



Interim Report
for the quarter ended 30 September 2003

Q2

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.

This Interim Report, for which the directors of Timeless Software Limited collectively and individually accept responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited for the purpose of giving information with regard to Timeless Software Limited. The directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief:- (1) the information contained in this Interim Report is accurate and complete in all material respects and not misleading; (2) there are no other matters the omission of which would make any statement in this Interim Report misleading; and (3) all opinions expressed in this Interim Report have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.

Table of Contents

2	Independent review report
3	Condensed consolidated income statements
4	Condensed consolidated balance sheet
5	Condensed consolidated statement of changes in equity
6	Condensed consolidated cash flow statement
7	Notes to the condensed consolidated financial statements
12	Chairman's statement
14	Review of operations
17	Other information

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Independent Review Report

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**Deloitte
Touche
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Independent Review Report to the Directors of Timeless Software Limited

(incorporated in Hong Kong with limited liability)

Introduction

We have been instructed by the directors of Timeless Software Limited ("the Company") to review the interim financial report set out on pages 3 to 11.

Directors' responsibilities

The Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited require the preparation of an interim financial report to be in compliance with the Statement of Standard Accounting Practice No. 25 "Interim financial reporting" issued by the Hong Kong Society of Accountants. The interim financial report is the responsibility of, and has been approved by, the directors.

It is our responsibility to form an independent conclusion, based on our review, on the interim financial report and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Review work performed

We conducted our review in accordance with Statement of Auditing Standards 700 "Engagements to review interim financial reports" ("SAS 700") issued by the Hong Kong Society of Accountants. A review consists principally of making enquires of group management and applying analytical procedures to the interim financial report and based thereon, assessing whether the accounting policies and presentation have been consistently applied unless otherwise disclosed. A review excludes audit procedures such as tests of controls and verification of assets, liabilities and transactions. It is substantially less in scope than an audit and therefore provides a lower level of assurance than an audit. Accordingly we do not express an audit opinion on the interim financial report.

Review conclusion

On the basis of our review which does not constitute an audit, we are not aware of any material modifications that should be made to the interim financial report for the six months ended 30 September 2003.

Without modifying our review conclusion, we draw to your attention that the condensed consolidated income statement for the three months ended 30 September 2003 and comparative figures thereto disclosed in the interim financial report have not been reviewed in accordance with SAS 700.

DELOITTE TOUCHE TOHMATSU

Hong Kong, 11 November 2003

Condensed Consolidated Income Statements

For the three and six months ended 30 September 2003

	Notes	(Unaudited) Three months ended 30 September 2003		(Unaudited) Six months ended 30 September 2003	
		HK\$'000	2002 HK\$'000	HK\$'000	2002 HK\$'000
Turnover	3	663	9,158	6,218	13,943
Other operating income		190	581	433	1,198
Cost of computer software and hardware sold		(117)	(2,822)	(176)	(5,514)
Staff costs		(3,879)	(5,014)	(8,135)	(10,981)
Depreciation and amortisation		(3,182)	(2,926)	(6,648)	(5,976)
Other operating expenses		(2,662)	(6,340)	(9,394)	(9,580)
Gain (loss) on disposal of listed investment securities		5,944	(1,108)	5,944	(1,108)
Write back/impairment in value of investment securities		—	318	—	(2,942)
Impairment in value of land and buildings		—	(50,000)	—	(50,000)
Impairment in value of product development costs		—	(2,171)	—	(2,171)
Impairment in value of other investments		—	(1,404)	—	(1,404)
Allowance for deposit made for the investment in an associate		—	—	—	(4,107)
Operating loss		(3,043)	(61,728)	(11,758)	(78,642)
Finance costs		(155)	(291)	(377)	(646)
Share of results of associates		(19)	143	(144)	(3,497)
Share of results of jointly controlled entities		(195)	(182)	117	(1,569)
Loss before taxation		(3,412)	(62,058)	(12,162)	(84,354)
Taxation	4	3,995	(185)	3,995	(185)
Profit (loss) before minority interests		583	(62,243)	(8,167)	(84,539)
Minority interests		1	380	(2)	482
Net profit (loss) attributable to shareholders		584	(61,863)	(8,169)	(84,057)
Earnings (loss) per share	6	0.06 cents	(6.52) cents	(0.86) cents	(8.88) cents
- Basic		0.06 cents	(6.52) cents	(0.86) cents	(8.88) cents

