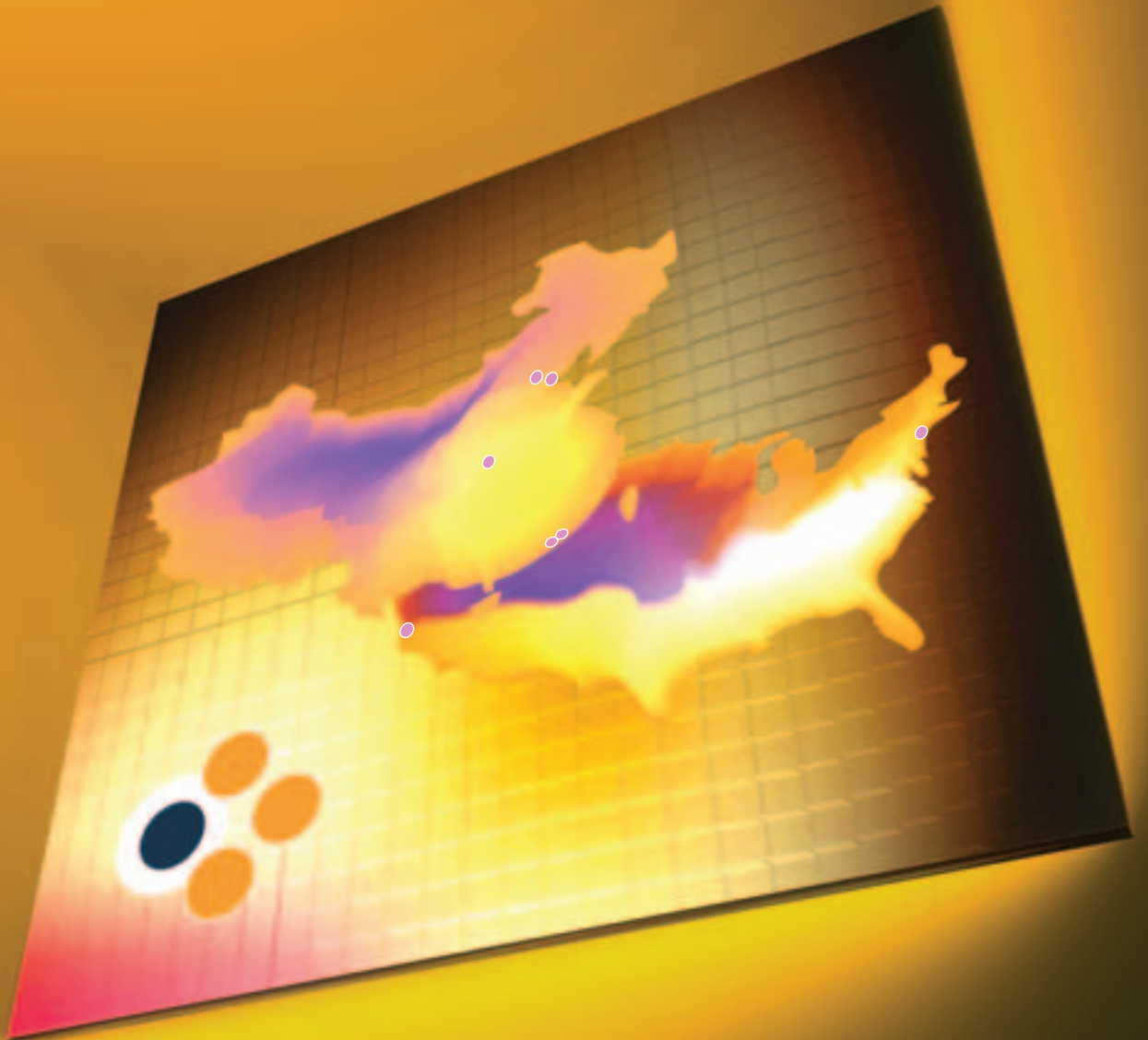




TIMELESS SOFTWARE LTD.



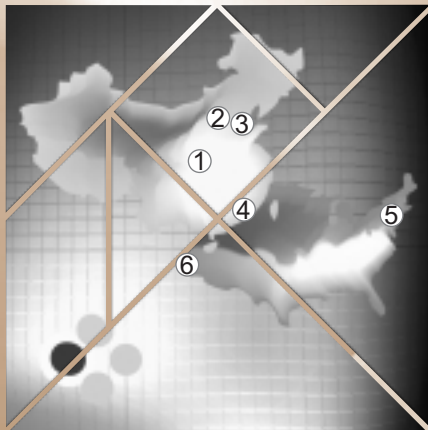
Annual Report 2003

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.

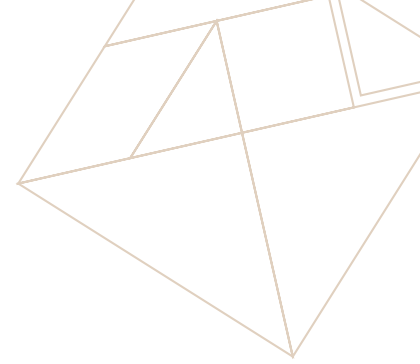


The cover maps out several of the many cities and areas where TCP (Timeless Consolidated Platform) is well received or being deployed. They are as numbered

- ① Ningxia Hui Autonomous Region
- ② Beijing
- ③ Tianjin and Hubei
- ④ Guangzhou and Zhuhai
- ⑤ New York
- ⑥ The Silicon Valley.



The theme of the four report covers for the financial year draws inspiration from the Tangram, an ancient Chinese puzzle made up of five triangles, a small square and a lozenge. When the pieces are properly put back together, they form a square, as shown here.



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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
ZHANG Min
ZHENG Ying Yu

Independent non-executive directors

CHONG Siu Pui
NG Kwok Tung

SECRETARY

LAW Kwai Lam

QUALIFIED ACCOUNTANT

SO Mi Ling, Winnie

COMPLIANCE OFFICER

LAW Kwai Lam

AUDIT COMMITTEE

CHONG Siu Pui
NG Kwok Tung

REGISTERED OFFICE

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

AUDITORS

Deloitte Touche Tohmatsu

LEGAL ADVISER

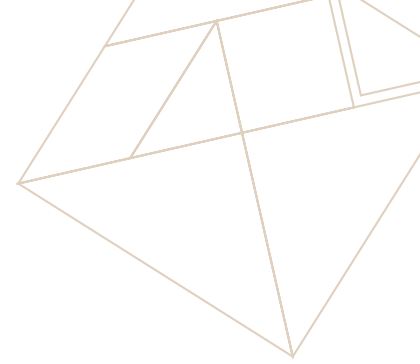
Deacons

BANKERS

Hang Seng Bank Limited
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

The year under review was the most difficult year experienced by the Group since its listing on the GEM board of Hong Kong. In line with the circumstances, we have thoroughly rationalized and consolidated our operation, the result of which has met our expectation.

SELECTION OF KEY AFFILIATES

During the year, a comprehensive review was conducted on our numerous affiliates. On that basis, we had chosen several quality affiliates to operate with synergy on several important aspects.

We refer to, specifically, the commencement of Phase II construction works at the Zhuhai Southern Software Park, a national software development base of the PRC, and the Park's promotion programme for investment; the successful listing of KanHan Technologies on the GEM board of Hong Kong; and the preparatory efforts aimed at expediting the listing-readiness of Ningxia Educational Information Technology Company Limited and West China Electronic Business Company Limited.

ENHANCING BUSINESS NETWORK

During the year we have conducted in-depth contacts with a wide range of business partners during the year, and have established a relatively improved business network.

The network included the following entities: Hong Kong Tourism Board, ITSD, CEPREI (Headquarters) Laboratory in the PRC, Huawei Technology Company Limited, Emerson Network Power Company, Guangzhou Press and Publishing Information Centre, Guangzhou Gas Company, Guangdong Province Information Centre, Beijing Sports Bureau, China Mobile Beijing Branch, Motorola and etc.

STANDARDISATION OF THE CONSOLIDATED PLATFORM

We made creative trials on the rather complicated software development process in the year, and completed an operation standard for the Group on the bases of such foundation. The standard will soon be implemented.

The standard is another major achievement of the Group following the completion of the first version of Timeless Consolidated Platform (TCP V1) about a year ago. When the two systems are being operated on a trial basis at the same time, there will be concrete contributions in costs saving for the Group's development activities and reduction in our duplicated efforts in software development.

QUALIFICATION ADVANCEMENT

During the year, we carried out a detailed and comprehensive analysis on our technology development. Building on such ground, we began the effective integration of the Timeless Consolidated Platform with market applications.

In this respect, the following significant achievements were obtained:

- (1) the Timeless Consolidated Platform obtained for the first time the software testing certificate issued by a state level assessment centre, and was awarded general excellency by having "excellent qualities in nine categories" including reliability, easy to use, transferability and etc.;
- (2) Timeless Software (Guangzhou) Limited received the Second Class qualification for computer information system integration;
- (3) the Group completed the ISO9001 accreditation.

These qualifications are standards recognized internationally, and will form the substance for our qualifications in the international application market.

Such recognition will be of great value in the market.

Chairman's Statement (Continued)

CONCLUSION

Whether the rationalization and consolidation we had undergone in the year will be effective will largely depend on whether they could bring about improvement in our cash flow. Presently, fundamental changes have yet to take place. Such issue, however, is critically dependent upon the acceptance by the market of a unique technology company like the Group, and the recognition of our aggressive strategies in the PRC.

It is perfectly clear to us that the current negative sentiment in the market toward technology companies is irrational, just as the exuberance toward them was irrational in the years just past. As a company, we have experienced a market which looked on us with exuberant expectation and we are experiencing one which now looks at us with utter diffidence.

These rare but valuable experiences have thus given us strength and confidence to expect for a recovery that is bound to come our way, and we are confident that even a strong rebound may not be such an atypical expectation after all.

