limited, which held during the year approximately a 5% interest in the share capital of the company, is the group's largest customer.

Ningxia Educational Information Technology Company Limited, which holds approximately 11.51% interest in the share capital of the company, is the group's second largest customers.

Sales to West China Electronic Business Company Limited and Ningxia Educational Information Technology Company Limited (the "PRC companies") represent work subcontracted from the PRC companies to the group in respect of government sponsored projects.

Apart from the 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 share capital during the year) had an interest in the major suppliers or customers noted above.

Board practices and procedures

Throughout the year, the company was in compliance with the Board Practices and Procedures as set out in rules 5.28 to 5.39 of the GEM Listing Rules.

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 of the external audit and of internal controls and risk evaluation. The Committee comprises two independent non-executive directors, namely Dr. Chan Shui Ying Henry and Mr. Chong Siu Pui effective 25 January 2002 who held three meetings subsequent to the current financial year. Prior to this date and up to the date of their respective resignation, the committee comprised three independent non-executive directors, namely Ms. Chan Vivien, Mr. Cheng Kam Chiu Stewart and Ms. Tong Tuen Yee Junie who collectively held two meetings during the current financial year.

Subsequent events

Details of subsequent events are set out in note 29 to the accounts.

Auditors

The accounts have been audited by PricewaterhouseCoopers who retire and, although eligible, have not offered themselves for re-appointment.

On behalf of the Board

Cheng Kin Kwan
Chairman

Hong Kong, 21 June 2002

Auditors' Report

AUDITORS' REPORT TO THE SHAREHOLDERS OF
TIMELESS SOFTWARE LIMITED
(incorporated in Hong Kong with limited liability)

We have audited the accounts on pages 23 to 61 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.

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 2002 and of the group's loss and cash flows for the year then ended and have been properly prepared in accordance with the Hong Kong Companies Ordinance.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 21 June 2002

Consolidated Profit and Loss Account

For the year ended 31 March 2002

	Note	2002 HK$'000	2001 HK$'000
Turnover	2	**47,475**	140,163
Other revenues	2	**6,291**	34,445
		53,766	174,608
Cost of resales of computer software and hardware		**(5,784)**	(57,098)
Staff costs		**(32,540)**	(38,866)
Depreciation and amortisation expenses		**(17,424)**	(5,994)
Other operating expenses		**(340,126)**	(23,995)
Operating (loss)/profit	3	**(342,108)**	48,655
Finance costs	4	**(4,145)**	(5,563)
Share of losses of			
Jointly controlled entities		**(1,929)**	(345)
Associated companies		**(240)**	—
(Loss)/profit before taxation		**(348,422)**	42,747
Taxation	5	**1,500**	(5,358)
(Loss)/profit after taxation		**(346,922)**	37,389
Minority interests		**8,813**	—
(Loss)/profit attributable to shareholders	6	**(338,109)**	37,389
Basic (loss)/earnings per share	7	**(41.16 cents)**	4.98 cents

Consolidated Balance Sheet

As at 31 March 2002

	Note	2002 HK$'000	2001 HK$'000
Intangible assets	10	**4,233**	—
Fixed assets	11	**211,633**	214,349
Investment in jointly controlled entities	13	**29,161**	23,560
Investment in associated companies	14	**18,589**	1
Investment securities	15	**15,321**	114,655
Pledged deposits	19 & 26	**35,000**	45,000
Deposits paid for the investments in an associated company and a jointly controlled entity	16	**15,408**	—
Current assets			
Trade receivables	17	**1,207**	35,693
Accrued revenue		**5,650**	25,308
Other investments	18	**1,404**	28,008
Deposits, prepayments and other receivables		**7,293**	11,188
Tax recoverable		**6,233**	5,474
Bank balances and cash		**56,429**	167,633
		78,216	273,304
Current liabilities			
Trade and other payables		**8,720**	16,053
Current portion of long-term liabilities	19	**15,086**	15,079
Amount due to a shareholder and former director	20	**—**	8,000
Convertible note	21	**—**	35,675
		23,806	74,807
Net current assets		**54,410**	198,497
		383,755	596,062
Financed by:			
Share capital	22	**46,943**	37,575
Reserves	23	**303,276**	509,704
Shareholders' funds		**350,219**	547,279
Minority interests		**3,340**	2,000
Long-term liabilities	19	**30,196**	45,283
Deferred taxation	24	**—**	1,500
		383,755	596,062

Cheng Kin Kwan
Director

Law Kwai Lam
Director

Balance Sheet

As at 31 March 2002

	Note	2002 HK$'000	2001 HK$'000
Intangible assets	10	**2,063**	—
Fixed assets	11	**200,384**	204,089
Investment in subsidiaries	12	**94,581**	196,879
Investment in jointly controlled entities	13	**35,263**	31,223
Investment in associated companies	14	**18,589**	—
Investment securities	15	**3,250**	4,728
Pledged deposits	19 & 26	**35,000**	45,000
Deposits paid for the investments in an associated company and a jointly controlled entity	16	**15,408**	—
Current assets			
Trade receivables	17	**839**	29,595
Accrued revenue		**750**	7,347
Deposits, prepayments and other receivables		**1,897**	6,020
Tax recoverable		**4,300**	4,300
Bank balances and cash		**20,978**	140,864
		28,764	188,126
Current liabilities			
Trade and other payables		**3,823**	11,154
Current portion of long-term liabilities	19	**15,086**	15,079
Amount due to a shareholder and former director	20	**—**	8,000
Convertible note	21	**—**	35,675
		18,909	69,908
Net current assets		**9,855**	118,218
		414,393	600,137
Financed by:			
Share capital	22	**46,943**	37,575
Reserves	23	**337,254**	515,779
Shareholders' funds		**384,197**	553,354
Long-term liabilities	19	**30,196**	45,283
Deferred taxation	24	**—**	1,500
		414,393	600,137

Cheng Kin Kwan
Director

Law Kwai Lam
Director

Consolidated Cash Flow Statement

For the year ended 31 March 2002

	Note	2002 HK$'000	2001 HK$'000
Net cash (outflow)/inflow from operating activities	25(a)	**(3,435)**	6,563
Returns on investments and servicing of finance			
Interest received		**5,811**	13,069
Interest paid		**(4,112)**	(5,485)
Interest element of finance lease payments		**(33)**	(39)
Dividends received from investment securities		**144**	—
Net cash inflow from returns on investments and servicing of finance		**1,810**	7,545
Taxation			
Hong Kong profits tax paid		**(96)**	(13,413)
Overseas taxation paid		**(663)**	(1,089)
Total taxation paid		**(759)**	(14,502)
Investing activities			
Purchases of fixed assets		**(8,230)**	(97,608)
Sales of fixed assets		**622**	62
Investments in a jointly controlled entity and an associated company		**(29,492)**	(20,656)
Deposits paid for investments in an associated company and a jointly controlled entity		**(18,396)**	—
Purchases of investment securities and other investments		**(3,457)**	(84,643)
Increase in intangible assets		**(1,708)**	—
Purchases of subsidiaries	25(d)	**(1,670)**	—
Loan to a jointly controlled entity		**—**	(10,568)
Sales of investment securities		**2,465**	31,596
Net cash outflow from investing activities		**(59,866)**	(181,817)
Net cash outflow before financing		**(62,250)**	(182,211)
Financing	25(b)		
Share issue expenses		**(199)**	—
Repayment of bank loan		**(15,000)**	—
Repayment of convertible note		**(35,675)**	—
Repayment of an amount due to a shareholder and former director		**(8,000)**	—
Bank loan payable		**—**	60,000
Bank deposits pledged for bank loan and facilities		**10,000**	(40,000)
Repayment of loans from shareholders		**—**	(5,000)
Capital element of finance lease payments		**(80)**	(73)
Net cash (outflow)/inflow from financing		**(48,954)**	14,927
Decrease in bank balances and cash equivalents		**(111,204)**	(167,284)
Bank balances and cash at 1April		**167,633**	334,917
Bank balances and cash at 31March		**56,429**	167,633

Consolidated Statement of Recognised Gains and Losses

For the year ended 31 March 2002

	Note	2002 HK$'000	2001 HK$'000
(Loss)/profit attributable to shareholders	23	**(338,109)**	37,389
Write off of goodwill arising on acquisition of a jointly controlled entity	23	**—**	(9,080)
		(338,109)	28,309

Notes to the Accounts

1 Basis of preparation and principal accounting policies

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

(a) Basis of preparation

The accounts have been prepared in accordance with accounting principles generally accepted in Hong Kong and comply with accounting standards issued by the Hong Kong Society of Accountants ("HKSA"). They have been prepared under the historical cost convention except that, as disclosed in the accounting policies below, certain investments in securities are stated at fair value.

