



TIMELESS SOFTWARE LTD.



Interim Report

for the quarter ended 30 September 2004

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.

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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 to review the interim financial report set out on pages 3 to 10.

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 Institute of Certified Public 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 Institute of Certified Public 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 2004.

Without modifying our review conclusion, we draw to your attention that the condensed consolidated income statement for each of the three months ended 30 September 2004 and 30 September 2003 disclosed in the interim financial report have not been reviewed in accordance with SAS 700.

DELOITTE TOUCHE TOHMATSU

Certified Public Accountants

Hong Kong

10 November 2004

Condensed Consolidated Income Statements

For the three months and six months ended 30 September 2004

	Notes	(Unaudited) Three months ended 30 September		(Unaudited) Six months ended 30 September	
		2004 HK\$'000	2003 HK\$'000	2004 HK\$'000	2003 HK\$'000
Turnover	3	1,155	663	1,928	6,218
Other operating income		49	190	187	433
Cost of computer software and hardware sold		—	(117)	—	(176)
Staff costs		(3,327)	(3,879)	(6,724)	(8,135)
Depreciation and amortisation		(3,434)	(3,182)	(6,896)	(6,648)
Other operating expenses		(1,941)	(2,662)	(3,800)	(9,394)
Gain on disposal of listed investment securities		—	5,944	—	5,944
Impairment in value of investment securities		—	—	(129)	—
Loss from operations		(7,498)	(3,043)	(15,434)	(11,758)
Finance costs		(144)	(155)	(291)	(377)
Share of losses of associates		(14,730)	(19)	(15,058)	(144)
Share of results of jointly controlled entities		42	(195)	(3,487)	117
Loss before taxation		(22,330)	(3,412)	(34,270)	(12,162)
Taxation	4	—	3,995	—	3,995
(Loss) profit before minority interests		(22,330)	583	(34,270)	(8,167)
Minority interests		5	1	9	(2)
Net (loss) profit attributable to shareholders		(22,325)	584	(34,261)	(8,169)
(Loss) earnings per share	6	(2.25) cents	0.06 cents	(3.46) cents	(0.86) cents
- Basic		(2.25) cents	0.06 cents	(3.46) cents	(0.86) cents

Condensed Consolidated Balance Sheet

At 30 September 2004

	Notes	(Unaudited) 30 September 2004 HK\$'000	(Audited) 31 March 2004 HK\$'000
Non-current assets			
Property, plant and equipment		134,170	139,501
Product development costs	7	5,264	6,008
Interests in associates		15,270	30,327
Interests in jointly controlled entities		10,750	14,219
Investments in securities		10,019	10,147
		175,473	200,202
Current assets			
Amounts due from customers for contract work		4,896	4,925
Trade and other receivables	8	3,861	3,177
Pledged bank deposits		10,205	10,205
Bank balances and cash		26,031	38,761
		44,993	57,068
Current liabilities			
Accounts payables		5,385	6,232
Obligations under a finance lease due within one year		58	57
Current portion of secured long-term bank loan		3,784	3,756
		9,227	10,045
Net current assets		35,766	47,023
Total assets less current liabilities		211,239	247,225
Non-current liabilities			
Obligations under a finance lease due after one year		158	188
Secured long-term bank loan		33,106	35,003
		33,264	35,191
Minority interests		2,353	2,360
Net assets		175,622	209,674
Capital and reserves			
Share capital	9	49,560	49,503
Reserves		126,062	160,171
Shareholders' funds		175,622	209,674

The interim financial report on pages 3 to 10 were approved and authorised for issue by the Board of Directors on 10 November 2004 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 2004

	(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 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
At 1 April 2004	49,503	629,932	(9,080)	(460,681)	209,674
Issue of shares	57	158	—	—	215
Expenses incurred in connection with the issue of shares	—	(6)	—	—	(6)
Net loss attributable to shareholders	—	—	—	(34,261)	(34,261)
	<u>49,560</u>	<u>630,084</u>	<u>(9,080)</u>	<u>(494,942)</u>	<u>175,622</u>
At 30 September 2004	49,560	630,084	(9,080)	(494,942)	175,622