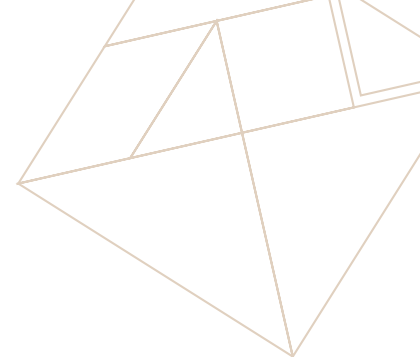
On behalf of the Board

Cheng Kin Kwan

Chairman and Chief Executive Officer

Hong Kong, 17 June 2003

Review of Operations



RESULTS FOR THE YEAR ENDED 31 MARCH 2003

The directors continued to take a conservative approach for accounting purposes. A stringent view on recognizing revenue was still being adopted during the year especially for contracts of relatively longer term in nature in Mainland China.

The loss for the year ended 31 March 2003 was approximately HK\$117.1 million compared to a loss of approximately HK\$338.1 million in previous year. The decrease in loss for the year is mainly due to the smaller amount of write-down of assets and the successful reduction of staff costs and other operating expenses during the year. The EBITDA for the year ended 31 March 2003 is a loss of HK\$24.6 million compared to a loss of HK\$50.8 million in previous year.

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 2003, the Group had bank balances and cash of approximately HK\$28 million. During the year, the Group's pledged deposit of HK\$30 million was released from a bank and the Group utilized approximately HK\$27 million in investing activities and HK\$15 million in repaying the bank loan.

As at 31 March 2003, the Group had a bank loan of HK\$30 million and obligations under a finance lease of HK\$0.2 million. The bank loan is an installment loan and will be fully repaid in 2006. The following is the maturity profile of the Group's bank loan as of 31 March 2003:

Within one year	33.3%
In the 2nd year	33.3%
In the 3rd year	33.4%
	<hr/>
	100.0%
	<hr/> <hr/>

GEARING RATIO

The gearing ratio of the Group, which is calculated as the ratio of total borrowings to shareholders' funds, was 12.7% compared to 12.9% as at 31 March 2002.

CHARGE ON THE GROUP'S ASSETS

As at 31 March 2003, the Group's headquarters at 79/F The Center, 99 Queen's Road Central, Hong Kong was pledged to a bank for a loan of HK\$30 million as mentioned in the previous paragraph. A bank deposit of HK\$5 million (31 March 2002: HK\$5 million) was also pledged to a bank for banking facilities totaling HK\$10 million (31 March 2002: HK\$15 million). The Group's pledged deposit of HK\$30 million at 31 March 2002 was released from a bank during the year.

CAPITAL STRUCTURE

During the year, the Company issued 10,000,000 new ordinary shares at a consideration of HK\$5,300,000 to KDS China Limited, an independent private investor.

Review of Operations (Continued)

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, investments and other operations, and in three geographical segments namely Hong Kong, Mainland China and United States of America.

In respect of business segments, the Group continues to focus on software development. Activity under investments 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 87% of the total turnover of the Group during the year compared to approximately 67% in previous year.

ORDER BOOK AND PROSPECTS FOR NEW BUSINESS

Our contracts on hand amounted to over HK\$700 million. Please refer to Chairman's Statement for the prospects of the Group.

MATERIAL ACQUISITIONS AND DISPOSAL OF SUBSIDIARIES AND AFFILIATED COMPANIES

There was no disposal or acquisition of subsidiaries and affiliated companies during the year.

FUTURE PLANS FOR MATERIAL INVESTMENTS

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

EXPOSURE TO EXCHANGE RISKS

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

CONTINGENT LIABILITIES

As at 31 March 2003, the Company has given corporate guarantees of HK\$15 million to a bank to secure credit facilities granted to its subsidiaries. As at 31 March 2003, none of these credit facilities were utilized by the subsidiaries.

EMPLOYEE INFORMATION

As at 31 March 2003, the Group employed a total staff of 108. Staff remuneration is reviewed by the Group from time to time and increments are granted normally annually or by special adjustment depending on length of service and performance when warranted. In addition to salaries, the Group provides staff benefits including medical insurance and provident fund. Share options and bonuses are also available to employees of the Group at the discretion of the directors and depending upon the financial performance of the Group.



Biographical Details of Directors and Senior Management

DIRECTORS

Executive directors

Mr. Cheng Kin Kwan, aged 64, 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 39, 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 11 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 56, 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 38, is the Administration Director of the Group and is responsible for the overall administrative management of the Group and special assignments by the CEO. Ms. Leung joined the Group in June 1996. She has over 17 years of experience in office administration and accounting in the IT field.

Ms. So Mi Ling, Winnie, aged 35, 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 13 years experience in finance and accounting. She holds a professional diploma in accountancy from the City University of Hong Kong, and is a fellow of the ACCA and an associate of the Hong Kong Society of Accountants.

Ms. Wong Wai Ping, Mandy, aged 40, is the Marketing Director of the Company, responsible for planning and executing marketing programmes, handling investors relationship and marketing communications, and special assignments by the CEO. She joined the Group in 1996 and has over 19 years experience in marketing in the IT field.

Mr. Zhang Min, aged 27, is the Technology Operating Officer of the Group assisting the CEO to strategize and execute the IT strategies and business directions. Before taking up the present position, he was Project Manager of substantial projects of the Group. Mr. Zhang joined the Group in February 2001 and has five years experience in the IT industry. He has over 2 years experience as Senior Instructor at the SUN Training Center, Tsinghua University. Mr. Zhang holds a Master degree in Computer Science from Tsinghua University, and was the recipient of several Excellent Student Awards.

Ms. Zheng Ying Yu, aged 29, is the Chief Representative of Group's Guangzhou subsidiary, responsible for market promotion, business development and the overall operation of the Guangzhou office. She joined the Group in 1998 and has seven years experience in the IT industry. Ms. Zheng holds a Bachelor of Science degree in Computer Science from ZhongShan University.

Biographical Details of Directors and Senior Management (Continued)

Independent non-executive directors

Mr. Chong Siu Pui, aged 33, is the General Manager of Commonwill Catering Management Company Limited and has been in the catering management business for over ten years. Mr. Chong holds a Bachelor degree in Accountancy from The Hong Kong Polytechnic University and a Master degree in Business Administration from The University of Sydney. He is a fellow of the ACCA, an associate of the Hong Kong 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.

Mr. Ng Kwok Tung, aged 52, joined the Group's Board in 2003 as independent non-executive director. Mr. Ng is a practising accountant. He holds a Bachelor of Commerce Degree and a Licentiate in Accountancy from McGill University, Canada and a Diploma in Chinese Law from the University of East Asia, Macau. Mr. Ng is a member of the Hong Kong Society of Accountants, the Institute of Chartered Accountants of British Columbia, the Order of Chartered Accountants of Quebec, the Canadian Institute of Chartered Accountants and the Taxation Institute of Hong Kong.

SENIOR MANAGEMENT

Mr. Pun Chung Sang, Trevor, aged 34, 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.



Directors' Report

The directors present their annual report and the audited financial statements for the year ended 31 March 2003.

PRINCIPAL ACTIVITIES

The Company acts as an investment holding company as well as being engaged in the provision of computer consultancy and software maintenance services, software development and sales of computer hardware and software.

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

RESULTS

The results of the Group for the year ended 31 March 2003 are set out in the consolidated income statement on page 17.

SHARE CAPITAL

Details of the movements in share capital of the Company during the year are set out in note 25 to the financial statements.

RESERVES

Movements in the reserves of the Group and the Company during the year are set out on page 20 and note 27 to the financial statements respectively.

PROPERTY, PLANT AND EQUIPMENT

During the year, the Group recognised an impairment in value of HK\$50 million in respect of its land and buildings. Details of these and other movements in property, plant and equipment of the Group and the Company during the year are set out in note 11 to the financial statements.

PRINCIPAL ASSOCIATES AND PRINCIPAL JOINTLY CONTROLLED ENTITIES

The principal activities of the Group's principal associates and principal jointly controlled entities are set out in notes 14 and 15 to the financial statements respectively.

DIRECTORS AND DIRECTORS' SERVICE CONTRACTS

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

Executive directors:

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

Law Kwai Lam

Chung Yiu Fai

Leung Mei Sheung, Eliza

So Mi Ling, Winnie

Wong Wai Ping, Mandy

Zhang Min

(appointed on 8 August 2002)

Zheng Ying Yu

(appointed on 8 August 2002)

Lin Kai Horng

(resigned on 27 April 2002)

Zhang Hong

(resigned on 3 May 2002)

Independent non-executive directors:

Chong Siu Pui

Ng Kwok Tung

(appointed on 16 January 2003)

Chan Shui Ying, Henry

(resigned on 25 February 2003)

Directors' Report (Continued)

DIRECTORS AND DIRECTORS' SERVICE CONTRACTS (continued)

In accordance with Articles 96 and 105(A) of the Company's Articles of Association, Ms. So Mi Ling, Winnie, Ms. Wong Wai Ping, Mandy, Mr. Zhang Min, Ms. Zheng Ying Yu and Mr. Ng Kwok Tung retire and, being eligible, offer themselves for re-election.

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

Each of the remaining independent non-executive directors were appointed for a term of one year expiring in January 2004.

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

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS IN SECURITIES

As at 31 March 2003, the interests of the directors, chief executive and their associates in ordinary shares of the Company and their associated corporations as recorded in the register maintained by the Company pursuant to Section 29 of the Securities (Disclosure of Interests) Ordinance (the "SDI Ordinance") were as follows:

Name of director	Number of ordinary shares held			
	Personal interest	Family interest	Corporate interest	Other interest
Cheng Kin Kwan	104,660,000	—	—	—
Law Kwai Lam	10,000,000	—	28,325,000*	—
Chung Yiu Fai	2,420,000	—	—	—
Leung Mei Sheung, Eliza	1,030,000	—	—	—
Wong Wai Ping, Mandy	1,680,000	—	—	—
Zheng Ying Yu	200,000	—	—	—

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

Save as disclosed above and other than nominee shares in certain wholly-owned subsidiaries held by certain directors in trust for the Group, none of the directors, chief executive or their associates had any interests as at 31 March 2003 in the securities of the Company or any of its associated corporations as defined in the SDI Ordinance.