In the current year, the group adopted the following new or revised Statements of Standard Accounting Practice ("SSAPs") issued by the HKSA which are effective for accounting periods commencing on or after 1 January 2001:

SSAP 9 (revised)	:	Events after the balance sheet date
SSAP 14 (revised)	:	Leases (effective for periods commencing on or after 1 July 2000)
SSAP 26	:	Segment reporting
SSAP 28	:	Provisions, contingent liabilities and contingent assets
SSAP 29	:	Intangible assets
SSAP 30	:	Business combinations
SSAP 31	:	Impairment of assets
SSAP 32	:	Consolidated financial statements and accounting for investments in subsidiaries

The adoption of these standards has had no significant financial impact on the group's accounts.

(b) Group accounting

(i) Consolidation

The consolidated accounts include the accounts of the company and all its subsidiaries made up to 31 March. Subsidiaries are those entities in which the group controls the composition of the board of directors, controls more than half of voting power or holds more than half of the issued share capital.

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 subsidiaries.

In the company's balance sheet the investments in subsidiaries are stated at cost less provision for impairment losses. The results of subsidiaries are accounted for by the company on the basis of dividends received and receivable.

Notes to the Accounts (Continued)

1 Basis of preparation and principal accounting policies (Continued)

(b) Group accounting (Continued)

(ii) Joint ventures

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 results of the jointly controlled entities for the year, and the consolidated balance sheet includes the group's share of the net assets of jointly controlled entities and goodwill (net of accumulated amortisation and accumulated impairment losses) on acquisition.

In the company's balance sheet, the investments in jointly controlled entities are stated at cost less provision for impairment losses. The results of jointly controlled entities are accounted for by the company on the basis of dividends received and receivable.

(iii) Associated companies

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

The consolidated profit and loss account includes the group's share of the results of the associated companies for the year, and the consolidated balance sheet includes the group's share of the net assets of the associated companies and goodwill (net of accumulated amortisation and accumulated impairment losses) on acquisition.

In the company's balance sheet the investments in associated companies are stated at cost less provision for impairment losses. The results of associated companies are accounted for by the company on the basis of dividends received and receivable.

Equity accounting is discontinued when the carrying amount of the investment in an associated company reaches zero, unless the group has incurred obligations or guaranteed obligations in respect of the associated company.

(iv) 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 balance sheets of subsidiaries, jointly controlled entities and associated companies expressed in foreign currencies are translated at the rates of exchange ruling at the balance sheet date whilst the profit and loss is translated at an average rate. Exchange differences are dealt with as a movement in reserves.

1 Basis of preparation and principal accounting policies (Continued)

(c) Fixed assets

Fixed assets are stated at cost less accumulated depreciation and accumulated impairment losses. Leasehold land is depreciated over the period of the lease while the other fixed assets are depreciated at rates sufficient to write off their cost less accumulated impairment losses over their estimated useful lives on a straight-line basis. The principal annual rates are as follows:

Leasehold land and buildings	The shorter of unexpired lease terms and useful lives
Leasehold improvements	20%
Computer equipment	20%
Furniture and fixtures	20%
Office equipment	20%
Motor vehicles	20%

Major costs incurred in restoring fixed assets to their normal working condition to allow continued use of the overall asset are capitalised and depreciated over the period to the next overhaul. Improvements are capitalised and depreciated over their expected useful lives to the group.

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.

(d) Impairment of non-current assets

At each balance sheet date, both internal and external sources of information are considered to assess whether there is any indication that non-current assets including fixed assets, intangibles and investment in securities are impaired. If any such indication exists, the recoverable amount of the asset is estimated and where relevant, an impairment loss is recognised to reduce the asset to its recoverable amount. Such impairment losses are recognised in the profit and loss account.

(e) Assets under leases

(i) 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 of finace cost 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.

(ii) 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 periods.

Notes to the Accounts (Continued)

1 Basis of preparation and principal accounting policies (Continued)

(f) Intangibles

(i) Goodwill

Goodwill represents the excess of cost of an acquisition over the fair value of the group's share of the net assets of the acquired subsidiary, joint venture or associated company at the date of acquisition.

In accordance with SSAP 30, goodwill on acquisitions occurring in accounting period ended on or after 1 January 2001 is included in intangible assets and is amortised using the straight-line method over its estimated useful life. The useful life of goodwill is twenty years from initial recognition.

Goodwill on acquisitions that occurred in accounting period ended prior to 1 January 2001 was written off against reserves. The group has taken advantage of the transitional provision 1(a) in SSAP 30 and goodwill previously written off against reserves has not been restated.

(ii) Research and development costs

Research costs are expensed as incurred. Costs incurred on development projects relating to the design and testing of new or improved products are recognised as an intangible asset where the technical feasibility and intention of completing the product under development has been demonstrated and the resources are available to do so, costs are identifiable and there is an ability to sell or use the asset that will generate probable future economic benefits. Such development costs are recognised as an asset and amortised on a straight-line basis over a period of not more than 5 years to reflect the pattern in which the related economic benefits are recognised. Development costs that do not meet the above criteria are expensed as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period.

(g) Investment securities

Investment securities are stated at cost less any provision for impairment losses.

(h) Other investments

Other investments are carried 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.

1 Basis of preparation and principal accounting policies (Continued)

(i) 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.

(j) 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.

(k) Cash and cash equivalents

Cash and cash equivalents are carried in the balance sheet at cost. For the purposes of cash flow statement, cash and cash equivalents comprise cash on hand, deposits held at call with banks and bank overdrafts.

(l) Provisions

Provisions are recognised when the group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount can be made. Where the group expects a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain.

(m) Contingent liabilities

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the group. It can also be a present obligation arising from past events that is not recognised because it is not probable that outflow of economic resources will be required or the amount of obligation cannot be measured reliably.

A contingent liability is not recognised but is disclosed in the notes to the accounts. When a change in the probability or an outflow occurs so that outflow is probable, they will then be recognised as a provision.

(n) 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.

Notes to the Accounts (Continued)

1 Basis of preparation and principal accounting policies (Continued)

(o) 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 and when collection of revenue is probable. Foreseeable losses on contracts in progress are recognised in full when identified.

Revenue from the resale of computer hardware and software is recognised on the transfer of risks and rewards of ownership, which generally coincides with the time when the goods are delivered to customers and title has passed.

Revenue from advertising is recognised when the related advertisement 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.

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

(p) Retirement benefit costs

The group contributes to a defined contribution retirement scheme which is available to the employees. Contributions to the scheme by the group and employees are calculated as a percentage of employees' basic salaries. The retirement benefit scheme cost charged to the profit and loss account represents contributions payable by the group to the fund for the period.

The group's contributions to the defined contribution retirement scheme are expensed as incurred. The assets of the scheme are held separately from those of the group in an independently administered fund.

(q) Borrowing costs

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

(r) Segment reporting

In accordance with the group's internal financial reporting the group has determined that business segments be presented as the primary reporting format and a geographical analysis as the secondary reporting format.

Unallocated costs represent corporate expenses. Segment assets consist primarily of intangible assets, fixed assets, receivables and operating cash. Segment liabilities comprise operating liabilities and exclude items such as taxation. Capital expenditure comprises additions to fixed assets (note 11), including additions resulting from acquisition through purchases of subsidiaries.

In respect of geographical segment reporting, sales are based on the place in which the customer is located. Total assets and capital expenditure are based on where the assets are located.