Condensed Consolidated Cash Flow Statement

For the six months ended 30 September 2004

	(Unaudited)	
	Six months ended	
	30 September	
	2004	2003
	HK\$'000	HK\$'000
Net cash used in operating activities	(9,892)	(2,934)
Net cash (used in) from investing activities	(858)	5,771
Net cash (used in) from financing activities	(1,980)	3,079
	<hr/>	<hr/>
(Decrease) increase in cash and cash equivalents	(12,730)	5,916
Cash and cash equivalents at 1 April	38,761	23,868
	<hr/>	<hr/>
Cash and cash equivalents at 30 September	26,031	29,784
	<hr/> <hr/>	<hr/> <hr/>

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 September 2004

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 and Statement of Standard Accounting Practice No.25 "Interim financial reporting" issued by the Hong Kong Institute of Certified Public Accountants.

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 2004.

Notes to the Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 September 2004

3. Business and geographical 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		Six months ended	
	30 September	2003	30 September	2003
	2004	2003	2004	2003
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Turnover				
Software development	1,153	661	1,921	6,214
Other operations	2	2	7	4
	1,155	663	1,928	6,218
Results				
Software development	(5,659)	(6,803)	(12,008)	(13,369)
Investments	—	5,944	(86)	5,944
Other operations	(92)	(267)	(265)	(539)
	(5,751)	(1,126)	(12,359)	(7,964)
Central administrative expenses	(1,747)	(1,917)	(3,075)	(3,794)
Loss from operations	(7,498)	(3,043)	(15,434)	(11,758)
Finance costs	(144)	(155)	(291)	(377)
Share of losses of associates				
– software development	(14,730)	(19)	(15,058)	(144)
Share of results of jointly controlled entities				
– software development	(395)	(633)	(539)	(276)
– other operations	437	438	(2,948)	393
Loss before taxation	(22,330)	(3,412)	(34,270)	(12,162)
Taxation	—	3,995	—	3,995
(Loss) profit before minority interests	(22,330)	583	(34,270)	(8,167)
Minority interests	5	1	9	(2)
Net (loss) profit attributable to shareholders	(22,325)	584	(34,261)	(8,169)

Notes to the Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 September 2004

3. Business and geographical segments (Continued)

Geographical segments for the period are as follows:

	Three months ended		Six months ended	
	30 September 2004	2003	30 September 2004	2003
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Turnover				
Mainland China (the "PRC")	455	360	699	691
Hong Kong	700	303	1,229	5,527
	1,155	663	1,928	6,218

4. Taxation

No provision for Hong Kong Profits Tax has been made in the financial statements as the Group had no assessable profit for the period. The credit in 2003 represented overprovision of Hong Kong Profits Tax in prior years.

5. Interim dividend

The directors do not recommend the payment of an interim dividend (2003: Nil).

6. (Loss) earnings per share

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

	Three months ended		Six months ended	
	30 September 2004	2003	30 September 2004	2003
Net (loss) profit attributable to shareholders	HK\$(22,325,000)	HK\$584,000	HK\$(34,261,000)	HK\$(8,169,000)
Weighted average number of ordinary shares for the purposes of basic (loss) earnings per share	991,188,438	949,256,220	991,077,743	949,056,957

No diluted loss per share for the three months and six months ended 30 September 2004 have been presented as the share options granted by the Company are anti-dilutive.

No diluted earnings (loss) per share for the three months and six months ended 30 September 2003 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 that period.

7. Product development costs

During the period, the Group spent approximately HK\$1,216,000 (2003: HK\$1,502,000) on product development costs.

Notes to the Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 September 2004

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 2004 HK\$'000	31 March 2004 HK\$'000
Age		
0 to 30 days	8	445
31 to 60 days	47	—
61 to 90 days	201	16
Over 90 days	182	—
	<hr/> 438 <hr/>	<hr/> 461 <hr/>

9. Share Capital

During the period, 1,130,000 ordinary shares of HK\$0.05 each were issued by the Company as a result of the exercise of 1,130,000 share options at a subscription price of HK\$0.19 per share. All the shares issued during the period rank pari passu with the then existing shares in all respects.