Condensed Consolidated Balance Sheet

At 30 September 2003

	Notes	(Unaudited) 30 September 2003 HK\$'000	(Audited) 31 March 2003 HK\$'000
Non-current assets			
Property, plant and equipment		144,979	150,790
Product development costs	7	6,255	6,238
Interests in associates		14,587	14,731
Interests in jointly controlled entities		24,985	25,227
Investments in securities		11,075	11,499
Deposits made for investments		21,207	21,207
		223,088	229,692
Current assets			
Amounts due from customers for contract work		8,160	8,272
Trade and other receivables	8	5,783	6,560
Taxation recoverable		—	4,348
Pledged bank deposits		5,000	5,000
Bank balances and cash		29,784	27,606
		48,727	51,786
Current liabilities			
Trade and other payables	9	5,449	6,772
Obligations under a finance lease due within one year		55	94
Current portion of secured long-term bank loan		10,000	10,000
Bank overdrafts - secured		—	3,738
		15,504	20,604
Net current assets		33,223	31,182
Total assets less current liabilities		256,311	260,874
Non-current liabilities			
Obligations under a finance lease due after one year		216	102
Secured long-term bank loan		15,000	20,000
		15,216	20,102
Minority interests		2,367	2,366
Net assets		238,728	238,406
Capital and reserves			
Share capital	10	49,286	47,443
Reserves		189,442	190,963
Shareholders' funds		238,728	238,406

The interim financial report on pages 3 to 11 were approved and authorised for issue by the Board of Directors on 11 November 2003 and are signed on its behalf by:

Cheng Kin Kwan
Chairman and Chief Executive Officer

Law Kwai Lam
Director

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 September 2003

	(Unaudited) Share capital HK\$'000	(Unaudited) Share premium HK\$'000	(Unaudited) Goodwill reserve HK\$'000	(Unaudited) Deficit HK\$'000	(Unaudited) Total HK\$'000
At 1 April 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	—	—	—	(84,057)	(84,057)
	<u>47,443</u>	<u>622,635</u>	<u>(9,080)</u>	<u>(389,585)</u>	<u>271,413</u>
At 1 April 2003	47,443	622,635	(9,080)	(422,592)	238,406
Issue of shares	1,843	7,005	—	—	8,848
Expenses incurred in connection with the issue of shares	—	(357)	—	—	(357)
Net loss attributable to shareholders	—	—	—	(8,169)	(8,169)
	<u>49,286</u>	<u>629,283</u>	<u>(9,080)</u>	<u>(430,761)</u>	<u>238,728</u>
At 30 September 2003	49,286	629,283	(9,080)	(430,761)	238,728

Condensed Consolidated Cash Flow Statement

For the six months ended 30 September 2003

	(Unaudited)	
	Six months ended	
	30 September	
	2003	2002
	HK\$'000	HK\$'000
Net cash used in operating activities	(2,934)	(14,659)
Net cash generated from (used in) investing activities	5,771	(26,810)
Net cash generated from financing activities	3,079	27,063
	<hr/>	<hr/>
Increase (decrease) in cash and cash equivalents	5,916	(14,406)
Cash and cash equivalents at 1 April	23,868	56,429
	<hr/>	<hr/>
Cash and cash equivalents at 30 September	29,784	42,023
	<hr/> <hr/>	<hr/> <hr/>

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 September 2003

1. Basis of preparation

The condensed consolidated financial statements have been prepared in accordance with the applicable disclosure requirements of Chapter 18 of the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") and the Statement of Standard Accounting Practice ("SSAP") No.25 "Interim financial reporting" issued by the Hong Kong Society of Accountants ("HKSA").

2. Principal accounting policies

The condensed consolidated financial statements have been prepared under the historical cost convention.

The accounting policies adopted are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 March 2003 except as described below.

In the current period, the Group has adopted SSAP 12 (Revised) "Accounting for income taxes" ("SSAP 12 (Revised)"), for the first time, issued by the HKSA. SSAP 12 (Revised) has introduced a new basis of accounting for income taxes (including both current tax and deferred tax) and additional disclosure requirements which have been adopted in these condensed consolidated financial statements.