2 Turnover, revenue and segment information

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

	Group	
	2002	2001
	HK$'000	HK$'000
Turnover		
Income from provision of computer consultancy services to:		
- Jointly controlled entity	**401**	3,580
- An associated company	**19,465**	—
- An associated company to be acquired after year end	**7,477**	—
- Other investee entities	**3,365**	35,727
- Investee entities acquired after year end	**—**	7,642
- Third parties	**10,127**	33,289
Resale of computer hardware and software to:		
- Jointly controlled entity	**—**	2,169
- An associated company	**1,748**	—
- Other investee entities	**89**	6,448
- Third parties	**4,659**	51,118
Advertising income	**124**	147
Subscription income	**20**	43
	47,475	140,163
Other revenues		
Realised gain on investment securities	**67**	20,754
Interest income		
- Bank	**5,751**	13,069
- Convertible loan notes	**60**	—
Write back of long outstanding payables and provisions	**165**	64
Dividends received from investment securities	**144**	—
Net exchange gains	**—**	330
Miscellaneous income	**104**	228
	6,291	34,445
Total revenues	**53,766**	174,608

In accordance with the group's internal financial reporting, the group has determined that business segments be presented as the primary reporting format and geographical segments as the secondary reporting format. Unallocated costs represent corporate expenses. In respect of geographical segment reporting, sales are based in the place in which the customer is located.

Notes to the Accounts (Continued)

2 Turnover, revenue and segment information (Continued)

An analysis of the group's turnover and contribution to operating (loss)/profit for the year by principal activity and market is as follows:

Primary reporting format - business segments

The group is organised on a worldwide basis into three business segments:

Software development - the provision of computer consultancy services and the resale of computer hardware and software

Investments - investment in investment securities and other investments, excluding investments in associated companies and jointly controlled entities

Other operations of the group mainly comprise magazine publishing and provision of customer relationship management services. Neither of these operations are of a sufficient size to be reported separately

There are no transactions between the business segments.

Secondary reporting format - geographical segments

Although the group's three business segments are managed on a worldwide basis, they operate in three main geographical areas:

Hong Kong - provision of computer consultancy services, resale of computer software and hardware, magazine publishing and provision of customer relationship management services

Mainland China - provision of computer consultancy services, resale of computer software and hardware and magazine publishing

Other countries (principally the United States of America) - provision of computer consultancy services

There are no transactions between the geographical segments.

Notes to the Accounts (Continued)

2 Turnover, revenue and segment information (Continued)

Primary reporting format - business segments

	2002 Software development HK$'000	2002 Investments HK$'000	2002 Other operations HK$'000	2002 Total HK$'000
Turnover	46,849	—	626	47,475
Segment results	(89,722)	(112,249)	(122,263)	(324,234)
Unallocated costs				(17,874)
Operating loss				(342,108)
Finance costs				(4,145)
Share of losses of jointly controlled entities	(1,862)		(67)	(1,929)
Share of losses of associated companies	(240)			(240)
Loss before taxation				(348,422)
Taxation				1,500
Loss after taxation				(346,922)
Minority interests				8,813
Loss attributable to shareholders				(338,109)
Segment assets	283,979	19,898	20,934	324,811
Investment in jointly controlled entities	4,426		24,735	29,161
Investment in associated companies	18,589			18,589
Unallocated assets				35,000
Total assets				407,561
Segment liabilities	8,463	45	212	8,720
Unallocated liabilities				45,282
Total liabilities				54,002
Capital expenditure	8,228	—	2	8,230
Depreciation charge	10,959	—	34	10,993
Amortisation charge	919	—	5,512	6,431
Impairment charge	54,195	81,642	115,953	251,790
Unrealised losses on other investments	—	28,008	—	28,008

Notes to the Accounts (Continued)

2 Turnover, revenue and segment information (Continued)

Primary reporting format - business segments (Continued)

	2001			
	Software development HK$'000	Investments HK$'000	Other operations HK$'000	Total HK$'000
Turnover	139,973	—	190	140,163
Segment results	47,074	21,693	189	68,956
Unallocated costs				(20,301)
Operating profit				48,655
Finance costs				(5,563)
Share of loss of a jointly controlled entity			(345)	(345)
Profit before taxation				42,747
Taxation				(5,358)
Profit attributable to shareholders				37,389
Segment assets	465,497	136,746	65	602,308
Investment in a jointly controlled entity			23,560	23,560
Investment in an associated company			1	1
Unallocated assets				45,000
Total assets				670,869
Segment liabilities	17,142	45	366	17,553
Unallocated liabilities				104,037
Total liabilities				121,590
Capital expenditure	216,418	—	—	216,418
Depreciation charge	5,993	—	1	5,994

2 Turnover, revenue and segment information (Continued)

Secondary reporting format - geographical segments

	2002			
	Turnover HK$'000	Segment results HK$'000	Total assets HK$'000	Capital expenditure HK$'000
Hong Kong	**15,581**	**(192,355)**	**297,530**	**5,770**
Mainland China	**31,806**	**(138,368)**	**61,797**	**2,434**
Other countries	**88**	**(687)**	**484**	**26**
	47,475	**(331,410)**	**359,811**	**8,230**
Unallocated costs		**(10,698)**		
Operating loss		**(342,108)**		
Investment in jointly controlled entities			**29,161**	
Investment in associated companies			**18,589**	
			407,561	

	2001			
	Turnover HK$'000	Segment results HK$'000	Total assets HK$'000	Capital expenditure HK$'000
Hong Kong	50,209	58,931	605,500	207,971
Mainland China	89,954	10,025	41,808	8,447
	140,163	68,956	647,308	216,418
Unallocated costs		(20,301)		
Operating profit		48,655		
Investment in a jointly controlled entity			23,560	
Investment in an associated company			1	
			670,869	

Notes to the Accounts (Continued)

3 Operating (loss)/profit

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

	Group	
	2002	2001
	HK$'000	HK$'000
Depreciation:		
Own fixed assets	**10,906**	5,907
Leased fixed assets	**87**	87
Operating leases - land and buildings	**2,219**	3,927
Retirement benefit costs	**668**	221
Auditors' remuneration	**1,549**	750
Amortisation of intangible assets:		
Goodwill*	**2,343**	—
Other intangible assets*	**4,088**	—
Impairment:		
Goodwill* (note)	**85,755**	—
Other intangible assets* (note)	**17,867**	—
Investment securities	**81,642**	—
Provision for investment deposits	**66,526**	—
Provision for accrued revenue	**9,532**	—
Provision for doubtful debts	**29,964**	3,694
Provision for deposits, prepayments and other receivables	**3,400**	—
Unrealised losses on other investments	**28,008**	—
Pre-operating costs	**—**	610
Loss on disposal of fixed assets	**321**	439

* included in other operating expenses

Note

At 31 March 2002, the group performed an assessment of the recoverable value of its goodwill and other intangible assets. The assessment was based on value in use of the assets as determined by present value of estimated future cash flow.

As a result of this assessment, a provision of HK$85,755,000 and HK$17,867,000 has been made for impairment in goodwill and other intangible assets respectively as follows:

	2002	2001
Impairment	**HK$'000**	HK$'000
Goodwill arising on acquisition of		
- Subsidiaries	**31,560**	—
- Associated companies	**54,195**	—
	85,755	—
Other intangible assets	**17,867**	—
	103,622	—

Notes to the Accounts (Continued)

4 Finance costs

	Group	
	2002	2001
	HK$'000	HK$'000
Interest on convertible note	**1,785**	2,378
Interest on borrowing cost for acquisition of land and building paid to vendor	**—**	3,146
Interest on bank loan wholly repayable within 5 years	**2,327**	—
Interest element on finance lease	**33**	39
	4,145	5,563

5 Taxation

No provision for Hong Kong profits tax has been made in the accounts as the group has no estimated assessable profit for the year. In 2001, Hong Kong profits tax was provided at the rate of 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 two subsidiaries in the PRC have no assessable profit for the year. Pursuant to the tax rules in the PRC, the subsidiary in Guangzhou is entitled to 100% tax relief for the year ended 31 December 2001 and 50% tax relief for the three years ending 31 December 2004. The subsidiary in Beijing is entitled to 100% tax relief for the two years ending 31 December 2003 and 50% tax relief for the three years ending 31 December 2006.

	Group	
	2002	2001
	HK$'000	HK$'000
The amount of taxation (credited)/charged to the consolidated profit and loss account represents:		
Hong Kong profits tax	**—**	4,000
Over-provision in prior year	**—**	(142)
Deferred taxation *(note 24)*	**(1,500)**	1,500
	(1,500)	5,358

6 (Loss)/profit attributable to shareholders

The (loss)/profit attributable to shareholders is dealt with in the accounts of the company to the extent of a loss of HK$310,206,000 (2001: profit of HK$3,654,000).