Chairman's Statement

25 November 2004 will mark the fifth anniversary of the listing of Timeless on the Hong Kong GEM Board and the ninth year of the Group since its commencement of business on 1 July 1996. All through these years, we have been a company dedicated to software development and to the pursuit of the routes for such a company to both survive and grow. We have had to endure and overcome formidable hurdles encountered in the course of this pursuit as well as during the phases while our core technologies were being composed; we have had to face many crises, some of which appeared quite unexpectedly; and we have had to live through a few cycles of profit and loss. Simply put, we have been in battle for survival, and for the prospect of future growth.

We have persisted on the construction of a "consolidated platform on five pillars" as our unique model to achieve survival and growth. We have deployed this model in real-life situation so as to find out and correct its many flaws, and to optimize and improvise on its building process. This process has been costly, but on the other hand we have also gained invaluable insight.

At long last, we are able to conclude that as the interconnections between the five pillars, namely the strategy, the location, the talent, the commerce and the technology pillars, of our consolidated platform have now been built up, the latest version of the consolidated platform has been completed.

And at long last, we are able to look forward to the date when the Timeless Consolidated Platform will be introduced to the world, a date originally targeted to be within this year. When the time is suitable, we will inform the market and our shareholders about the specifics of the Timeless Consolidated Platform.

What, actually, is the Timeless Consolidated Platform that is conceived and developed by the Chinese? How can it be translated into profit for our group? What are its unique niches?

All of the above will be detailed and clarified during our announcement and these details will be decisive for the development of Timeless in the future.

On behalf of the Board

Cheng Kin Kwan

Chairman

Hong Kong, 10 November 2004

Review of operations

Results for the six months ended 30 September 2004

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 2004 was approximately HK\$34.3 million compared to a loss of approximately HK\$8.2 million in the same period in previous year. The increase in the loss for the period is mainly due to the following:-

1. The share of losses of associates of HK\$15.1 million mainly as a result of the provision for impairment losses of the shares of the Company held by two associates during the period;
2. The share of losses of jointly controlled entities of HK\$3.5 million mainly as a result of the one-off adjustment made regarding the construction-in-progress account prior to the completion of Phase II of the Zhuhai Southern Software Park this year;
3. There was a profit on disposal of the Group's entire 7% interest in KanHan Technologies Group Limited amounting to HK\$5.9 million in the same period in previous year; and
4. There was an 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 in the same period 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 30 September 2004, the Group had bank balances and cash (excluding pledged bank deposits) of approximately HK\$26 million compared to approximately HK\$38.8 million as at 31 March 2004.

As at 30 September 2004, the Group had a bank loan of HK\$36.9 million and obligations under finance lease of HK\$0.2 million. According to the terms of this bank loan, this bank loan is an installment loan and will be fully repaid in 2013. The following is the maturity profile of the Group's bank loan as of 30 September 2004:

Within one year	10%
In the 2nd year	10%
In the 3rd to 10th year	80%
	<hr/>
	100%
	<hr/> <hr/>

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 21.1% compared to 18.6% as at 31 March 2004.

Charge on the Group's assets

As at 30 September 2004, 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\$36.9 million as mentioned in the previous paragraph. Bank deposit totalling approximately HK\$10.2 million (31 March 2004: HK\$10.2 million) were pledged to banks for banking facilities of 5 million (31 March 2004: HK\$5 million) available to the Group and a loan facility of approximately HK\$4.7 million (31 March 2004: HK\$4.7 million) available to a jointly controlled entity.

Capital structure

A director and certain employees of the Group exercised their share options and as a result 1,130,000 shares of the Company were issued and allotted to them during the six months ended 30 September 2004.

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 two geographical segments namely Mainland China and Hong Kong.

In respect of business segments, the Group continues to focus on software development. In respect of geographical segments, turnover generated from Mainland China increased from 11.1% of the total turnover of the Group in the first half of previous year to 36.3% in this period. As the Group's 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 as at 30 September 2004 was similar to that at 31 March 2004. In respect of those large projects of relatively longer term in nature in Ningxia Province in Mainland China, progress will be made when funding for these projects becomes certain. 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 2004.

Future plans for material investments

The Group has committed to invest in 70% interest in a company established in the People's Republic of China ("Prospective Subsidiary") through acquisition of interest in the Prospective Subsidiary from an independent third party at a consideration of RMB8 million (approximately HK\$7.5 million) and subscription of new shares in the Prospective Subsidiary amounting to RMB6 million (approximately HK\$5.6 million). Upon completion of the afore-mentioned transactions, the Prospective Subsidiary will have a registered capital of RMB20 million (approximately HK\$18.7 million).