Directors' Report (Continued)

DIRECTORS' AND CHIEF EXECUTIVE'S RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Pursuant to the Company's share option scheme, certain directors and chief executive of the Company have personal interests in share options to subscribe for shares in the Company as follows:

Name of director	Exercisable period	Exercise price per share HK\$	Number of share options		
			Outstanding at 1.4.2002	Granted during the year	Outstanding at 31.3.2003
Cheng Kin Kwan	6.3.2002 - 5.3.2005	0.630	1,500,000	—	1,500,000
	27.4.2002 - 26.4.2005	0.818	500,000	—	500,000
	3.10.2002 - 2.10.2005	0.445	800,000	—	800,000
	22.4.2003 - 21.4.2006	0.455	—	650,000	650,000
Law Kwai Lam	6.3.2002 - 5.3.2005	0.630	800,000	—	800,000
	27.4.2002 - 26.4.2005	0.818	200,000	—	200,000
	3.10.2002 - 2.10.2005	0.445	200,000	—	200,000
Chung Yiu Fai	6.3.2002 - 5.3.2005	0.630	1,000,000	—	1,000,000
	27.4.2002 - 26.4.2005	0.818	200,000	—	200,000
	3.10.2002 - 2.10.2005	0.445	500,000	—	500,000
	22.4.2003 - 21.4.2006	0.455	—	300,000	300,000
Leung Mei Sheung, Eliza	6.3.2002 - 5.3.2005	0.630	1,000,000	—	1,000,000
	27.4.2002 - 26.4.2005	0.818	200,000	—	200,000
	3.10.2002 - 2.10.2005	0.445	500,000	—	500,000
So Mi Ling, Winnie	6.3.2002 - 5.3.2005	0.630	300,000	—	300,000
	27.4.2002 - 26.4.2005	0.818	200,000	—	200,000
	3.10.2002 - 2.10.2005	0.445	200,000	—	200,000
Wong Wai Ping, Mandy	6.3.2002 - 5.3.2005	0.630	800,000	—	800,000
	27.4.2002 - 26.4.2005	0.818	200,000	—	200,000
	3.10.2002 - 2.10.2005	0.445	500,000	—	500,000
Zhang Min	3.10.2002 - 2.10.2005	0.445	60,000	—	60,000
	22.4.2003 - 21.4.2006	0.455	—	590,000	590,000
Zheng Ying Yu	27.4.2002 - 26.4.2005	0.818	100,000	—	100,000
	3.10.2002 - 2.10.2005	0.445	300,000	—	300,000
	22.4.2003 - 21.4.2006	0.455	—	300,000	300,000

Save as disclosed above, at no time during the year was the Company or any of its subsidiaries a party to any arrangement to enable the directors and chief executive 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 and none of the directors or the chief executive or their spouses or children under the age of 18, had any rights to subscribe for securities of the Company, or had exercised any such rights.

Directors' Report (Continued)

SUBSTANTIAL SHAREHOLDERS

As at 31 March 2003, the register of substantial shareholders maintained under Section 16(1) of the SDI Ordinance showed that the following persons, in addition to Mr. Cheng Kin Kwan as stated under the paragraph headed "Directors' and chief executive's interests in securities", are interested in 10% or more of the nominal value of the issued ordinary shares of the Company.

Name of shareholder	Number of ordinary shares held
Educational Information Technology (HK) Company Limited	108,057,374*
Crimson Asia Capital Limited, L.P.	107,273,503

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

Save as disclosed above, the Company has not been notified of any other interests representing 10% or more in the Company's issued share capital as at 31 March 2003.

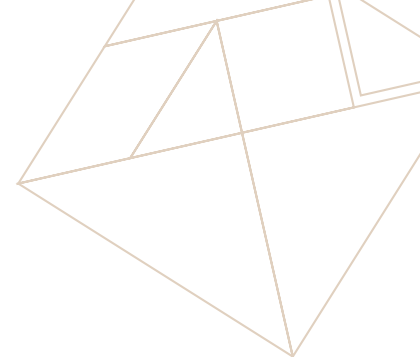
SHARE OPTIONS

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

Type of participants	Exercisable period	Exercise price per share HK\$	Number of share options			
			Outstanding at 1.4.2002	Granted during the year	Lapsed during the year	Outstanding at 31.3.2003
Directors	6.3.2002 - 5.3.2005	0.630	5,400,000	—	—	5,400,000
	27.4.2002 - 26.4.2005	0.818	1,600,000	—	—	1,600,000
	3.10.2002 - 2.10.2005	0.445	3,060,000	—	—	3,060,000
	22.4.2003 - 21.4.2006	0.455	—	1,840,000	—	1,840,000
Employees	16.2.2002 - 15.2.2005	0.734	3,900,000	—	1,700,000	2,200,000
	6.3.2002 - 5.3.2005	0.630	6,450,000	—	2,150,000	4,300,000
	9.4.2002 - 8.4.2005	0.592	150,000	—	—	150,000
	27.4.2002 - 26.4.2005	0.818	1,100,000	—	700,000	400,000
	28.6.2002 - 27.6.2005	0.996	4,500,000	—	4,500,000	—
	3.10.2002 - 2.10.2005	0.445	9,540,000	—	4,320,000	5,220,000
	22.4.2003 - 21.4.2006	0.455	—	7,700,000	1,700,000	6,000,000
			35,700,000	9,540,000	15,070,000	30,170,000

The exercise price per share of the above share options granted during the year under the 2000 share option scheme represented the closing price of the Company's shares on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on the date of grant. The closing price of the Company's shares as quoted by the Stock Exchange immediately before the date of grant was HK\$0.45.

Directors' Report (Continued)



SHARE OPTIONS (continued)

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

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

Pursuant to an ordinary resolution passed in the Company's extraordinary general meeting held on 28 April 2003, the Company has terminated the operation of the 2000 share option scheme (such that no further options could thereafter be offered under the 2000 share option scheme but outstanding options granted under the 2000 share option scheme shall remain effective subject to the relevant provisions of the 2000 share option scheme) and approved and adopted the 2003 new share option scheme.

The options of the 2003 new share option scheme may be granted to any director, employee, consultant, customer, supplier, agent, partner, provider of financial assistance, shareholder or adviser of or contractor to the Group or a Company in which the Group holds an interest or a subsidiary of such Company ("Eligible Participants"), the trustee of the Eligible Participants or a company beneficially owned by the Eligible Participants. The purpose of the 2003 new share option scheme is to recognise and acknowledge the contributions that the Eligible Participants had made or may make to the Group. The total number of shares available for issue under the 2003 share option scheme is 94,885,550 shares, representing 10% of the issued share capital of the Company both at the date of approval and adoption of the scheme and at 17 June 2003. The maximum number of shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the 2003 new share option scheme and any other share option schemes of the Company shall not, in aggregate, exceed 30% of the total number of shares of the Company in issue from time to time. No options may be granted to any Eligible Participants which if exercised in full would result in the total number of shares issued and to be issued upon exercise of the share options already granted to such Eligible Participants in the 12-month period up to and including the date of such new grant exceeding 1% of the issued share capital of the Company as at the date of grant. The exercisable period is determined by the board of directors in its absolute discretion, save that such period shall not be more than 10 years from the date of grant. There is no generally applicable minimum period for which the options must be held before it can be exercised. An offer of the grant of an option shall be accepted when the Company receives in writing the acceptance of the offer from the grantee together with a remittance in favour of the Company of HK\$1 by way of consideration for the grant thereof. The option shall remain open for acceptance by the Eligible Participants concerned for a period of 28 days from the date of offer. The exercise price shall be determined by the board of directors at the time of grant of the relevant option and notified to each grantee and shall not be less than the highest of:

- (a) the closing price of a share as stated in the Stock Exchange's daily quotations sheet on the date of grant of the relevant option, which must be a business day;
- (b) an amount equivalent to the average closing price of shares as stated in the Stock Exchange's daily quotation sheets for the 5 business days immediately preceding the date of grant of the relevant option; and
- (c) the nominal value of a share.

The 2003 new share option scheme is valid for a period of 10 years commencing on the adoption date.

Directors' Report (Continued)

DIRECTORS' INTERESTS IN CONTRACTS

During the year, the Group paid property rentals of HK\$482,000 to Mr. Cheng Kin Kwan, a director of the Company.

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

MAJOR CUSTOMERS AND SUPPLIERS

During the year, the aggregate sales attributable to the Group's five largest customers comprised approximately 82% of the Group's total sales while the sales attributable to the Group's largest customer was approximately 48% of the Group's total sales. Ningxia Educational IT, being a substantial shareholder of the Company, is the largest customer from which the Group made approximately 48% of its total sales based on software development contract signed prior to Ningxia Educational IT becomes a substantial shareholder of the Company. Sales to Ningxia Educational IT represents work subcontracted from Ningxia Educational IT to the Group in respect of government sponsored project.

The aggregate purchases during the year attributable to the Group's five largest suppliers comprised approximately 64% of the Group's total purchases while the purchases attributable to the Group's largest supplier was approximately 17% of the Group's total purchases.

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

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

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

CORPORATE GOVERNANCE

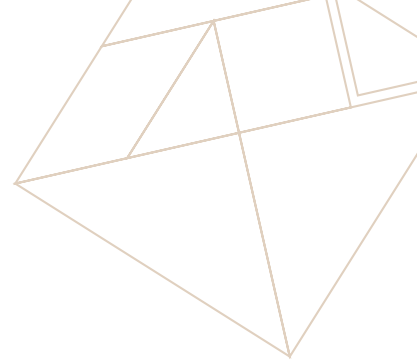
During the year, the Company has complied with the board practices and procedures as set out in Rules 5.28 to 5.39 of the Rules Governing the Listing of Securities on the Growth Enterprise Market (the "GEM") of the Stock Exchange (the "GEM Listing Rules").

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

COMPETING INTEREST

As at 31 March 2003, none of the directors or the management shareholders (as defined in the GEM Listing Rules) of the Company or their respective associates had any interest in a business which competes or may compete with the business of the Group.

Directors' Report (Continued)



AUDITORS

During the year, Messrs. PricewaterhouseCoopers, who acted as auditors of the Company for the past three years, retired and, although eligible, had not offered themselves for re-appointment and Messrs. Deloitte Touche Tohmatsu were appointed as auditors of the Company. A resolution will be submitted to the annual general meeting of the Company to re-appoint Messrs. Deloitte Touche Tohmatsu.