7 (Loss)/earnings per share

The calculation of basic (loss)/earnings per share is based on the group's loss attributable to shareholders of HK$338,109,000 (2001: profit of HK$37,389,000) and the weighted average number of 821,387,044 shares (2001: 750,682,192 shares) in issue during the year.

No diluted (loss)/earnings per share has been presented for the years ended 31 March 2002 and 2001 as both the convertible note issued and share options granted by the company have anti-dilutive effects.

Notes to the Accounts (Continued)

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") since 1 December 2000.

Contributions to the MPF Scheme made by the group and the employees are both calculated at 5% of the employees' salaries. Under the MPF Ordinance, employers and employees are required to contribute 5% of the employees' relevant income as 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$668,000 (2001: HK$221,000) were paid and payable to the MPF Scheme for the year.

9 Directors' and senior management's emoluments

(a) Directors' emoluments

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

	2002 HK$'000	2001 HK$'000
Fees	**225**	277
Other emoluments	**6,712**	5,778
Discretionary bonuses	**—**	193
Contributions to pension scheme	**81**	20
	7,018	6,268

During the year, 4,200,000 options were granted to the directors under the Share Option Scheme approved by the shareholders at an Extraordinary General Meeting on 21 November 2000. Details of options granted and exercised during the year are set out in the Directors Report, under Share Options.

The emoluments paid by the group to the executive directors of the company who served during the year ended 31 March 2002, analysed on an individual basis, were as follows: HK$2,648,000, HK$988,000, HK$708,000, HK$654,000, HK$578,000, HK$571,000, HK$458,000 and HK$188,000.

The emoluments 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 emoluments paid by the group to the independent non-executive directors of the company who served during the year ended 31 March 2002, analysed on an individual basis, were as follows: HK$83,000, HK$83,000, HK$23,000, HK$18,000 and HK$18,000.

The emoluments paid by the group to the 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, HK$100,000, HK$74,000 and HK$3,000.

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

(b) Five highest paid individuals

The five individuals whose emoluments were the highest in the group for the year include four directors (2001: three) whose emoluments are reflected in the analysis presented above. The emoluments payable to the remaining one (2001: two) individual during the year were as follows:

	2002 HK$'000	2001 HK$'000
Salaries and other emoluments	**632**	1,536
Contributions to pension scheme	**12**	8
	644	1,544

The emoluments of the above individuals fall within the emolument band of HK$nil to HK$1,000,000 (2001: HK$nil to HK$1,000,000).

10 Intangible assets

	Group				Company	
	Goodwill HK$'000	**Development costs** HK$'000	**Other intangibles** HK$'000	**Total** HK$'000	**Development costs** HK$'000	**Total** HK$'000
Cost						
At 1 April 2001	—	—	—	—	—	—
Additions	—	2,250	—	2,250	2,250	2,250
Acquisition of subsidiaries	32,985	—	25,004	57,989	—	—
At 31 March 2002	32,985	2,250	25,004	60,239	2,250	2,250
Accumulated amortisation						
At 1 April 2001	—	—	—	—	—	—
Acquisition of subsidiaries	—	—	1,066	1,066	—	—
Amortisation charge	1,425	187	3,901	5,513	187	187
Impairment charge (note 3)	31,560	—	17,867	49,427	—	—
At 31 March 2002	32,985	187	22,834	56,006	187	187
Net book value						
At 31 March 2002	—	2,063	2,170	4,233	2,063	2,063
At 31 March 2001	—	—	—	—	—	—

Notes to the Accounts (Continued)

11 Fixed assets

	Group						
	Leasehold land and buildings HK$'000	Leasehold improvements HK$'000	Computer equipment HK$'000	Furniture and fixtures HK$'000	Office equipment HK$'000	Motor vehicles HK$'000	Total HK$'000
Cost							
At 1 April 2001	190,156	9,377	13,699	2,105	10,397	627	226,361
Additions	—	1,474	6,268	305	183	—	8,230
Acquisition of subsidiaries	—	212	439	232	1,060	—	1,943
Disposals	—	(212)	(1,721)	(1,183)	(491)	—	(3,607)
At 31 March 2002	190,156	10,851	18,685	1,459	11,149	627	232,927
Accumulated depreciation							
At 1 April 2001	2,984	3,021	3,487	958	1,542	20	12,012
Acquisition of subsidiaries	—	30	100	54	227	—	411
Charge for the year	4,595	1,462	2,933	338	2,086	121	11,535
Disposals	—	(41)	(1,141)	(1,016)	(466)	—	(2,664)
At 31 March 2002	7,579	4,472	5,379	334	3,389	141	21,294
Net book value							
At 31 March 2002	182,577	6,379	13,306	1,125	7,760	486	211,633
At 31 March 2001	187,172	6,356	10,212	1,147	8,855	607	214,349

At 31 March 2002, the net book value of fixed assets held by the group under finance lease amounted to HK$260,000 (2001: HK$347,000). The net book value of fixed assets pledged as security for the group's long-term bank loan (note 19) amounted to HK$180,013,000 (2001: HK$183,991,000).

During the year, depreciation charge of HK$542,000 (2001: HK$nil) has been capitalised as development costs.

The group's interests in leasehold land and buildings at their net book values are analysed as follows:

	Group	
	2002 HK$'000	2001 HK$'000
In Hong Kong, held on:		
Lease of between 10 to 50 years	**180,013**	183,991
Outside Hong Kong, held on:		
Lease of over 50 years	**2,564**	3,181
	182,577	187,172

Notes to the Accounts (Continued)

11 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 2001	186,975	5,683	7,543	1,036	8,736	209,973
Additions	—	452	5,119	132	31	5,734
Disposals	—	—	(919)	(339)	(302)	(1,560)
At 31 March 2002	186,975	6,135	11,743	829	8,465	214,147
Accumulated depreciation						
At 1 April 2001	2,984	479	1,243	400	778	5,884
Charge for the year	3,978	1,132	1,940	140	1,670	8,860
Disposals	—	—	(340)	(339)	(302)	(981)
At 31 March 2002	6,962	1,611	2,843	201	2,146	13,763
Net book value						
At 31 March 2002	180,013	4,524	8,900	628	6,319	200,384
At 31 March 2001	183,991	5,204	6,300	636	7,958	204,089

At 31 March 2002, the net book value of fixed asset held by the company under finance lease amounted to HK$260,000 (2001: HK$347,000). The net book value of fixed assets pledged as security for the company's long-term bank loan (note 19) amounted to HK$180,013,000 (2001: HK$183,991,000).

At 31 March 2002, the net book value of the company's interest in land and building in Hong Kong, held on lease of between 10 to 50 years, amounted to HK$180,013,000 (2001: HK$183,991,000).

12 Investment in subsidiaries

	Company	
	2002 HK$'000	2001 HK$'000
Unlisted shares, at cost	**21,310**	20,410
Amount due from subsidiaries	**238,056**	188,547
Provision for impairment	**(163,828)**	(12,000)
	95,538	196,957
Amounts due to subsidiaries	**(957)**	(78)
	94,581	196,879

The amounts due from/to subsidiaries are unsecured and interest-free, and have no fixed terms of repayment.

Notes to the Accounts (Continued)

12 Investment in subsidiaries (Continued)

The following is a list of the significant subsidiaries at 31 March 2002:

Name	Place of incorporation	Principal activities and place of operation	Particulars of issued share capital/ registered capital	Interest held 2002	Interest held 2001
Direct interests					
Three Principles Computer Service Company Limited	Hong Kong	Provision of computer consultancy services, and development and sale of computer software in Hong Kong	5,000,000 ordinary shares of HK$1 each	**100%**	100%
Expert Consulting Limited	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 Limited	Hong Kong	Magazine publishing and investment holding in Hong Kong	100,000 ordinary shares of HK$1 each	**100%**	100%
Timeless Strategy Limited	Hong Kong	Investment holding	2 ordinary shares of HK$1 each	**100%**	100%
Timeless Holdings Limited	Hong Kong	Investment holding	2 ordinary shares of HK$1 each	**100%**	100%
Timeless Southern (Zhuhai) Software Company Limited*	The People's Republic of China ("PRC")	Inactive	HK$10,000,000	**80%**	80%

Notes to the Accounts (Continued)

12 Investment in subsidiaries (Continued)

Name	Place of incorporation	Principal activities and place of operation	Particulars of issued share capital/ registered capital	Interest held 2002	2001
Timeless Software, Inc.	The United States of America ("USA")	Provision of computer consultancy services in USA	1,000 shares of US$0.01 each	**100%**	—
Indirect interests					
Timeless Software (Guangzhou) Limited **	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) Limited ***	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 Southern (Zhuhai) Software Company Limited is a co-operative venture between the company and Zhuhai Southern Software Park Development Company Limited. 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 to contribute a 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.