SSAP 12 (Revised) requires the adoption of a balance sheet liability method, whereby deferred tax is recognised in respect of all temporary differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax basis used in the computation of taxable profit, with limited exceptions. The adoption of SSAP 12 (Revised) has had no significant effect on the results for the current or prior accounting periods. Accordingly, no prior period adjustment was required.

Notes to the Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 September 2003

3. 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.

Business segments for the period are as follows:

	Three months ended 30 September 2003		Six months ended 30 September 2003	
	HK\$'000	2002 HK\$'000	HK\$'000	2002 HK\$'000
Turnover				
Software development	661	9,157	6,214	13,879
Other operations	2	1	4	64
	<u>663</u>	<u>9,158</u>	<u>6,218</u>	<u>13,943</u>
Results				
Software development	(6,803)	(53,514)	(13,369)	(58,782)
Investments	5,944	(2,193)	5,944	(9,558)
Other operations	(267)	192	(539)	(848)
	<u>(1,126)</u>	<u>(55,515)</u>	<u>(7,964)</u>	<u>(69,188)</u>
Central administrative expenses	(1,917)	(6,213)	(3,794)	(9,454)
Operating loss	(3,043)	(61,728)	(11,758)	(78,642)
Finance costs	(155)	(291)	(377)	(646)
Share of results of associates				
– software development	(19)	143	(144)	(3,497)
Share of results of jointly controlled entities				
– software development	(633)	(189)	(276)	(1,742)
– other operations	438	7	393	173
	<u>(3,412)</u>	<u>(62,058)</u>	<u>(12,162)</u>	<u>(84,354)</u>
Loss before taxation	(3,412)	(62,058)	(12,162)	(84,354)
Taxation	3,995	(185)	3,995	(185)
Profit (Loss) before minority interests	583	(62,243)	(8,167)	(84,539)
Minority interests	1	380	(2)	482
	<u>584</u>	<u>(61,863)</u>	<u>(8,169)</u>	<u>(84,057)</u>
Net profit (Loss) attributable to shareholders	584	(61,863)	(8,169)	(84,057)

Notes to the Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 September 2003

3. Business and geographical segments (Continued)

Geographical segments

Geographical segments for the period are as follows:

	Three months ended		Six months ended	
	30 September	2002	30 September	2002
	2003	2002	2003	2002
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Turnover				
Mainland China (the "PRC")	360	8,243	691	12,164
Hong Kong	303	915	5,527	1,779
	663	9,158	6,218	13,943

4. Taxation

	Three months ended		Six months ended	
	30 September	2002	30 September	2002
	2003	2002	2003	2002
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Over (under) provision of Hong Kong				
Profits Tax in prior years	3,995	(47)	3,995	(47)
Mainland China income tax	—	(138)	—	(138)
	3,995	(185)	3,995	(185)

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

Pursuant to the relevant laws and regulations in the PRC, the subsidiary in Guangzhou is entitled to a 50% tax relief for the three years 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.

Notes to the Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 September 2003

5. Interim dividend

The directors do not recommend the payment of an interim dividend (2002: Nil).

6. Earnings (loss) per share

The calculation of the basic earnings (loss) per share is based on the following data:

	Three months ended 30 September 2003		Six months ended 30 September 2003	
		2002		2002
Net profit (loss) attributable to shareholders	<u>HK\$584,000</u>	<u>HK\$(61,863,000)</u>	<u>HK\$(8,169,000)</u>	<u>HK\$(84,057,000)</u>
Weighted average number of ordinary shares for the purposes of basic earnings (loss) per share	<u>949,256,220</u>	<u>948,855,503</u>	<u>949,056,957</u>	<u>946,724,355</u>

No diluted earnings (loss) per share for the three months and six months ended 30 September 2003 and 30 September 2002 have 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 both periods.

7. Product development costs

During the period, the Group spent approximately HK\$1,502,000 (2002: HK\$3,974,000) on product development costs.