On behalf of the Board

Cheng Kin Kwan

Chairman and Chief Executive Officer

Hong Kong, 17 June 2003

Auditors' Report

德勤 • 關黃陳方會計師行

Certified Public Accountants
26/F, Wing On Centre
111 Connaught Road Central
Hong Kong

執業會計師
香港中環干諾道中 111 號
永安中心 26樓

**Deloitte
Touche
Tohmatsu**

TO THE SHAREHOLDERS OF TIMELESS SOFTWARE LIMITED

天時軟件有限公司

(incorporated in Hong Kong with limited liability)

We have audited the financial statements on pages 17 to 47 which have been prepared in accordance with accounting principles generally accepted in Hong Kong.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

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

It is our responsibility to form an independent opinion, based on our audit, on those statements 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 financial statements. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the circumstances of the Company and the Group, consistently applied and adequately disclosed.

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

OPINION

In our opinion the financial statements give a true and fair view of the state of affairs of the Company and the Group as at 31 March 2003 and of the loss and cash flows of the Group for the year then ended and have been properly prepared in accordance with the Companies Ordinance.

DELOITTE TOUCHE TOHMATSU

Hong Kong, 17 June 2003

Consolidated Income Statement

For the Year Ended 31 March 2003

	NOTES	2003 HK\$'000	2002 HK\$'000
Turnover	4	27,970	47,475
Other operating income		3,341	6,291
Cost of computer software and hardware sold		(10,674)	(5,784)
Staff costs		(21,170)	(32,540)
Depreciation and amortisation		(12,207)	(17,424)
Other operating expenses		(22,262)	(60,328)
Impairment in value of land and buildings		(50,000)	—
Impairment in value of goodwill		—	(85,755)
Impairment in value of product development costs		(2,171)	(17,867)
Impairment in value of investment securities		(10,951)	(81,642)
Impairment in value of other investments		(1,404)	(28,008)
Allowance for deposit made for the investment in an associate		(4,107)	(66,526)
Loss on disposal of listed investment securities		(1,874)	—
Loss from operations	5	(105,509)	(342,108)
Finance costs	8	(1,225)	(4,145)
Share of losses of associates		(3,858)	(240)
Share of losses of jointly controlled entities		(7,255)	(1,929)
Loss before taxation		(117,847)	(348,422)
Taxation	9	(191)	1,500
Loss before minority interests		(118,038)	(346,922)
Minority interests		974	8,813
Net loss attributable to shareholders		(117,064)	(338,109)
Loss per share - Basic	10	(12.35) cents	(41.16) cents

Consolidated Balance Sheet

At 31 March 2003

	NOTES	2003 HK\$'000	2002 HK\$'000
Non-current assets			
Property, plant and equipment	11	150,790	211,633
Product development costs	12	6,238	4,233
Interests in associates	14	14,731	18,589
Interests in jointly controlled entities	15	25,227	29,161
Investments in securities	16	11,499	15,321
Deposits made for investments	17	21,207	15,408
		<u>229,692</u>	<u>294,345</u>
Current assets			
Amounts due from customers for contract work	18	8,272	5,650
Trade and other receivables	19	6,560	8,500
Other investments	20	—	1,404
Taxation recoverable		4,348	6,233
Pledged bank deposits		5,000	35,000
Bank balances and cash		27,606	56,429
		<u>51,786</u>	<u>113,216</u>
Current liabilities			
Trade and other payables	21	6,772	8,720
Obligations under a finance lease due within one year	22	94	86
Current portion of secured long-term bank loan	23	10,000	15,000
Bank overdrafts - secured		3,738	—
		<u>20,604</u>	<u>23,806</u>
Net current assets			
		<u>31,182</u>	<u>89,410</u>
Total assets less current liabilities			
		<u>260,874</u>	<u>383,755</u>
Non-current liabilities			
Obligations under a finance lease due after one year	22	102	196
Secured long-term bank loan	23	20,000	30,000
		<u>20,102</u>	<u>30,196</u>
Minority interests			
		<u>2,366</u>	<u>3,340</u>
Net assets			
		<u>238,406</u>	<u>350,219</u>
Capital and reserves			
Share capital	25	47,443	46,943
Reserves		190,963	303,276
		<u>238,406</u>	<u>350,219</u>

The financial statements on pages 17 to 47 were approved and authorised for issue by the Board of Directors on 17 June 2003 and are signed on its behalf by:

Cheng Kin Kwan
Chairman
and
Chief Executive Officer

Law Kwai Lam
Director

Balance Sheet

At 31 March 2003

	NOTES	2003 HK\$'000	2002 HK\$'000
Non-current assets			
Property, plant and equipment	11	141,925	200,384
Product development costs	12	6,238	2,063
Interests in subsidiaries	13	8,000	95,538
Investments in associates	14	14,731	18,589
Interests in jointly controlled entities	15	25,227	35,263
Investments in securities	16	500	3,250
Deposits made for investments	17	21,207	15,408
		<u>217,828</u>	<u>370,495</u>
Current assets			
Amounts due from customers for contract work	18	234	750
Trade and other receivables		1,826	2,736
Taxation recoverable		4,300	4,300
Pledged bank deposits		5,000	35,000
Bank balances and cash		11,277	20,978
		<u>22,637</u>	<u>63,764</u>
Current liabilities			
Trade and other payables		2,292	3,823
Obligations under a finance lease due within one year	22	94	86
Current portion of secured long-term bank loan	23	10,000	15,000
Bank overdraft - secured		3,410	—
		<u>15,796</u>	<u>18,909</u>
Net current assets		<u>6,841</u>	<u>44,855</u>
Total assets less current liabilities		<u>224,669</u>	<u>415,350</u>
Non-current liabilities			
Obligations under a finance lease due after one year	22	102	196
Secured long-term bank loan	23	20,000	30,000
Amounts due to subsidiaries	24	2,126	957
		<u>22,228</u>	<u>31,153</u>
Net assets		<u>202,441</u>	<u>384,197</u>
Capital and reserves			
Share capital	25	47,443	46,943
Reserves	27	154,998	337,254
Shareholders' funds		<u>202,441</u>	<u>384,197</u>

Cheng Kin Kwan
Chairman
and
Chief Executive Officer

Law Kwai Lam
Director

Consolidated Statement of Changes in Equity

For the Year Ended 31 March 2003

	Share capital HK\$'000	Share premium HK\$'000	Goodwill reserve HK\$'000	Retained profits (deficit) HK\$'000	Total HK\$'000
At 1 April 2001	37,575	486,203	(9,080)	32,581	547,279
Issue of shares	9,368	131,880	—	—	141,248
Expenses incurred in connection with the issue of shares	—	(199)	—	—	(199)
Net loss attributable to shareholders	—	—	—	(338,109)	(338,109)
At 31 March 2002	46,943	617,884	(9,080)	(305,528)	350,219
Issue of shares	500	4,800	—	—	5,300
Expenses incurred in connection with the issue of shares	—	(49)	—	—	(49)
Net loss attributable to shareholders	—	—	—	(117,064)	(117,064)
At 31 March 2003	<u>47,443</u>	<u>622,635</u>	<u>(9,080)</u>	<u>(422,592)</u>	<u>238,406</u>
Attributable to					
- the Company and subsidiaries	47,443	622,635	(9,080)	(408,965)	252,033
- associates	—	—	—	(4,098)	(4,098)
- jointly controlled entities	—	—	—	(9,529)	(9,529)
At 31 March 2003	<u>47,443</u>	<u>622,635</u>	<u>(9,080)</u>	<u>(422,592)</u>	<u>238,406</u>

Consolidated Cash Flow Statement

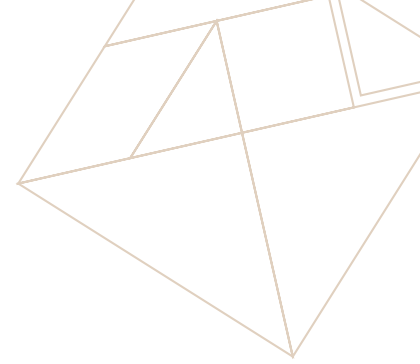
For the Year Ended 31 March 2003

	2003 HK\$'000	2002 HK\$'000
Operating activities		
Loss before taxation	(117,847)	(348,422)
Adjustments for:		
Interest income	(1,832)	(5,811)
Interest expenses	1,225	4,145
Dividend income from investment securities	(120)	(144)
Share of losses of associates	3,858	240
Share of losses of jointly controlled entities	7,255	1,929
Depreciation and amortisation	12,207	17,424
Loss on disposal of property, plant and equipment	15	321
Loss (gain) on disposal of investment securities	1,874	(67)
Impairment in value of land and buildings	50,000	—
Impairment in value of goodwill	—	85,755
Impairment in value of product development costs	2,171	17,867
Impairment in value of investment securities	10,951	81,642
Impairment in value of other investments	1,404	28,008
Allowance for deposit made for the investment in an associate	4,107	66,526
Allowance for amounts due from customers for contract work	—	9,532
Allowance for bad and doubtful debts	5,209	29,964
Allowance for deposits made on acquisition of investment securities	—	3,400
Operating cash flows before movements in working capital	(19,523)	(7,691)
Decrease (increase) in amount due from a jointly controlled entity	924	(16)
(Increase) decrease in amounts due from customers for contract work	(2,622)	10,126
(Increase) decrease in trade and other receivables	(3,269)	5,744
Decrease in trade and other payables	(1,663)	(11,598)
Cash used in operations	(26,153)	(3,435)
Hong Kong Profits Tax paid	—	(96)
Mainland China income tax refunded (paid)	1,694	(663)
Net cash used in operating activities	(24,459)	(4,194)
Investing activities		
Interest received	1,832	5,811
Dividend received from investment securities	120	144
Purchase of property, plant and equipment	(683)	(8,230)
Proceeds from disposal of property, plant and equipment	42	622
Product development costs paid	(4,914)	(1,708)
Purchase of subsidiaries (net of cash and cash equivalents acquired)	—	(1,670)
Investment in a jointly controlled entity and an associate	—	(29,492)
Deposits paid for investments	(14,151)	(18,396)
Purchase of investment securities and other investments	(10,506)	(3,457)
Proceeds from disposal of investment securities	1,218	2,465
Decrease in pledged bank deposits	30,000	10,000
Net cash inflow (outflow) from investing activities	2,958	(43,911)

Consolidated Cash Flow Statement (Continued)