Notes to the Accounts (Continued)

13 Investment in jointly controlled entities

	Group		Company	
	2002	2001	**2002**	2001
	HK$'000	HK$'000	**HK$'000**	HK$'000
Unlisted shares, at cost	**—**	—	**25,370**	20,655
Provision for impairment	**—**	—	**(1,572)**	—
Share of net assets	**16,815**	11,230	**—**	—
Loan to a jointly controlled entity	**10,568**	10,568	**10,568**	10,568
Amount due from a jointly controlled entity	**1,778**	1,762	**897**	—
	29,161	23,560	**35,263**	31,223

Note:

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

The group has adopted the transitional provision of SSAP 30 which permits goodwill in respect of acquisitions which occurred in accounting period ended prior to 1 January 2001, to remain eliminated against consolidated reserves. Such amounts are subject to an annual impairment test. The amount of goodwill remaining in consolidated reserves, arising from the acquisition of the jointly controlled entity, is approximately HK$9,080,000 as at 31 March 2001 and 31 March 2002 respectively (note 23). The amount of goodwill is stated at its cost.

13 Investment in jointly controlled entities (Continued)

Particulars of the jointly controlled entities as at 31 March 2002 are as follows:

Name	Place of Incorporation	Principal activities and place of operation	Percentage of interest in ownership /voting right /profit sharing
Direct interest			
Zhuhai Southern Software Park Development Company Limited*	PRC	Development and operating of a software base in the southern region of PRC	28.5%
Tianjin Timeless Cyber Gateway Company Limited**	PRC	Provision of computer related services in the PRC	33.3%
Indirect interest			
貴州中湖計算機科技有限公司 ***	PRC	Provision of computer related services in the PRC	31.5%

* Zhuhai Southern Software Park Development Company Limited is a co-operative venture between the company and an unrelated third party in the PRC ("the Joint Venturer"). The venture has a life of 30 years commencing November 2000.

** Tianjin Timeless Cyber Gateway Company Limited is a co-operative venture between the company and an unrelated third party in the PRC ("the Joint Venturer"). The venture has a life of 20 years commencing May 2001. In accordance with the co-operative venture agreement, the company has contributed 33.3% of the registered capital of the venture and is entitled to 33.3% of the results of the venture.

*** 貴州中湖計算機科技有限公司 is a co-operative venture between the company's subsidiary and an unrelated third party in the PRC ("the Joint Venturer"). The venture has a life of 20 years commencing March 2001. In accordance with the co-operative venture agreement, the company's subsidiary has contributed 93.75% of the registered capital of the venture and is entitled to receive the full amount of paid-in capital within five years of the group's investment. Thereafter, the company's subsidiary is entitled to 45% of the results of the venture.

14 Investment in associated companies

	Group		Company	
	2002 HK$'000	2001 HK$'000	**2002 HK$'000**	2001 HK$'000
Unlisted share, at cost	**—**	—	**73,943**	—
Provision for impairment of investment	**—**	—	**(55,354)**	—
Share of net assets	**18,589**	1	**—**	—
Goodwill arising on acquisition	**55,114**	—	**—**	—
Less: amortisation	**(919)**	—	**—**	—
Less: impairment	**(54,195)**	—	**—**	—
	18,589	1	**18,589**	—

Notes to the Accounts (Continued)

14 Investment in associated companies (Continued)

Particulars of the associated companies as at 31 March 2002 are as follows:

Name	Place of Incorporation	Principal activities and place of operation	Particulars of issued share capital/ registered capital	Interest held 2002	Interest held 2001
Direct interest					
West China Electronic Business Company Limited	PRC	Main contractor of various information technology projects in Ningxia province in the PRC	Rmb31,285,000	**25.04%**	—
Indirect interest					
Sino Orient Limited	Hong Kong	Inactive	2 ordinary shares of HK$1 each	**50%**	50%

15 Investment securities

	Group 2002 HK$'000	Group 2001 HK$'000	Company 2002 HK$'000	Company 2001 HK$'000
Securities, at cost				
Listed in Hong Kong	**11,473**	12,055	**3,893**	4,728
Unlisted shares	**85,490**	101,040	**—**	—
Unlisted promissory note	**—**	1,560	**—**	—
	96,963	114,655	**3,893**	4,728
Less: provision for impairment losses	**(81,642)**	—	**(643)**	—
	15,321	114,655	**3,250**	4,728
Market value of listed securities	**6,852**	13,490	**3,250**	4,728

Notes to the Accounts (Continued)

16 Deposits paid for the investments in an associated company and a jointly controlled entity

	Group and Company	
	2002	2001
	HK$'000	HK$'000
Investment deposits *(note)*	**81,934**	—
Provision for investment deposits	**(66,526)**	—
	15,408	—

Note:

On 20 November 2001, the group entered into an agreement with an independent third party for the acquisition of 25.03% equity interest in Ningxia Educational Information Technology Company Limited, a company incorporated in the PRC to participate in the Education Informatisation Program in the Ningxia Hui Autonomous Region at a consideration of approximately Rmb97.4 million. HK$14,151,000 cash deposit was paid and 108,057,374 shares of the company, valued at HK$0.588 each, were allotted during the year. The provision for investment deposits represents the provision for goodwill on the investment in this prospective associated company.

The remaining balance of HK$4,245,000 represents payment on account of a proposed jointly controlled entity for which only preliminary agreements have been signed and the jointly controlled entity has not been established as at the balance sheet date. Upon the establishment of the relevant jointly controlled entity, the relevant amount will be reclassified to investment in jointly controlled entities.

17 Trade receivables

This includes HK$nil (2001: HK$10,711,000) due from customers in which the group holds equity interests (note 15).

During the year, trade receivables amounting to HK$nil (2001: HK$18,808,000) due from certain investee companies were converted by the group into additional equity interests in those investee companies (note 15).

At 31 March 2002, the ageing analysis of the trade receivables was as follows:

	Group		Company	
	2002	2001	**2002**	2001
	HK$'000	HK$'000	**HK$'000**	HK$'000
Current	**135**	2,121	**72**	220
30-60 days	**241**	13,688	**166**	13,692
61-90 days	**693**	402	**601**	386
Over 90 days	**138**	19,482	**—**	15,297
	1,207	35,693	**839**	29,595

Trade receivables are due within 30 days from the date of billing. Debtors with balances, which have been overdue more than 3 months, are normally requested to settle all outstanding balances before any further credit is granted. However, such further credit will only be granted in exceptional cases where the background of the debtor have been taken into account.

Notes to the Accounts (Continued)

18 Other investments

	Group 2002 HK$'000	Group 2001 HK$'000
Equity securities listed outside Hong Kong	—	10,508
Unlisted convertible loan notes *(note)*	1,404	17,500
	1,404	28,008

The unlisted convertible loan notes comprise:

a) A convertible loan note between one of the company's subsidiaries and an unquoted third party company. The note is in the principal sum of HK$1,404,000, secured by all the assets and intellectual properties of the issuing company, bears interest at 4% per annum and repayable on 2 May 2002. It has a right to convert into 30,000 shares at a price of US$6 each of the issuing company on or before the maturity date.

b) A convertible loan note between one of the company's subsidiaries and a quoted investee company. The note was in the principal sum of HK$18,000,000, unsecured and interest bearing at 5% per annum. It had the 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 2002, an amount of HK$2,500,000 had been redeemed. The note matured on 19 November 2001 without the exercise of the conversion right. Provision for impairment loss has been made on the remaining unsettled balance of HK$15,500,000.

c) A convertible loan note between one of the company's subsidiaries and an unquoted third party company. The note was in principal sum of HK$2,000,000, unsecured and interest bearing at 12% per annum. It had the right to convert into 2,183,600 new 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 right. Provision for impairment loss has been made on the unsettled balance of HK$2,000,000.