8. Trade and other receivables

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 reporting date:

	30 September 2003 HK\$'000	31 March 2003 HK\$'000
Age		
0 to 30 days	218	632
31 to 60 days	10	91
61 to 90 days	15	—
Over 90 days	56	523
	<u>299</u>	<u>1,246</u>

Notes to the Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 September 2003

9. Trade and other payables

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

	30 September 2003 HK\$'000	31 March 2003 HK\$'000
Age		
0 to 30 days	30	210
31 to 60 days	7	24
Over 90 days	157	100
	<u>194</u>	<u>334</u>

10. Share Capital

In September 2003, the Company issued and allotted 36,866,000 ordinary shares of HK\$0.05 each of the Company at HK\$0.24 per share, representing a discount of approximately 7.69% to the closing price of HK\$0.26 per share as quoted on the Stock Exchange immediately prior to the date prior to the release of the announcement of placing.

Chairman's Statement

1. Summary

After six loss-making quarters, we recorded a profit of HK\$584,000, compared to a loss of HK\$8.75 million in the previous quarter, and an even greater loss of HK\$62 million in the same quarter of last year.

Although the turnover for this quarter was significantly lower than the same quarter of last year because of the effect of SARS in this quarter, projects relating to software development were by no means fewer in number.

Given the crises all over the world and the prolonged slump of the information technology industry, it is really a Herculean task for the Company to be profitable again. It was the hard-earned result of our determined and persistent efforts to push through with our adjustments and reinforcement for almost two years. The effects of these efforts have been demonstrated by the lowering of development cost, the increase of premium projects and the improvement in cash flow.

2. Adjustments and reinforcement have come to an end at this stage

This quarter is a quarter when the Group has fully and thoroughly completed its adjustments and reinforcement, which can be seen as follows:

Adjustments and consolidation have been effected for the many members of the Group, wherever we can, on the basis of whether doing so can generate profit for the Group, so that what should be terminated were terminated, what should be slowed down were slowed down, and what should go ahead had gone ahead. For example, we have successfully assisted in the listing of "KanHan Technologies" on the GEM, and immediately upon its listing, profit was generated. We have rendered strong support to the development of Zhuhai Southern Software Park, a national software base, which has opened before us a promising prospect of profitability.

This has reinforced our structure.

The Group has thoroughly and seriously dealt with customer groups and projects which are of material importance, and has identified core customers and premium projects, such as the Hong Kong Tourism Board, CERPEI (Headquarters) Laboratory and China Mobile Beijing Branch.

This has reinforced our profit base.

We have carried out determined cost-cutting and saving in recurrent expenses, in particular the costs of software development. For example, salaries of the management led by the Chairman had been reduced by more than 20% with efficiency improved. As a result, our fixed expenses have since been within a safe limit.

This has reinforced the sound development of the Company.

We have carried out in-depth and specific adjustments based on the market to the unique Timeless Consolidated Platform of Timeless. For example, we have enhanced the capability of modules for workflow, search engines and website processing, which will lead to the development of platform products over time. Eventually, a series of Timeless platform products derived from the Timeless Consolidated Platform will be available to us, which is why Timeless' development cost is reducing while the efficiency of development is improving.

This has reinforced our market advantage.

3. Looking forward

This quarter is a quarter when the Timeless Group is poised for a rebound, and in three aspects are we going to prepare for this.

- We prepare to translate our established technology, market and resources in the PRC into the harvesting of profit;
- we prepare to integrate the software development business with the capital market;
- we prepare to transmute the Timeless Consolidated Platform into specific operations and have them commercialized.

Being the first company listed on GEM in Hong Kong, it is highly significant that we look forward to rebounding prior to the fourth anniversary of GEM, when the time is right, the environment is favorable and the people are supporting.

The views about China's development and its eventual domination were first pointed out and have been maintained by Timeless. It is now a dream which has come true. It is true that for a pioneer, a balance should be struck between its difficulties and interests. We are working for the interests of Timeless' shareholders, and are duty-bound to do so and do not hesitate in doing so.

Although we are cautiously optimistic, we feel confident of our way ahead.