For the Year Ended 31 March 2003

	2003 HK\$'000	2002 HK\$'000
Financing activities		
Interest paid	(1,225)	(4,145)
Proceeds from issue of shares	5,300	—
Expenses paid in connection with the issue of shares	(49)	(199)
Repayment of borrowings from a shareholder	—	(8,000)
Repayment of obligations under a finance lease	(86)	(80)
Repayment of bank loan	(15,000)	(15,000)
Repayment of convertible note	—	(35,675)
	<hr/>	<hr/>
Net cash used in financing activities	(11,060)	(63,099)
	<hr/>	<hr/>
Decrease in cash and cash equivalents	(32,561)	(111,204)
Cash and cash equivalents at 1 April	56,429	167,633
	<hr/>	<hr/>
Cash and cash equivalents at 31 March	23,868	56,429
	<hr/> <hr/>	<hr/> <hr/>
Analysis of the balances of cash and cash equivalents		
Bank balances and cash	27,606	56,429
Bank overdrafts	(3,738)	—
	<hr/>	<hr/>
	23,868	56,429
	<hr/> <hr/>	<hr/> <hr/>



Notes to the Financial Statements

For the Year Ended 31 March 2003

1. GENERAL

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

2. ADOPTION OF NEW OR REVISED STATEMENTS OF STANDARD ACCOUNTING PRACTICE

In the current year, the Group has adopted for the first time the following new or revised Statements of Standard Accounting Practice ("SSAP") issued by the Hong Kong Society of Accountants:

SSAP 1 (Revised)	Presentation of financial statements
SSAP 11 (Revised)	Foreign currency translation
SSAP 15 (Revised)	Cash flow statements
SSAP 34	Employee benefits

The adoption of these new or revised SSAPs has resulted in the introduction of the statement of changes in equity and a change in the format of presentation of the cash flow statement as well as additional disclosures. These changes have not had any significant impact on the results for the current or prior periods. Accordingly, no prior period adjustment was required.

3. SIGNIFICANT ACCOUNTING POLICIES

The financial statements have been prepared under the historical cost convention, as modified for the revaluation of other investments. The principal accounting policies adopted which are in accordance with accounting principles generally accepted in Hong Kong are as follows:

Basis of consolidation

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

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

Goodwill

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

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

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

Investments in subsidiaries

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

Notes to the Financial Statements (Continued)

For the Year Ended 31 March 2003

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Interests in associates

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

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

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

Interests in jointly controlled entities

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

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

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

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

Investments in securities

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

At subsequent reporting dates, debt securities that the Group has the expressed intention and ability to hold to maturity (held-to-maturity debt securities) are measured at amortised cost, less any impairment loss recognised to reflect irrecoverable amounts. The annual amortisation of any discount or premium on the acquisition of a held-to-maturity security is aggregated with other investment income receivable over the term of the instrument so that the revenue recognised in each period represents a constant yield on the investment.

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

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

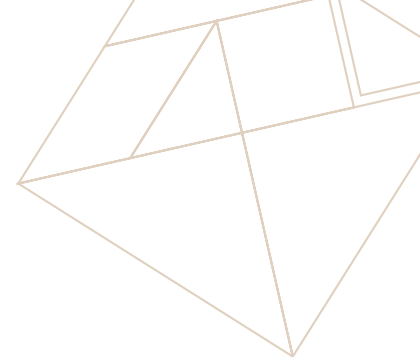
Other investments are measured at fair value, with unrealised gains and losses included in net profit or loss for the period.

Turnover

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

Notes to the Financial Statements (Continued)

For the Year Ended 31 March 2003



3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue recognition

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

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

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

Revenue from advertising is recognised when the related advertisement is placed and the services are provided.

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

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

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

Leases

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

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

Property, plant and equipment

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

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

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

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

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

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

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

Notes to the Financial Statements (Continued)

For the Year Ended 31 March 2003

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Product development costs

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

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

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

Software development contracts

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

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

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

Impairment

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

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

Taxation

The charge for taxation is based on the results for the year after adjusting for items which are non-assessable or disallowed. Certain items of income and expense are recognised for tax purposes in a different accounting period from that in which they are recognised in the financial statements. The tax effect of the resulting timing differences, computed using the liability method, is recognised as deferred taxation in the financial statements to the extent that it is probable that a liability or asset will crystallise in the foreseeable future.

Foreign currencies

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

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

Notes to the Financial Statements (Continued)

For the Year Ended 31 March 2003



4. BUSINESS AND GEOGRAPHICAL SEGMENTS

Business segments

For management purposes, the Group's operations are organised into three operating divisions namely software development, investments and other operations. These divisions are the basis on which the Group reports its primary segment information.

Principal activities are as follows:

- Software development - software development, provision of software maintenance services and the sales of computer hardware and software
- Investments - investments in securities excluding investments in associates and jointly controlled entities
- Other operations - magazine publishing, provision of customer relationship management services, provision of computer platform for educational purposes and operation of a software park

Business segments for the year are as follows:

	2003		2002	
	Turnover HK\$'000	Results HK\$'000	Turnover HK\$'000	Results HK\$'000
Software development	27,899	(69,470)	46,849	(89,722)
Investments	—	(13,991)	—	(112,249)
Other operations	71	(4,996)	626	(122,263)
	<u>27,970</u>	<u>(88,457)</u>	<u>47,475</u>	<u>(324,234)</u>
Central administrative expenses		<u>(17,052)</u>		<u>(17,874)</u>
Loss from operations		<u>(105,509)</u>		<u>(342,108)</u>
Finance costs		(1,225)		(4,145)
Share of losses of associates				
- software development		(3,858)		(240)
Share of losses of jointly controlled entities				
- software development		(1,947)		(1,862)
- other operations		(5,308)		(67)
Loss before taxation		<u>(117,847)</u>		<u>(348,422)</u>
Taxation		(191)		1,500
Loss before minority interests		<u>(118,038)</u>		<u>(346,922)</u>
Minority interests		974		8,813
Net loss attributable to shareholders		<u>(117,064)</u>		<u>(338,109)</u>

Notes to the Financial Statements (Continued)

For the Year Ended 31 March 2003

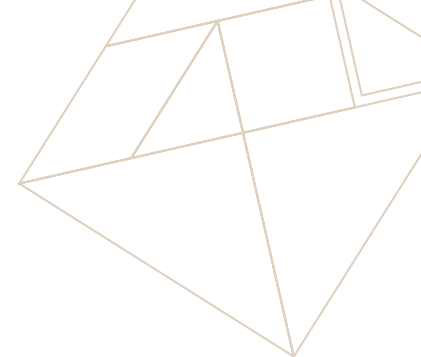
4. BUSINESS AND GEOGRAPHICAL SEGMENTS (Continued)

Business segments (Continued)

	2003 HK\$'000	2002 HK\$'000
BALANCE SHEET		
Assets		
Segment assets		
• software development		
- the Company and subsidiaries	198,680	277,746
- associates	14,731	18,589
- jointly controlled entities	5,151	4,426
• investments	11,695	19,898
• other operations		
- the Company and subsidiaries	21,797	20,934
- jointly controlled entities	20,076	24,735
Unallocated corporate assets	9,348	41,233
	<u>281,478</u>	<u>407,561</u>
Liabilities		
Segment liabilities		
• software development	6,772	8,463
• investments	—	45
• other operations	—	212
Unallocated corporate liabilities	33,934	45,282
	<u>40,706</u>	<u>54,002</u>
OTHER INFORMATION		
Capital additions		
• software development	6,594	10,478
• investments	10,506	3,457
• other operations	1	2
	<u>17,101</u>	<u>13,937</u>
Depreciation and amortisation		
• software development	11,971	11,878
• other operations	236	5,546
	<u>12,207</u>	<u>17,424</u>
Impairment in value of:		
land and buildings		
• software development	50,000	—
goodwill		
• investments	—	85,755
product development costs		
• software development	2,171	17,867
investment securities		
• investments	10,951	81,642
other investments		
• investments	1,404	28,008
	<u>1,404</u>	<u>28,008</u>

Notes to the Financial Statements (Continued)

For the Year Ended 31 March 2003



4. BUSINESS AND GEOGRAPHICAL SEGMENTS (Continued)

Business segments (Continued)

	2003 HK\$'000	2002 HK\$'000
OTHER INFORMATION (Continued)		
Allowance for deposit made for the investment in an associate		
• other operations	<u>4,107</u>	<u>66,526</u>
Loss on disposal of listed investment securities		
• investments	<u>1,874</u>	<u>—</u>
Loss on disposal of property, plant and equipment		
• software development	<u>15</u>	<u>321</u>
Allowance for bad and doubtful debts		
• software development	<u>5,209</u>	<u>29,964</u>

Geographical segments

The Group's operations are mainly situated in Hong Kong and Mainland China (the "PRC"). The operations in United States of America became inactive during the year. The following table provides an analysis of the Group's geographical segment information:

	Turnover	
	2003 HK\$'000	2002 HK\$'000
PRC	24,464	31,806
Hong Kong	3,506	15,581
United States of America	—	88
	<u>27,970</u>	<u>47,475</u>

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

	Carrying amount of segment assets		Capital additions	
	2003 HK\$'000	2002 HK\$'000	2003 HK\$'000	2002 HK\$'000
Hong Kong	204,887	297,530	16,713	10,073
PRC	76,517	109,547	388	2,434
United States of America	74	484	—	1,430
	<u>281,478</u>	<u>407,561</u>	<u>17,101</u>	<u>13,937</u>

Notes to the Financial Statements (Continued)

For the Year Ended 31 March 2003

5. LOSS FROM OPERATIONS

	2003 HK\$'000	2002 HK\$'000
Loss from operations has been arrived at after charging:		
Directors' remuneration excluding fees (note 6)	5,528	6,793
Other staff's retirement benefits scheme contributions	317	587
Other staff costs	18,777	26,483
	<hr/>	<hr/>
	24,622	33,863
Less: Staff costs capitalised in product development costs	(3,452)	(1,323)
	<hr/>	<hr/>
	21,170	32,540
	<hr/>	<hr/>
Depreciation and amortisation of property, plant and equipment		
- owned by the Group	11,383	11,448
- held under a finance lease	86	87
	<hr/>	<hr/>
	11,469	11,535
Less: Depreciation and amortisation capitalised in product development costs	(998)	(542)
	<hr/>	<hr/>
	10,471	10,993
Amortisation of goodwill	—	2,343
Amortisation of product development costs	1,736	4,088
	<hr/>	<hr/>
	12,207	17,424
	<hr/>	<hr/>
Operating lease rentals in respect of land and buildings	1,097	2,602
Less: Operating lease rentals capitalised in product development costs	(307)	(383)
	<hr/>	<hr/>
	790	2,219
	<hr/>	<hr/>
Allowance for bad and doubtful debts	5,209	29,964
Auditors' remuneration		
- current year	1,077	1,061
- underprovision in prior year	434	488
Loss on disposal of property, plant and equipment	15	321
and after crediting:		
Dividend income from unlisted investment securities	120	144
Gain on disposal of investment securities	—	67
Interest income	1,832	5,811
	<hr/> <hr/>	<hr/> <hr/>