19 Long-term liabilities

	Group and Company 2002 HK$'000	Group and Company 2001 HK$'000
Secured bank loan*	45,000	60,000
Obligation under finance lease	282	362
	45,282	60,362
Current portion of long-term liabilities	(15,086)	(15,079)
	30,196	45,283

* The bank loan is secured by a charge over the company's land and building (note 11) and bank deposits of HK$30,000,000. The loan bears interest at HIBOR plus 1.2% per annum and is repayable in 60 instalments from 26 March 2001 to 25 March 2006.

19 Long-term liabilities (Continued)

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

At 31 March 2002, the group's bank loan and obligation under finance lease were repayable as follows:

	Bank loan		Obligation under finance lease	
	2002	2001	**2002**	2001
	HK$'000	HK$'000	**HK$'000**	HK$'000
Within one year	**15,000**	15,000	**86**	79
In the second year	**10,000**	15,000	**93**	86
In the third to fifth year	**20,000**	30,000	**103**	197
	45,000	60,000	**282**	362

20 Amount due to a shareholder and former director

The balance was unsecured, interest-free and fully repaid 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) Limited 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 was secured by a first legal charge over the office premises, interest bearing at The Hongkong and Shanghai Banking Corporation Limited prime lending rate and carried 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. The convertible note was fully repaid on the maturity date without the exercise of the conversion right.

Notes to the Accounts (Continued)

22 Share capital

Authorised:

	Ordinary shares of HK$0.05 each No. of shares	HK$'000
At 31 March 2002 and 2001	1,000,000,000	50,000

Issued and fully paid:

	Ordinary shares of HK$0.05 each No. of shares	HK$'000
At 1 April 2000	750,000,000	37,500
Issue of shares	1,500,000	75
At 31 March 2001	751,500,000	37,575
At 1 April 2001	751,500,000	37,575
Issue of shares (notes a, b, c, d, e & f)	187,355,503	9,368
At 31 March 2002	938,855,503	46,943

The following changes in the share capital of the company took place during the year ended 31 March 2002:

(a) Shares issued for the acquisition of COL Net Securities Trading Services Limited ("COL Net").

On 9 May 2001, pursuant to the general mandate granted to the directors at an extraordinary general meeting of the company held on 7 July 2000, 16,000,000 shares of HK$0.05 each were issued and allotted at a price of HK$0.8 per share as consideration for one of the company's subsidiaries subscribing for 222,222 ordinary shares in the investee company. On completion of acquisition, the company is indirectly interested in 10% of the issued share capital of COL Net.

(b) Shares issued for the acquisition of China Lake International Limited ("China Lake")

On 9 May 2001, pursuant to the general mandate granted to the directors at an extraordinary general meeting of the company held on 7 July 2000, 16,000,000 shares of HK$0.05 each were issued and allotted at a price of HK0.984 per share to a shareholder of China Lake as part of consideration for one of the company's subsidiaries subscribing for 700 ordinary shares in the subsidiary. On completion of acquisition, the company is indirectly interested in 70% of the issued share capital of China Lake.

(c) Shares issued for the acquisition of West China Electronic Business Company Limited ("West China")

On 13 July 2001, pursuant to the general mandate granted to the directors at an extraordinary general meeting of the company held on 7 July 2000, 44,429,094 shares of HK$0.05 each were issued and allotted at a price of HK$1.043 per share as part of consideration for the company subscribing for 7,035,000 new shares in the investee company. On completion of acquisition, the company holds 25.04% equity interest in West China.

22 Share capital (Continued)

(d) Shares issued for the establishment of Tianjin Timeless Cyber Gateway Company Limited

On 30 July 2001, pursuant to the general mandate granted to the directors at an extraordinary general meeting of the company held on 7 July 2000, 2,869,035 shares of HK$0.05 each were issued and allotted at a price of HK$0.985 per share as part of consideration for the company investing in 33.33% of the registered capital of the jointly controlled entity.

(e) Shares issued for the acquisition of Ningxia Educational Information Technology Company Limited

On 7 March 2002, pursuant to the general mandate granted to the directors at an annual general meeting of the company held on 3 August 2001, 108,057,374 shares of HK$0.05 each were issued and allotted at a price of HK$0.588 per share as part of consideration for the company subscribing for 8,850,000 new shares in the investee company. The total consideration of Rmb97,350,000 is satisfied by the payment of Rmb30,000,000 in cash and Rmb67,350,000 by way of issue and allotment of 108,057,374 new shares of the company.

(f) Options to subscribe for 20,930,000 ordinary shares of the company have been granted to selected full-time employees of the group during the year, pursuant to the approval and adoption of the Share Option Scheme at an extraordinary general meeting of the company on 21 November 2000. The grantees are entitled to exercise their options at prices ranging from HK$0.445 to HK$0.996 per share. At 31 March 2002 there were 35,700,000 options outstanding which are exercisable at any time within three years commencing one year after the respective dates of offer of the grants.

Notes to the Accounts (Continued)

23 Reserves

Group

	Share premium		(Accumulated losses)/ retained profit		Total	
	2002	2001	**2002**	2001	**2002**	2001
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
At 1 April	**486,203**	481,778	**23,501**	(4,808)	**509,704**	476,970
Issue of shares	**131,681**	4,425	**—**	—	**131,681**	4,425
(Loss)/profit for the year	**—**	—	**(338,109)**	37,389	**(338,109)**	37,389
Write off of goodwill on consolidation*	**—**	—	**—**	(9,080)	**—**	(9,080)
At 31 March	**617,884**	486,203	**(314,608)**	23,501	**303,276**	509,704
Representing:						
Company and subsidiaries	**617,884**	486,203	**(312,094)**	23,846	**305,790**	510,049
Jointly controlled entities	**—**	—	**(2,274)**	(345)	**(2,274)**	(345)
Associated companies	**—**	—	**(240)**	—	**(240)**	—
	617,884	486,203	**(314,608)**	23,501	**303,276**	509,704

* Total accumulated goodwill written off against reserves amounts to HK$9,080,000 (2001: HK$9,080,000).

Company

	Share premium		(Accumulated losses)/ retained profit		Total	
	2002	2001	**2002**	2001	**2002**	2001
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
At 1 April	**486,203**	481,778	**29,576**	25,922	**515,779**	507,700
Issue of shares	**131,681**	4,425	**—**	—	**131,681**	4,425
(Loss)/profit for the year	**—**	—	**(310,206)**	3,654	**(310,206)**	3,654
At 31 March	**617,884**	486,203	**(280,630)**	29,576	**337,254**	515,779

24 Deferred taxation

	Group and Company	
	2002	2001
	HK$'000	HK$'000
At 1 April	**1,500**	—
Transfer from profit and loss account *(note 5)*	**(1,500)**	1,500
At 31 March	**—**	1,500

The above deferred taxation was provided in respect of accelerated depreciation allowances. The potential deferred taxation asset/(liability) not recognised in the accounts amount to:

	Group		Company	
	2002	2001	**2002**	2001
	HK$'000	HK$'000	**HK$'000**	HK$'000
Accelerated depreciation allowances	**(2,461)**	(346)	**(2,537)**	(608)
Tax losses	**4,742**	9,852	**5,499**	—
Other timing differences	**4,080**	319	**4,080**	295
	6,361	9,825	**7,042**	(313)

Notes to the Accounts (Continued)

25 Notes to the consolidated cash flow statement

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

	2002 HK$'000	2001 HK$'000
(Loss)/profit before taxation	**(348,422)**	42,747
Depreciation and amortisation expenses	**17,424**	5,994
Share of losses of jointly controlled entities	**1,929**	345
Share of losses of associated companies	**240**	—
Dividends received from investment securities	**(144)**	—
Impairment losses on investment securities	**81,642**	—
Unrealised losses on other investments	**28,008**	—
Impairment losses on other intangible assets	**17,867**	—
Impairment losses on goodwill on acquisition of an associated company	**54,195**	—
Impairment losses on goodwill on acquisition of subsidiaries	**31,560**	—
Provision for investment deposits	**66,526**	—
Provision for deposits, prepayments and other receivables	**3,400**	—
Loss on disposal of fixed assets	**321**	439
Gain on disposal of investment securities	**(67)**	(20,754)
Decrease in trade receivables and accrued revenue	**54,375**	15,739
Decrease/(increase) in deposits, prepayments and other receivables	**991**	(4,062)
Decrease in trade and other payables	**(11,598)**	(24,578)
Increase in amount due from a jointly controlled entity	**(16)**	(1,762)
Interest income	**(5,811)**	(13,069)
Interest expense	**4,145**	5,524
Net cash (outflow)/inflow from operating activities	**(3,435)**	6,563