On behalf of the Board

Cheng Kin Kwan

Chairman

Hong Kong, 11 November 2003

Review of operations

Results for the six months ended 30 September 2003

The directors continued to take a conservative approach for accounting purposes and a stringent view on recognizing revenue was still being adopted especially for contracts of relatively longer term in nature in Mainland China. The loss for the six months ended 30 September 2003 was approximately HK\$8.2 million compared to a loss of approximately HK\$84 million in the same period in previous year. The significant decrease in the loss for the period is mainly due to the following:-

1. No allowance for deposit made for the investment in an associate and impairment in value of land and buildings, product development costs as well as investment securities were needed in this period;
2. The reduction of staff costs from HK\$11 million to HK\$8.1 million;
3. Profit on disposal of the Group's entire 7% interest in KanHan Technologies Group Limited, a company listed on GEM in Hong Kong, amounting to HK\$5.9 million;
4. Overprovision of prior years' Hong Kong Profits Tax of approximately HK\$4 million as a result of the tax refund received from the Inland Revenue Department in Hong Kong;
5. The better financial performance of associates and jointly controlled entities during this period. The share of losses of associates and jointly controlled entities amounted to approximately HK\$5 million in the same period in previous year was mainly a result of the provision for impairment losses of the shares of the Company held by an associate and a jointly controlled entity and no such provision was needed during this period.

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 30 September 2003, the Group had bank balances and cash (excluding pledged bank deposits) of approximately HK\$30 million compared to approximately HK\$24 million as at 31 March 2003.

As at 30 September 2003, the Group had a bank loan of HK\$25 million and obligations under finance lease of HK\$0.3 million. According to the terms of this bank loan, this 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 30 September 2003:

Within one year	40%
In the 2nd year	40%
In the 3rd year	20%
	<hr/>
	100%
	<hr/> <hr/>

Subject to the result of an extraordinary general meeting of the Company to be held on 20 November 2003 for the approval of the assignment of the property located at 79/F The Center, 99 Queen's Road Central, Hong Kong from the Company to Timeless Laboratories Limited (a wholly-owned subsidiary of the Company), a new bank loan of HK\$40 million will replace the existing bank loan. Please refer to the Company's announcement on 23 October 2003 for details of the terms of this new bank loan.

Review of operations (Continued)

Gearing ratio

The gearing ratio of the Group, which is calculated as the ratio of total borrowings to shareholders' funds, was 10.5% compared to 12.7% as at 31 March 2003.

Charge on the Group's assets

As at 30 September 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\$25 million as mentioned in the previous paragraph. A bank deposit of HK\$5 million (31 March 2003: HK\$5 million) was also pledged to a bank for banking facilities totaling HK\$5 million (31 March 2003: HK\$10 million).

Capital structure

On 30 September 2003, the Company completed a top-up placing of 36,866,000 shares at a price of HK\$0.24 per share. Please refer to the Company's announcements on 17 September 2003 and 30 September 2003 for details of this top-up placing of shares.

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 Mainland China, Hong Kong and United States of America.

In respect of business segments, the Group continues to focus on software development. During the six months ended 30 September 2003, the Group disposed of its entire 7% interest in KanHan Technologies Group Limited, a company listed on GEM in Hong Kong, for a consideration of approximately HK\$6.3 million and recorded a profit of approximately HK\$5.9 million.

In respect of geographical segments, there was a temporary change during the six months ended 30 September 2003. Turnover generated from Mainland China represents approximately 11.1% of the total turnover of the Group during the period compared to approximately 87.2% during the same period in previous year, as the outbreak of SARS had seriously affected the business and thus the turnover of the Company's principal subsidiaries in Guangzhou and Beijing. As the Group has substantial contracts on hand and its principal operation is in Mainland China, it is expected that the level of activities in Mainland China will increase in future.

Order book and prospects for new business

The amount of orders on hand of the Group was over HK\$700 million as at 30 September 2003. Please refer to the Chairman's statement for description of 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 six months ended 30 September 2003.

Future plans for material investments

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

Review of operations (Continued)

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 30 September 2003, the Company has given corporate guarantees of HK\$5 million to a bank to secure credit facilities granted to its subsidiaries. As at 30 September 2003, none of these credit facilities was utilized by the subsidiaries.

Employee information

As at 30 September 2003, the Group employed a total staff of 86. Staff remuneration is reviewed by the Group from time to time and increases are granted normally annually or by special adjustment depending on length of service and performance when warranted. In addition to salaries, the Group provides staff benefits including medical insurance and provident fund. Share options and bonuses are also available to employees of the Group at the discretion of the directors and depending upon the financial performance of the Group.