Notes to the Financial Statements (Continued)

For the Year Ended 31 March 2003

6. DIRECTORS' EMOLUMENTS

	2003 HK\$'000	2002 HK\$'000
Fees for		
- executive directors	—	—
- independent non-executive directors	211	225
	<u>211</u>	<u>225</u>
Other emoluments for independent non-executive directors	—	—
Other emoluments for executive directors		
- basic salaries and allowances	5,436	6,712
- bonus	20	—
- retirement benefits scheme contributions	72	81
	<u>5,528</u>	<u>6,793</u>
Total directors' remuneration	<u><u>5,739</u></u>	<u><u>7,018</u></u>

For the year ended 31 March 2003, basic salaries and allowances and bonus paid to the ten executive directors, analysed on an individual basis, were as follows: HK\$2,313,000, HK\$680,000, HK\$667,000, HK\$613,000, HK\$468,000, HK\$468,000, HK\$90,000, HK\$89,000, HK\$41,000 and HK\$27,000 while contributions to retirement benefits scheme in respect of the seven executive directors, analysed on an individual basis, were as follows: HK\$12,000, HK\$12,000, HK\$12,000, HK\$12,000, HK\$12,000, HK\$11,000 and HK\$1,000. Also, for the year ended 31 March 2003, the fees paid to the three independent non-executive directors, analysed on an individual basis, were as follows: HK\$100,000, HK\$90,000 and HK\$21,000.

For the year ended 31 March 2002, basic salaries and allowances paid to the eight executive directors, analysed on an individual basis, were as follows: HK\$2,636,000, HK\$976,000, HK\$697,000, HK\$642,000, HK\$567,000, HK\$558,000, HK\$448,000 and HK\$188,000 while contributions to retirement benefits scheme in respect of the seven executive directors, analysed on an individual basis, were as follows: HK\$12,000, HK\$12,000, HK\$12,000, HK\$12,000, HK\$12,000, HK\$11,000 and HK\$10,000. Also, for the year ended 31 March 2002, the fees paid to the five independent non-executive directors, analysed on an individual basis, were as follows: HK\$83,000, HK\$83,000, HK\$23,000, HK\$18,000 and HK\$18,000.

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

Notes to the Financial Statements (Continued)

For the Year Ended 31 March 2003

7. EMPLOYEES' EMOLUMENTS

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

	2003 HK\$'000	2002 HK\$'000
Basic salaries and allowances	630	632
Retirement benefits scheme contributions	12	12
	<u>642</u>	<u>644</u>

8. FINANCE COSTS

	2003 HK\$'000	2002 HK\$'000
Interest on		
- a finance lease	(26)	(33)
- bank and other borrowings wholly repayable within five years	(1,199)	(2,327)
- convertible note	—	(1,785)
	<u>(1,225)</u>	<u>(4,145)</u>

9. TAXATION

	2003 HK\$'000	2002 HK\$'000
Underprovision of Hong Kong Profits Tax	(48)	—
PRC income tax	(143)	—
Deferred taxation	—	1,500
	<u>(191)</u>	<u>1,500</u>

No provision for Hong Kong Profits Tax has been made in the financial statements as the Group had no assessable profit for the year.

Pursuant to the relevant laws and regulations in the PRC, the subsidiary in Guangzhou is entitled to exemption from PRC income tax for the year ended 31 December 2001 and entitled to a 50% relief for the three years ending 31 December 2004 while the subsidiary in Beijing is entitled to exemption from PRC income tax for the two years ending 31 December 2003 and entitled to a 50% relief for the three years ending 31 December 2006.

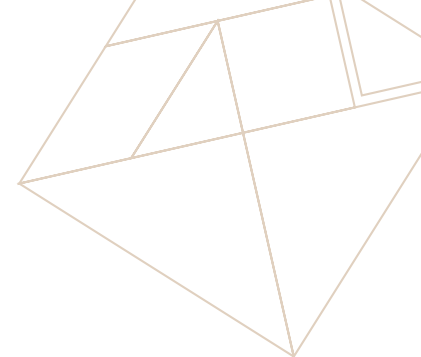
10. LOSS PER SHARE

The calculation of the basic loss per share is based on the net loss attributable to shareholders of HK\$117,064,000 (2002: HK\$338,109,000) and the weighted average number of 947,787,010 (2002: 821,387,044) shares in issue during the year.

No diluted loss per share has been presented as the exercise price of the Company's share options was higher than the average market price of the Company's shares during the year.

Notes to the Financial Statements (Continued)

For the Year Ended 31 March 2003



11. PROPERTY, PLANT AND EQUIPMENT

	Land and buildings HK\$'000	Computer equipment HK\$'000	Furniture and fixtures HK\$'000	Leasehold improvements HK\$'000	Motor vehicles HK\$'000	Office equipment HK\$'000	Total HK\$'000
THE GROUP							
COST							
At 1 April 2002	190,156	18,685	1,459	10,851	627	11,149	232,927
Additions	—	333	14	—	284	52	683
Disposals	—	(97)	(1)	—	—	(12)	(110)
At 31 March 2003	190,156	18,921	1,472	10,851	911	11,189	233,500
DEPRECIATION AND AMORTISATION AND IMPAIRMENT							
At 1 April 2002	7,579	5,379	334	4,472	141	3,389	21,294
Provided for the year	4,036	3,312	282	1,640	126	2,073	11,469
Eliminated on disposals	—	(46)	—	—	—	(7)	(53)
Impairment in value	50,000	—	—	—	—	—	50,000
At 31 March 2003	61,615	8,645	616	6,112	267	5,455	82,710
NET BOOK VALUES							
At 31 March 2003	128,541	10,276	856	4,739	644	5,734	150,790
At 31 March 2002	182,577	13,306	1,125	6,379	486	7,760	211,633
THE COMPANY							
COST							
At 1 April 2002	186,975	11,743	829	6,135	—	8,465	214,147
Additions	—	8	—	—	284	1	293
Disposals	—	(89)	—	—	—	(1)	(90)
At 31 March 2003	186,975	11,662	829	6,135	284	8,465	214,350
DEPRECIATION AND AMORTISATION AND IMPAIRMENT							
At 1 April 2002	6,962	2,843	201	1,611	—	2,146	13,763
Provided for the year	3,420	2,279	160	1,167	5	1,671	8,702
Eliminated on disposals	—	(39)	—	—	—	(1)	(40)
Impairment in value	50,000	—	—	—	—	—	50,000
At 31 March 2003	60,382	5,083	361	2,778	5	3,816	72,425
NET BOOK VALUES							
At 31 March 2003	126,593	6,579	468	3,357	279	4,649	141,925
At 31 March 2002	180,013	8,900	628	4,524	—	6,319	200,384

Notes to the Financial Statements (Continued)

For the Year Ended 31 March 2003

11. PROPERTY, PLANT AND EQUIPMENT (Continued)

The net book value of property interests comprises:

	THE GROUP		THE COMPANY	
	2003 HK\$'000	2002 HK\$'000	2003 HK\$'000	2002 HK\$'000
Properties held under				
- medium-term leases in Hong Kong	126,593	180,013	126,593	180,013
- long-term land use right in the PRC	1,948	2,564	—	—
	128,541	182,577	126,593	180,013

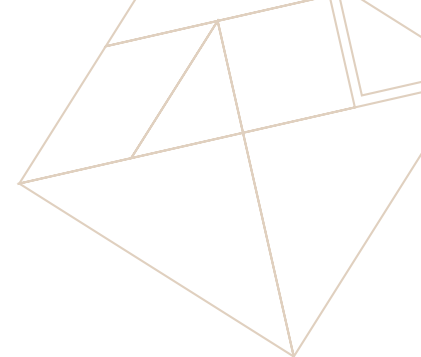
During the year, the directors conducted a review of the carrying value of its property, plant and equipment and identified that certain of its land and buildings have impairment in value based on the Group's current value in use by using a discount rate of approximately 3%. Accordingly, an impairment in value of HK\$50 million was recognised during the year.

At the balance sheet date, the Group and the Company has pledged its land and buildings situated in Hong Kong to a bank to secure the credit facilities granted to the Group.

At the balance sheet date, the net book value of the Group's and the Company's property, plant and equipment held under a finance lease was HK\$174,000 (2002: HK\$260,000).

Notes to the Financial Statements (Continued)

For the Year Ended 31 March 2003



12. PRODUCT DEVELOPMENT COSTS

	THE GROUP HK\$'000	THE COMPANY HK\$'000
COST		
At 1 April 2001	—	—
Acquired on acquisition of subsidiaries	25,004	—
Additions	2,250	2,250
	<hr/>	<hr/>
At 31 March 2002	27,254	2,250
Additions	5,912	5,912
Write-off	(25,004)	—
	<hr/>	<hr/>
At 31 March 2003	8,162	8,162
	<hr/>	<hr/>
AMORTISATION AND IMPAIRMENT		
At 1 April 2001	—	—
Acquired on acquisition of subsidiaries	1,066	—
Amortised for the year	4,088	188
Impairment in value	17,867	—
	<hr/>	<hr/>
At 31 March 2002	23,021	188
Amortised for the year	1,736	1,736
Impairment in value	2,171	—
Eliminated on write-off	(25,004)	—
	<hr/>	<hr/>
At 31 March 2003	1,924	1,924
	<hr/>	<hr/>
CARRYING VALUES		
At 31 March 2003	6,238	6,238
	<hr/> <hr/>	<hr/> <hr/>
At 31 March 2002	4,233	2,063
	<hr/> <hr/>	<hr/> <hr/>

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

Notes to the Financial Statements (Continued)

For the Year Ended 31 March 2003

13. INTERESTS IN SUBSIDIARIES

	THE COMPANY	
	2003 HK\$'000	2002 HK\$'000
Unlisted shares, at cost	21,310	21,310
Less: Impairment in value	(13,310)	(13,310)
	<u>8,000</u>	<u>8,000</u>
Amounts due from subsidiaries	253,445	238,056
Less: Allowance for amounts due from subsidiaries	(253,445)	(150,518)
	<u>8,000</u>	<u>95,538</u>

Details of the Company's principal subsidiaries at 31 March 2003 are set out in note 33.