25 Notes to the consolidated cash flow statement (Continued)

(b) Analysis of changes in financing during the year

	Share capital including premium		Amount due to a shareholder and former director		Convertible note		Obligation under finance lease		Bank loan		Bank deposits pledged for bank loan and facilities	
	2002 HK$'000	2001 HK$'000	**2002 HK$'000**	2001 HK$'000	**2002 HK$'000**	2001 HK$'000	**2002 HK$'000**	2001 HK$'000	**2002 HK$'000**	2001 HK$'000	**2002 HK$'000**	2001 HK$'000
At 1 April	**523,778**	519,278	**8,000**	—	**35,675**	—	**362**	—	**60,000**	—	**(45,000)**	(5,000)
Repayment	**—**	—	**(8,000)**	—	**(35,675)**	—	**—**	—	**(15,000)**	—	**—**	—
New bank loan	**—**	—	**—**	—	**—**	—	**—**	—	**—**	60,000	**—**	—
Issue of shares	**141,248**	4,500	**—**	—	**—**	—	**—**	—	**—**	—	**—**	—
Share issue expenses	**(199)**	—	**—**	—	**—**	—	**—**	—	**—**	—	**—**	—
New convertible note	**—**	—	**—**	—	**—**	35,675	**—**	—	**—**	—	**—**	—
Inception of finance lease	**—**	—	**—**	—	**—**	—	**—**	435	**—**	—	**—**	—
Repayment of finance lease	**—**	—	**—**	—	**—**	—	**(80)**	(73)	**—**	—	**—**	—
Bank deposits pledged	**—**	—	**—**	—	**—**	—	**—**	—	**—**	—	**10,000**	(40,000)
New loan	**—**	—	**—**	8,000	**—**	—	**—**	—	**—**	—	**—**	—
At 31 March	**664,827**	523,778	**—**	8,000	**—**	35,675	**282**	362	**45,000**	60,000	**(35,000)**	(45,000)

(c) Purchases of subsidiaries

	2002 HK$'000
Net assets acquired	
Fixed assets	**1,532**
Investment in a jointly controlled entity	**2,800**
Intangible assets	**23,938**
Bank balances and cash	**3,678**
Trade receivables	**231**
Deposits and prepayments	**496**
Trade and other payables	**(4,265)**
Minority interests	**(10,153)**
	18,257
Goodwill	**32,985**
Existing investment in some of these subsidiaries	**(30,150)**
	21,092
Satisfied by	
Allotment of shares	**15,744**
Cash	**5,348**
	21,092

Notes to the Accounts (Continued)

25 Notes to the consolidated cash flow statement (Continued)

(d) Analysis of the net cash outflow in respect of the purchases of subsidiaries

	2002 HK$'000
Cash consideration	(5,348)
Bank balances and cash on hand acquired	3,678
Net cash outflow in respect of the purchases of subsidiaries	(1,670)

(e) Major non-cash transactions

Part of the consideration for the purchase of a subsidiary during the year comprised the issue 16,000,000 ordinary shares of the company at HK$0.984 per share.

Part of the consideration for the subscriptions of shares in associated companies comprised the issue of 44,429,094 and 108,057,374 ordinary shares of the company at HK$1.043 and HK$0.588 per share respectively.

Part of the consideration for the investment in a jointly controlled entity comprised the issue of 2,869,035 new ordinary shares of the company at HK$0.985 per share.

Part of the consideration for the purchase of investment securities during the year comprised the issue of 16,000,000 (2001: 1,500,000) ordinary shares of the company at HK$0.8 (2001: HK$3) per share.

26 Contingent liabilities

(a) As at 31 March 2002, the group was granted banking facilities totalling HK$15 million (2001: HK$15 million), secured on the group's bank deposits of HK$5 million (2001: HK$5 million).

(b) As at 31 March 2002, 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.

Apart from the above, a claim from a customer which relates to a contract of HK$8,580,000 will be settled out of the court in June 2002 as agreed by the parties concerned. The total cost incurred for such settlement is estimated to be approximately HK$50,000.

Notes to the Accounts (Continued)

27 Commitments

(a) Capital commitments for investment in an associated company (2001: a jointly controlled entity)

	Group and Company	
	2002	2001
	HK$'000	HK$'000
Contracted but not provided for	**14,151**	4,710

On 20 November 2001, the company entered into an agreement with an independent third party for the acquisition of 25.03% equity interest in Ningxia Educational Information Technology Company Limited, a company incorporated in the PRC. At 31 March 2002, the company had committed to invest the remaining balance of the investment of approximately HK$14,151,000 into the investee company.

(b) Commitments under operating leases

At 31 March 2002, the group had future aggregate minimum lease payments under non-cancellable operating leases in respect of land and buildings as follows:

	Group	
	2002	2001
	HK$'000	HK$'000
Not later than one year	**452**	1,121
Later than one year and not later than five years	**—**	53
	452	1,174

The company did not have any commitments at 31 March 2002 (2001: HK$nil).

Notes to the Accounts (Continued)

28 Related party transactions

Significant related party transactions which were carried out in the normal course of the group's business are as follows:

	Group	
	2002	2001
	HK$'000	HK$'000
Rental charges paid to a former director and a director Cheng Wan Cheung and Cheng Kin Kwan (note a)	**—**	846
Rental charges paid to directors Lin Kai Horng and Cheng Kin Kwan (note a)	**578**	—
Legal fees paid to a former director Vivien Chan (note b)	**914**	471

(a) This represents the lease of the office at Guangzhou in the PRC at monthly rentals based on market rates ranging from HK$34,000 to HK$45,000 (2001: ranging from HK$34,000 to HK$45,000).

(b) This represents legal fees paid to the law firm of Vivien Chan & Co up to 1 February 2002. Vivien Chan was a director of Timeless Software Limited up until 1 February 2002.

(c) Sales of services and goods made to a jointly controlled entity, an associated company, an associated company to be acquired after year-end, other investee entities, and investee entities acquired after year end are described in note 2. These transactions have been entered into in accordance with the terms of the agreement governing each transaction.

29 Subsequent events

On 8 April 2002, the company entered into a private placement agreement with an independent private investor, KDS China Limited, for the placing of 10,000,000 shares of HK$0.05 each of the company at a consideration of HK$5,300,000. The transaction was completed in May 2002.

On 10 April 2002, a subsidiary of the company entered into an agreement with an independent third party, Grenashe Group Limited, pursuant to which the company agreed to acquire a 12% interest in Grenashe Group Limited for a cash consideration of HK$9,200,000. The transaction was completed in May 2002.

30 Approval of accounts

The accounts were approved by the board of directors on 21 June 2002.

Comparative table of results, assets and liabilities

The following table summaries the results, assets and liabilities of the group for each of the last five financial years:

	Year ended 31 March				
	1998	**1999**	**2000**	**2001**	**2002**
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Profit/ (loss) before taxation	(25,058)	(15,635)	74,075	42,747	(348,422)
Taxation	—	—	(5,170)	(5,358)	1,500
Profit/ (loss) before minority interest	(25,058)	(15,635)	68,095	37,389	(346,922)
Minority interest	1,134	—	—	—	8,813
Profit/ (loss) attributable to shareholders	(23,924)	(15,635)	68,095	37,389	(338,109)
Total assets	32,224	23,947	575,271	670,869	407,561
Total liabilities	(80,012)	(81,643)	(58,801)	(121,590)	(54,002)
Minority interests	1,134	—	(2,000)	(2,000)	(3,340)
Net assets/ liabilities	(46,654)	(57,696)	514,470	547,279	350,219

Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN that the Annual General Meeting of Timeless Software Limited will be held at Bowen Room, Conrad Hong Kong, Pacific Place, 88 Queensway, Hong Kong on Monday, 5 August 2002, at 3:30 p.m. for the following purposes:

(1) To receive and consider the audited financial statements together with the reports of the Directors and Auditors for the year ended 31 March 2002;

(2) To re-elect Directors of the Company;

(3) To appoint auditors and to authorise the Directors to fix their remuneration;

(4) As special business, to consider and, if thought fit, pass the following resolutions as ordinary resolutions of the Company:

(i) "**THAT**

(a) the exercise by the Directors during the Relevant Period of all powers of the Company to repurchase shares in the capital of the Company be and is hereby generally and unconditionally approved;

(b) the respective aggregate amounts of shares which may be purchased on The Growth Enterprise Market ("GEM") of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") or any other stock exchange recognised for this purpose by the Securities and Futures Commission of Hong Kong and the Stock Exchange pursuant to paragraph (a) of this Resolution during the Relevant Period shall be no more than 10 per cent. of the aggregate nominal amount of the issued share capital at the date of passing of this Resolution;

(c) for the purpose of this Resolution:

"Relevant Period" means the period from the passing of this Resolution until whichever is the earlier 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 revocation or variation of the authority given under this Resolution by ordinary resolution of the shareholders of the Company in general meeting."