Other Information

Directors' and chief executives' interests in securities

As at 30 September 2003, the interests or short positions of the directors in the shares, underlying shares or debentures of the Company which had been notified to the Company and The Stock Exchange of Hong Kong Limited ("Exchange") pursuant to Part XV of the Securities and Futures Ordinance ("SFO") (including interests or short positions in which they are deemed or taken to have under such provisions of the SFO), or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein or which were required to be notified to the Company and the Exchange pursuant to Rules 5.40 to 5.59 of The Rules Governing the Listing of Securities on the Growth Enterprise Market of the Exchange ("GEM Listing Rules") were as follows:

(a) Ordinary shares of the Company

Name of director	Number of shares held and nature of interest			Total percentage of shareholding
	Personal Interest	Corporate interest	Total number of shares	
Cheng Kin Kwan	104,660,000	—	104,660,000	10.62%
Law Kwai Lam	10,000,000	28,325,000*	38,325,000	3.89%
Chung Yiu Fai	2,420,000	—	2,420,000	0.25%
Leung Mei Sheung, Eliza	1,030,000	—	1,030,000	0.10%
Wong Wai Ping, Mandy	1,680,000	—	1,680,000	0.17%
Zheng Ying Yu	200,000	—	200,000	0.02%

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

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

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

Name of director	Date of grant	Exercisable period	Exercise price per share HK\$	Number of share options		
				As at 1 April 2003	Granted during the period	As at 30 September 2003
Cheng Kin Kwan	6/3/2001	6/3/2002 - 5/3/2005	0.630	1,500,000	—	1,500,000
	27/4/2001	27/4/2002 - 26/4/2005	0.818	500,000	—	500,000
	3/10/2001	3/10/2002 - 2/10/2005	0.445	800,000	—	800,000
	22/4/2002	22/4/2003 - 21/4/2006	0.455	650,000	—	650,000
	5/9/2003	5/9/2003 - 4/9/2013	0.228	—	9,000,000	9,000,000
Law Kwai Lam	6/3/2001	6/3/2002 - 5/3/2005	0.630	800,000	—	800,000
	27/4/2001	27/4/2002 - 26/4/2005	0.818	200,000	—	200,000
	3/10/2001	3/10/2002 - 2/10/2005	0.445	200,000	—	200,000
	5/9/2003	5/9/2003 - 4/9/2013	0.228	—	2,000,000	2,000,000
Chung Yiu Fai	6/3/2001	6/3/2002 - 5/3/2005	0.630	1,000,000	—	1,000,000
	27/4/2001	27/4/2002 - 26/4/2005	0.818	200,000	—	200,000
	3/10/2001	3/10/2002 - 2/10/2005	0.445	500,000	—	500,000
	22/4/2002	22/4/2003 - 21/4/2006	0.455	300,000	—	300,000
	5/9/2003	5/9/2003 - 4/9/2013	0.228	—	5,500,000	5,500,000

Other Information (Continued)

Name of director	Date of grant	Exercisable period	Exercise price per share HK\$	Number of share options		
				As at 1 April 2003	Granted during the period	As at 30 September 2003
Leung Mei	6/3/2001	6/3/2002 - 5/3/2005	0.630	1,000,000	—	1,000,000
Sheung, Eliza	27/4/2001	27/4/2002 - 26/4/2005	0.818	200,000	—	200,000
	3/10/2001	3/10/2002 - 2/10/2005	0.445	500,000	—	500,000
	5/9/2003	5/9/2003 - 4/9/2013	0.228	—	5,500,000	5,500,000
So Mi Ling, Winnie	6/3/2001	6/3/2002 - 5/3/2005	0.630	300,000	—	300,000
	27/4/2001	27/4/2002 - 26/4/2005	0.818	200,000	—	200,000
	3/10/2001	3/10/2002 - 2/10/2005	0.445	200,000	—	200,000
	5/9/2003	5/9/2003 - 4/9/2013	0.228	—	2,000,000	2,000,000
Wong Wai Ping, Mandy	6/3/2001	6/3/2002 - 5/3/2005	0.630	800,000	—	800,000
	27/4/2001	27/4/2002 - 26/4/2005	0.818	200,000	—	200,000
	3/10/2001	3/10/2002 - 2/10/2005	0.445	500,000	—	500,000
	5/9/2003	5/9/2003 - 4/9/2013	0.228	—	5,500,000	5,500,000
Zheng Ying Yu	27/4/2001	27/4/2002 - 26/4/2005	0.818	100,000	—	100,000
	3/10/2001	3/10/2002 - 2/10/2005	0.445	300,000	—	300,000
	22/4/2002	22/4/2003 - 21/4/2006	0.455	300,000	—	300,000
	5/9/2003	5/9/2003 - 4/9/2013	0.228	—	2,000,000	2,000,000