14. INTERESTS IN ASSOCIATES

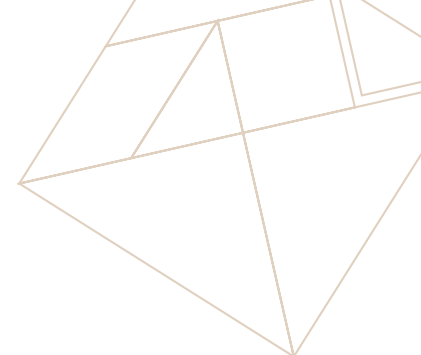
	THE GROUP		THE COMPANY	
	2003 HK\$'000	2002 HK\$'000	2003 HK\$'000	2002 HK\$'000
Share of associates' net assets	14,731	18,589	—	—
Goodwill arisen on acquisition	55,114	55,114	—	—
Less: Amortisation of goodwill	(919)	(919)	—	—
Impairment in value of goodwill	(54,195)	(54,195)	—	—
Unlisted shares, at cost	—	—	73,943	73,943
Less: Impairment in value of investment	—	—	(59,212)	(55,354)
	<u>14,731</u>	<u>18,589</u>	<u>14,731</u>	<u>18,589</u>

The investments in principal associates at 31 March 2003 represent the Company's 25% direct equity interest in 西部電子商務股份有限公司 (West China Electronic Business Company Limited) which is a sino-foreign joint stock limited company established in the PRC and acts as the main contractor of various information technology projects in the Ningxia Hui Autonomous Region in the PRC.

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

Notes to the Financial Statements (Continued)

For the Year Ended 31 March 2003



15. INTERESTS IN JOINTLY CONTROLLED ENTITIES

	THE GROUP		THE COMPANY	
	2003 HK\$'000	2002 HK\$'000	2003 HK\$'000	2002 HK\$'000
Share of jointly controlled entities' net assets	13,805	16,815	—	—
Unlisted capital contributions, at cost	—	—	29,615	25,370
Less: Impairment in value	—	—	(15,810)	(1,572)
Loan to a jointly controlled entity	10,568	10,568	10,568	10,568
Amount due from a jointly controlled entity	854	1,778	854	897
	<u>25,227</u>	<u>29,161</u>	<u>25,227</u>	<u>35,263</u>

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

Details of the Group's principal jointly controlled entities at 31 March 2003 are as follows:

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

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

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

Notes to the Financial Statements (Continued)

For the Year Ended 31 March 2003

16. INVESTMENTS IN SECURITIES

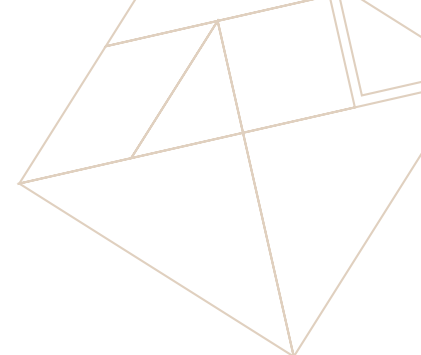
	THE GROUP		THE COMPANY	
	2003 HK\$'000	2002 HK\$'000	2003 HK\$'000	2002 HK\$'000
Held-to-maturity debt securities	715	—	—	—
Investments securities				
- Hong Kong listed shares, at cost	12,348	11,473	2,794	3,893
- overseas unlisted shares, at cost	17,780	85,490	—	—
Less: Impairment in value	(19,344)	(81,642)	(2,294)	(643)
	<u>11,499</u>	<u>15,321</u>	<u>500</u>	<u>3,250</u>
Market value of listed shares at 31 March	<u>8,935</u>	<u>6,852</u>	<u>220</u>	<u>3,250</u>

Details of the Group's principal investments securities at 31 March 2003 are as follows:

Name of investee	Country of incorporation	Attributable proportion of nominal value of issued capital held by the Company		Principal activities
		Directly	Indirectly	
i100 Limited	Bermuda	1%	—	Wireless communication business and provision of communication solutions consultancy services
Grenashe Group Limited	British Virgin Islands	—	12%	Trading of computer hardware and accessories
KanHan Technologies Group Limited	Cayman Islands	—	7%	Provision of communications software platform
SimSen International Commodities Limited	British Virgin Islands	—	10%	Metal and commodities trading

Notes to the Financial Statements (Continued)

For the Year Ended 31 March 2003



17. DEPOSITS MADE FOR INVESTMENTS

	THE GROUP AND THE COMPANY	
	2003	2002
	HK\$'000	HK\$'000
Deposits made for investment in		
- an associate	91,840	77,689
- a jointly controlled entity	—	4,245
	91,840	81,934
Less: Allowance for deposit made for the investment in an associate	(70,633)	(66,526)
	21,207	15,408

The balance at 31 March 2003 represents the Group's capital contributions for a 25% equity interest in 寧夏教育信息技術股份有限公司 (Ningxia Educational Information Technology Company Limited) to participate in the Education Informatisation Program in the Ningxia Hui Autonomous Region in the PRC. In the opinion of the directors, as the Group has contributed the full amount of the purchase consideration, the approval of this investment by the relevant PRC government authority will be granted in due course.

18. AMOUNTS DUE FROM CUSTOMERS FOR CONTRACT WORK

	THE GROUP		THE COMPANY	
	2003	2002	2003	2002
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Contract costs incurred to date plus recognised profits less recognised loss	51,635	46,093	3,349	1,877
Less: Progress billings	(43,363)	(40,443)	(3,115)	(1,127)
	8,272	5,650	234	750

Notes to the Financial Statements (Continued)

For the Year Ended 31 March 2003

19. TRADE AND OTHER RECEIVABLES

	THE GROUP	
	2003	2002
	HK\$'000	HK\$'000
Trade receivables	1,246	1,207
Prepayments to suppliers	3,373	2,728
Rental and other deposits	1,506	2,464
Other receivables	435	2,101
	<u>6,560</u>	<u>8,500</u>

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

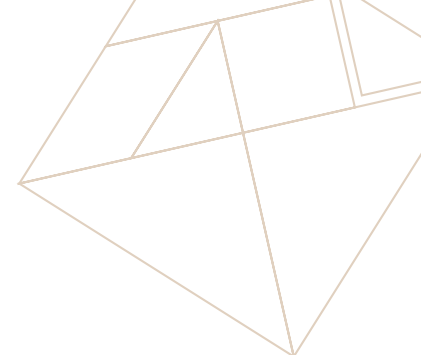
	THE GROUP	
	2003	2002
	HK\$'000	HK\$'000
Age		
0 to 30 days	632	135
31 to 60 days	91	241
61 to 90 days	—	693
Over 90 days	523	138
	<u>1,246</u>	<u>1,207</u>

20. OTHER INVESTMENTS

	THE GROUP	
	2003	2002
	HK\$'000	HK\$'000
Unlisted convertible loan note	1,404	1,404
Less: Impairment in value	(1,404)	—
	<u>—</u>	<u>1,404</u>

Notes to the Financial Statements (Continued)

For the Year Ended 31 March 2003



21. TRADE AND OTHER PAYABLES

	THE GROUP	
	2003 HK\$'000	2002 HK\$'000
Trade payables	334	635
Customers' deposits received	2,447	332
Other payables	3,991	7,753
	<u>6,772</u>	<u>8,720</u>

The following is an aged analysis of trade payables at the balance sheet date:

Age	THE GROUP	
	2003 HK\$'000	2002 HK\$'000
0 to 30 days	210	106
31 to 60 days	24	37
61 to 90 days	—	28
Over 90 days	100	464
	<u>334</u>	<u>635</u>

22. OBLIGATIONS UNDER A FINANCE LEASE

	THE GROUP AND THE COMPANY			
	Minimum lease payments		Present value of minimum lease payments	
	2003 HK\$'000	2002 HK\$'000	2003 HK\$'000	2002 HK\$'000
Amount payable under a finance lease:				
Within one year	112	112	94	86
Between one to two years	111	112	102	93
Between two to five years	—	111	—	103
	<u>223</u>	<u>335</u>	<u>196</u>	<u>282</u>
Less: Future finance charges	27	53	—	—
Present value of lease obligations	<u>196</u>	<u>282</u>	<u>196</u>	<u>282</u>
Less: Amount due within one year shown under current liabilities			94	86
Amount due after one year			<u>102</u>	<u>196</u>

Notes to the Financial Statements (Continued)

For the Year Ended 31 March 2003

23. BANK LOAN

The secured bank loan is repayable as follows:

	THE GROUP AND THE COMPANY	
	2003 HK\$'000	2002 HK\$'000
Within one year	10,000	15,000
Between one to two years	10,000	10,000
Between two to five years	10,000	20,000
	30,000	45,000
Less: Amount due within one year shown under current liabilities	10,000	15,000
Amount due after one year	20,000	30,000

24. AMOUNTS DUE TO SUBSIDIARIES

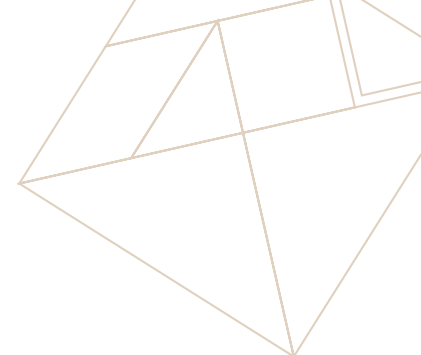
The amounts are unsecured, interest-free and have no fixed repayment terms. In the opinion of the directors, the amounts are unlikely to be repaid within the next twelve months of the balance sheet date and are therefore shown in the balance sheet as non-current.