(ii) "**THAT**

(a) subject to the limitation mentioned in paragraph (c) of this Resolution, the exercise by the Directors during the Relevant Period of all the powers of the Company to allot, issue and deal with additional shares in the capital of the Company and to make or grant offers, agreements and options, which might require the exercise of such powers be and is hereby generally and unconditionally approved;

(b) the approval in paragraph (a) above shall authorise the Directors during the Relevant Period to make or grant offers, agreements and options, which might require the exercise of such powers after the end of the Relevant Period;

(c) 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 pursuant to the approval in paragraph (a) above, otherwise than pursuant to (A) a Rights Issue, (B) the exercise of options granted under any share option scheme adopted by the Company from time to time and (C) any scrip dividend or similar scheme, shall not exceed the aggregate of (i) 20 per cent. of the aggregate nominal amount of the share capital of the Company in issue at the date of passing this Resolution plus (ii) (if the Directors are so authorised by separate ordinary resolution of the Company) the nominal amount of share capital repurchased by the Company subsequent to the passing of this Resolution (up to a maximum equivalent to 10 per cent. of the aggregate nominal amount of the issued share capital of the Company at the date of passing this Resolution) and the said approval shall be limited accordingly; and

(d) for the purpose of this Resolution:

"Relevant Period" means the period from the passing of this Resolution until whichever is the earlier 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 revocation or variation of the authority given by this Resolution by ordinary resolution of the shareholders of the Company in general meeting; and

"Rights Issue" means an offer of shares open for a period fixed by the Company or by the Directors to holders of shares on the register on a fixed record date in proportion to their then holdings of such shares (subject to such exclusions or other arrangements as the Directors may deem necessary or expedient in relation to fractional entitlements 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 outside Hong Kong)."

(iii) "**THAT** the Directors of the Company be and they are hereby authorised to exercise the powers of the Company referred to in paragraph (a) of the Resolution set out as Resolution 4(ii) in the Notice of this Meeting in respect of the share capital of the Company referred to in sub-paragraph (ii) of paragraph (c) of such Resolution."

and

(5) As special business, to consider and, if thought fit, pass the following resolutions as special resolutions of the Company:

(i) "**THAT** Article 167 of the Company be amended as follows:

'167

(A) The Board shall from time to time in accordance with the provisions of the Companies Ordinance cause to be prepared and laid before the Company in general meeting such profit and loss accounts, balance sheets, group accounts (if any), and report (including summary financial report) as are required by the Companies Ordinance.

Notice of Annual General Meeting (Continued)

(B) Subject to paragraph (C), a printed copy of the Directors' report, accompanied by the balance sheet and profit and loss account (including every document required by law to be annexed thereto, made up to the end of the applicable financial year and containing a summary of the assets and liabilities of the Company under convenient heads and a statement of income and expenditure, together with a copy of the Auditor's report) or a summary financial report (as defined in the Companies Ordinance) shall be sent to each person entitled thereto at least twenty-one (21) days before the date of the general meeting and laid before the Company at the annual general meeting held in accordance with Article 68 provided that this Article shall not require a copy of those documents to be sent to any person of whose address the Company is not aware or to more than one of the joint holders of any shares or debentures, but any member of holder of debentures to whom a copy of those documents has not been sent shall be entitled to receive a copy free of charge on application at the registered office of the Company. If all or any of the shares or debentures of the Company shall for the time being be (with the consent of the Company) listed or dealt in on any stock exchange, there shall be forwarded to the appropriate officer of such stock exchange such number of copies of such documents as may for the time being be required under its regulations or practice.

(C) Where a shareholder (a "**Consenting Shareholder**") has, subject to due compliance with all applicable laws, rules and regulations, including, without limitation, the rules of the stock exchange on which the Company's shares are listed, consented to treat the publication of the relevant financial documents on the Company's computer network as discharging the Company's obligation under law to send a copy of the relevant financial documents, then publication by the Company, in accordance with law, on the Company's computer network of the relevant financial documents at least twenty-one (21) days before the date of the general meeting shall, in relation to each Consenting Shareholder, be deemed to discharge the Company's obligations under paragraph (B).'"

(ii) "**THAT** Articles 171 and 176 of the Company be deleted and substituted with the following respectively:

'171. Any notice and/or document to be given or issued by the Company to a member and/or any person entitled thereto may be served by publication on the Company's website, and/or by electronic mail and/or given in writing and/or by cable, telex or facsimile transmission message and any such notice, and (where appropriate) any other document may be served or delivered by the Company on or to any member either personally or by sending it through the post in a prepaid envelope addressed to such member at his registered address as appearing in the register or at any other address supplied by him to the Company for the purpose or, as the case may be, by transmitting it to any such address or electronic mail address or transmitting it to any telex or facsimile transmission number supplied by him to the Company for the giving of notice and/or sending a document to him or which the person transmitting the notice and/or document reasonably and bona fide believes at the relevant time will result in the notice and/or document being duly received by the member and/or any person entitled thereto or, in the case of any notice, may be served by advertisement in one English language daily newspaper and one Chinese language daily newspaper (provided that the aforesaid newspapers shall be included in the list of newspaper issued and published in the Hong Kong Government Gazette for the purpose of section 71A of the Companies Ordinance), in each case, in accordance with and subject to the requirements of applicable legislation and/or the requirements of the stock exchange on which the Company's shares are listed from time to time. In the case of joint holders of a share, all notices (and, where appropriate, any other document) shall be given to that one of the joint holders whose name stands first in the register and notice (and, where appropriate, any document) so given shall be deemed a sufficient service on or delivery to all the joint holders.

Notice of Annual General Meeting (Continued)

176. Any notice or other document published on the Company's website, transmitted, delivered or sent by post to or left at the registered address of any member, in pursuance of these Articles shall, notwithstanding that such member is then dead or bankrupt or that any other event has occurred, and whether or not the Company has notice of the death or bankruptcy or other event, be deemed to have been duly published, transmitted, served or delivered in respect of any share registered in the name of such member as sole or joint holder unless his name shall, at the time of the publication, transmission, service or delivery of the notice or document, have been removed from the register as the holder of the share, and such publication, transmission, service or delivery shall for all purposes be deemed a sufficient publication, transmission, service or delivery of such notice or document on all persons interested (whether jointly with or as claiming through or under him) in the share.'"

(iii) "**THAT** Article 173 of the Company be amended by adding the words 'or document' after the words 'Any notice' in the first line and by inserting the following at the end:

'Any notice or document, if published, served or delivered in any other manner contemplated by these Articles, shall be deemed to have been published, served or delivered at the time of publication, personal service or delivery or, as the case may be, at the time of the relevant despatch or transmission; and in proving such publication, service or delivery a certificate in writing signed by the Secretary or other officer of the Company or other person appointed by the Board as to the act and time of such publication, service, delivery, despatch or transmission shall be conclusive evidence thereof.'"

(iv) "**THAT** Articles 172, 174, 175 and 177 of the Company be amended respectively by adding the words 'or document' after each reference to the word 'notice.'"

(v) "**THAT** the authorised capital of the Company be increased to HK$125,000,000 divided into 2,500,000,000 shares of HK$0.05 each."

By Order of the Board
LAW Kwai Lam
Secretary

Hong Kong, 28 June 2002

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

Notes:

1. A member entitled to attend and vote at the meeting convened by the above notice may appoint one or more proxies to attend the meeting and vote on a poll instead of him. A proxy need not be a member of the Company.

2. To be valid, a form of proxy and the power of authority (if any) under which it is signed or a notarially certified copy of such power of authority must be deposited at the Registered Office of the Company in Hong Kong at 79th Floor, The Center, 99 Queen's Road Central, Hong Kong not less than 48 hours before the time appointed for holding the meeting or the adjourned meeting.