* All the 650,000 share options held by Mr. Zhang Min were lapsed upon his resignation as director of the Company on 29 August 2003.

The exercise price per share of the above share options granted during the period under the 2003 Share Option Scheme represented the closing price of the Company's shares on the Exchange on the date of grant. The closing price of the Company's shares as quoted by the Exchange immediately before the date of grant was HK\$0.21.

Save as disclosed above and other than nominee shares in certain wholly-owned subsidiaries held by certain directors in trust for the Group, at 30 September 2003, none of the directors or chief executives or their respective associates had any interests or short positions in the shares, underlying shares or debentures of the Company or its associated corporations which fall to be notified to the Company and the Exchange pursuant to Part XV of the SFO, or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein or which were required to be notified to the Company and the Exchange pursuant to Rules 5.40 to 5.59 of the GEM Listing Rules.

Other Information (Continued)

Share options held by parties other than directors

Share options have also been granted to employees (other than directors) of the Group. Details of the outstanding options granted as at 30 September 2003 are as follows:

Type of participant	Date of grant	Exercisable period	Exercise price per share HK\$	Number of share options		
				As at 1 April 2003	Granted/ (lapsed) during the period	As at 30 September 2003
Employees	16/2/2001	16/2/2002 - 15/2/2005	0.734	2,200,000	(400,000)	1,800,000
	6/3/2001	6/3/2002 - 5/3/2005	0.630	4,300,000	(350,000)	3,950,000
	9/4/2001	9/4/2002 - 8/4/2005	0.592	150,000	—	150,000
	27/4/2001	27/4/2002 - 26/4/2005	0.818	400,000	—	400,000
	3/10/2001	3/10/2002 - 2/10/2005	0.445	5,220,000	(850,000)	4,370,000
	22/4/2002	22/4/2003 - 21/4/2006	0.455	6,000,000	(1,200,000)	4,800,000
	5/9/2003	5/9/2003 - 4/9/2013	0.228	—	37,300,000	37,300,000
	15/9/2003	15/9/2003 - 14/9/2013	0.255	—	11,200,000	11,200,000

The exercise prices per share of the above share options granted during the period under the 2003 Share Option Scheme represented the closing prices of the Company's shares on the Exchange on the dates of grant. The closing prices of the Company's shares as quoted by the Exchange immediately before the dates of grant of 5 September 2003 and 15 September 2003 were HK\$0.21 and HK\$0.27 respectively.

Value of share options

The directors of the Company consider that it is inappropriate to state the value of the options granted under the Company's 2000 Share Option Scheme and 2003 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.

Other Information (Continued)

Substantial shareholders

As at 30 September 2003, according to the register maintained by the Company pursuant to Section 336 of the SFO, the following persons (not being a director or the chief executive of the Company) were, directly or indirectly, interested in 5% or more of the nominal value of any class of share capital of the Company:

Name of shareholder	Number of ordinary shares held	Percentage of shareholding
Educational Information Technology (H.K.) Company Limited*	108,057,374	10.96%
Crimson Asia Capital Limited, L.P.	105,203,591	10.67%

* *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), a company in which the Group is acquiring a 25.03% equity interest.*

Save as disclosed above, at 30 September 2003, the Company had not been notified of any other interests or short position in the shares or underlying shares of the Company which would fall to be disclosed to the Company and the Exchange under Part XV of the SFO.

Competing interest

As at 30 September 2003, none of the directors or management shareholder (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.

Purchase, sale or redemption of the Company's listed securities

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

Audit committee

The Audit Committee has reviewed the unaudited interim financial report for the six months ended 30 September 2003 in conjunction with the Company's external auditors. The independent review report of the external auditors is set out on page 2.

Board practices and procedures

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