25. SHARE CAPITAL

	Number of ordinary shares	Amount HK\$'000
Authorised:		
Ordinary shares of HK\$0.05 each		
- at 1 April 2001 and 31 March 2002	1,000,000,000	50,000
- increase in authorised share capital	1,500,000,000	75,000
	2,500,000,000	125,000
Issued and fully paid:		
Ordinary shares of HK\$0.05 each		
- at 1 April 2001	751,500,000	37,575
- issue of new shares for acquisition	187,355,503	9,368
	938,855,503	46,943
- at 31 March 2002	10,000,000	500
- issue of new shares on subscription		
	948,855,503	47,443

Notes to the Financial Statements (Continued)

For the Year Ended 31 March 2003



25. SHARE CAPITAL (Continued)

Pursuant to a special resolution passed in the Company's annual general meeting held on 5 August 2002, the authorised share capital of the Company was increased from HK\$50,000,000 to HK\$125,000,000 by the creation of an additional 1,500,000,000 ordinary shares of HK\$0.05 each.

In May 2002, the Company issued and allotted 10,000,000 ordinary shares of HK\$0.05 each of the Company to an independent third party, at HK\$0.53 per share, representing a premium of approximately 10.42% to the closing price of HK\$0.48 per share as quoted on the Stock Exchange immediately prior to the date of the subscription agreement. The net proceeds from the placing which amounted to approximately HK\$5.2 million were used for the Group's business expansion and to provide additional general working capital to the Group. The shares were issued under a general mandate granted to the board of directors at the annual general meeting of the Company held on 3 August 2001 and rank pari passu in all respects with the then existing shares of the Company.

26. SHARE OPTIONS

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

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

Type of participants	Exercisable period	Exercise price per share HK\$	Outstanding at 1.4.2002	Number of share options		Outstanding at 31.3.2003
				Granted during the year	Lapsed during the year	
Directors	6.3.2002 - 5.3.2005	0.630	5,400,000	—	—	5,400,000
	27.4.2002 - 26.4.2005	0.818	1,600,000	—	—	1,600,000
	3.10.2002 - 2.10.2005	0.445	3,060,000	—	—	3,060,000
	22.4.2003 - 21.4.2006	0.455	—	1,840,000	—	1,840,000
Employees	16.2.2002 - 15.2.2005	0.734	3,900,000	—	1,700,000	2,200,000
	6.3.2002 - 5.3.2005	0.630	6,450,000	—	2,150,000	4,300,000
	9.4.2002 - 8.4.2005	0.592	150,000	—	—	150,000
	27.4.2002 - 26.4.2005	0.818	1,100,000	—	700,000	400,000
	28.6.2002 - 27.6.2005	0.996	4,500,000	—	4,500,000	—
	3.10.2002 - 2.10.2005	0.445	9,540,000	—	4,320,000	5,220,000
	22.4.2003 - 21.4.2006	0.455	—	7,700,000	1,700,000	6,000,000
			<u>35,700,000</u>	<u>9,540,000</u>	<u>15,070,000</u>	<u>30,170,000</u>

Notes to the Financial Statements (Continued)

For the Year Ended 31 March 2003

26. SHARE OPTIONS (Continued)

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

Pursuant to an ordinary resolution passed in the Company's extraordinary general meeting held on 28 April 2003, the Company has terminated the operation of the 2000 share option scheme (such that no further options could thereafter be offered under the 2000 share option scheme but outstanding options granted under the 2000 share option scheme shall remain effective subject to the relevant provisions of the 2000 share option scheme) and approved and adopted the 2003 new share option scheme.

27. RESERVES

	Share premium HK\$'000	Retained profits (deficit) HK\$'000	Total HK\$'000
THE COMPANY			
At 1 April 2001	486,203	29,576	515,779
Issue of shares	131,880	—	131,880
Expenses incurred in connection with the issue of shares	(199)	—	(199)
Net loss attributable to shareholders	—	(310,206)	(310,206)
	<hr/>	<hr/>	<hr/>
At 31 March 2002	617,884	(280,630)	337,254
Issue of shares	4,800	—	4,800
Expenses incurred in connection with the issue of shares	(49)	—	(49)
Net loss attributable to shareholders	—	(187,007)	(187,007)
	<hr/>	<hr/>	<hr/>
At 31 March 2003	<u>622,635</u>	<u>(467,637)</u>	<u>154,998</u>

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

28. UNRECOGNISED DEFERRED TAXATION

At the balance sheet date, the Group and the Company have unrecognised deferred tax assets of HK\$32,214,000 (2002: HK\$25,130,000) and HK\$14,887,000 (2002: HK\$9,557,000) respectively which represents the tax effect of timing differences arising as a result of tax losses available to set off against future assessable profits. These deferred tax assets have not been recognised in the financial statements as it is not certain that the benefit will be realised in the foreseeable future.

Notes to the Financial Statements (Continued)

For the Year Ended 31 March 2003



29. OPERATING LEASE COMMITMENTS

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

	THE GROUP	
	2003	2002
	HK\$'000	HK\$'000
Within one year	343	452
In the second to fifth year inclusive	46	—
	<u>389</u>	<u>452</u>

30. CONTINGENT LIABILITIES

At the balance sheet date, the Company has given corporate guarantees of HK\$15 million to a bank to secure the credit facilities granted to its subsidiaries.

31. RETIREMENT BENEFITS SCHEME

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

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

Notes to the Financial Statements (Continued)

For the Year Ended 31 March 2003

32. RELATED PARTY TRANSACTIONS

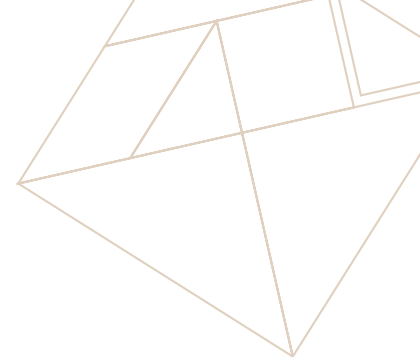
During the year, the Group has the following significant transactions with related companies:

Name of related company	Nature of transactions	THE GROUP	
		2003 HK\$'000	2002 HK\$'000
<i>Jointly controlled entities:</i>			
天津時空軟件有限公司 (TTA Software Limited)	Software development	1,814	—
珠海南方軟件園發展有限公司 (Zhuhai Southern Software Park Development Company Limited)	Software development	591	401
	Interest income	854	897
<i>Associate:</i>			
西部電子商務股份有限公司 (West China Electronic Business Company Limited)	Software development	236	21,213
<i>Associate in process of acquisition:</i>			
寧夏教育信息技術股份有限公司 (Ningxia Educational Information Technology Company Limited)	Software development	<u>13,481</u>	<u>7,477</u>

The above transactions were carried out on terms in accordance with the mutually contracted agreements governing these transactions.

Notes to the Financial Statements (Continued)

For the Year Ended 31 March 2003



33. PRINCIPAL SUBSIDIARIES

Details of the Company's principal subsidiaries, all of which are limited liability companies and are wholly-owned by the Company, at 31 March 2003 are as follows:

Name of subsidiary	Place of incorporation/ establishment/ operations	Nominal value of issued and fully paid share/ registered capital	Principal activities
Corp-Vision Publishing Limited	Hong Kong	HK\$100,000	Magazine publishing and investment holding
Expert Consulting Limited	Hong Kong	HK\$5,000,000	Provision of computer consultancy services, and development and sales of computer software
Three Principles Computer Service Company Limited	Hong Kong	HK\$5,000,000	Provision of computer consultancy services, and development and sales of computer software
天時北方軟件(北京)有限公司 (Timeless Software (Beijing) Limited)*	PRC	RMB2,000,000	Design, development and maintenance of computer software and systems as well as provision of computer consultancy services for a term of 12 years commencing July 2000
天時軟件(廣州)有限公司 (Timeless Software (Guangzhou) Limited)*	PRC	RMB2,000,000	Design, development and maintenance of computer software and systems as well as provision of computer consultancy services for a term of 10 years commencing January 1998

* Indirectly held by the Company.

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

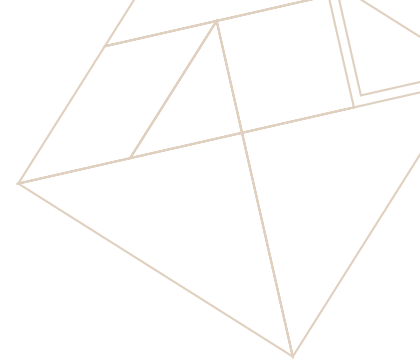
The above table lists the subsidiaries of the Company which, in the opinion of the directors, principally affected the results or assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

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

Financial Summary

	Year ended 31 March				
	1999 HK\$'000	2000 HK\$'000	2001 HK\$'000	2002 HK\$'000	2003 HK\$'000
RESULTS					
Turnover	43,346	141,649	140,163	47,475	27,970
(Loss) profit before taxation	(15,635)	74,075	42,747	(348,422)	(117,847)
Taxation	—	(5,170)	(5,358)	1,500	(191)
(Loss) profit before minority interests	(15,635)	68,905	37,389	(346,922)	(118,038)
Minority interests	—	—	—	8,813	974
Net (loss) profit attributable to shareholders	(15,635)	68,905	37,389	(338,109)	(117,064)
As at 31 March					
	1999 HK\$'000	2000 HK\$'000	2001 HK\$'000	2002 HK\$'000	2003 HK\$'000
ASSETS AND LIABILITIES					
Total assets	23,947	575,271	670,869	407,561	281,478
Total liabilities	(81,643)	(58,801)	(121,590)	(54,002)	(40,706)
Minority interests	—	(2,000)	(2,000)	(3,340)	(2,366)
Shareholders' funds	(57,696)	514,470	547,279	350,219	238,406

Notice of Annual General Meeting



NOTICE IS HEREBY GIVEN that the Annual General Meeting of Timeless Software Limited will be held at Board Room, 7/F., The Dynasty Club Limited, South West Tower, Convention Plaza, 1 Harbour Road, Wanchai, Hong Kong on Wednesday, 6 August 2003, 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 2003;
- (2) To re-elect directors of the Company;
- (3) To appoint auditors and to authorise the directors to fix their remuneration; and
- (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 the 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;

Notice of Annual General Meeting (Continued)

(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."

By Order of the Board
LAW Kwai Lam
Secretary

Hong Kong, 27 June 2003

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.