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 2004, the Company has given corporate guarantees of HK\$45 million (31 March 2004: HK\$45 million) to banks to secure credit facilities granted to its subsidiaries. As at 30 September 2004, credit facility of HK\$36.9 million (31 March 2004: HK\$38.8 million) was utilized by a subsidiary.

Employee information

As at 30 September 2004, the Group employed a total staff of 58. 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 2004, 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 Rule 5.46 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 number of shares	Percentage of shareholding
	Personal interest	Family interest	Corporate interest	Total		
Cheng Kin Kwan	109,000,000	—	—	109,000,000	11.00%	
Law Kwai Lam	10,000,000	—	28,325,000*	38,325,000	3.87%	
Chung Yiu Fai	2,970,000	—	—	2,970,000	0.30%	
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%	
Pun Chung Sang, Trevor	—	250,000	—	250,000	0.03%	

* These shares were held by a private company which is wholly-owned 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 2004	Granted/ (exercised) during the period	As at 30 September 2004
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	6,960,000	—	6,960,000
	8/12/2003	8/12/2003 - 7/12/2013	0.213	800,000	—	800,000
	25/2/2004	25/2/2004 - 24/2/2014	0.190	7,700,000	—	7,700,000
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
	9/1/2004	9/1/2004 - 8/1/2014	0.190	1,000,000	—	1,000,000

Other Information (Continued)

Name of director	Date of grant	Exercisable period	Exercise price per share HK\$	Number of share options		
				As at 1 April 2004	Granted/ (exercised) during the period	As at 30 September 2004
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
	8/12/2003	8/12/2003 - 7/12/2013	0.213	400,000	—	400,000
	25/2/2004	25/2/2004 - 24/2/2014	0.190	7,000,000	(550,000)	6,450,000
	16/9/2004	16/9/2004 - 15/9/2014	0.087	—	2,500,000	2,500,000
Leung Mei Sheung, Eliza	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
	5/9/2003	5/9/2003 - 4/9/2013	0.228	5,500,000	—	5,500,000
	8/12/2003	8/12/2003 - 7/12/2013	0.213	4,300,000	—	4,300,000
	25/2/2004	25/2/2004 - 24/2/2014	0.190	6,000,000	—	6,000,000
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
	9/1/2004	9/1/2004 - 8/1/2014	0.190	1,000,000	—	1,000,000
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
	8/12/2003	8/12/2003 - 7/12/2013	0.213	400,000	—	400,000
	25/2/2004	25/2/2004 - 24/2/2014	0.190	6,000,000	—	6,000,000
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
	8/12/2003	8/12/2003 - 7/12/2013	0.213	400,000	—	400,000
	9/1/2004	9/1/2004 - 8/1/2014	0.190	7,000,000	—	7,000,000
Pun Chung Sang, Trevor	6/3/2001	6/3/2002 - 5/3/2005	0.630	200,000	—	200,000
	9/4/2001	9/4/2002 - 8/4/2005	0.592	100,000	—	100,000
	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	200,000	—	200,000
	5/9/2003	5/9/2003 - 4/9/2013	0.228	3,500,000	—	3,500,000
	26/11/2003	26/11/2003 - 25/11/2013	0.230	400,000	—	400,000
	9/1/2004	9/1/2004 - 8/1/2014	0.190	3,000,000	—	3,000,000

The closing price of the Company's shares as quoted by the Exchange immediately before the date of grant was HK\$0.081. The weighted average closing price of the Company's shares immediately before the date of exercise was HK\$0.227.

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 2004, 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 Rule 5.46 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. A summary of the outstanding options granted as at 30 September 2004, and the corresponding closing price of the Company's shares immediately before the date of grant and the weighted average closing price immediately before the date of exercise under column A and B respectively, are as follows:

Type of participant	Date of grant	Exercisable period	Exercise price per share HK\$	Number of share options					Closing price	
				As at 1 April 2004	Granted during the period	Lapsed during the period	Exercised during the period	As at 30 September 2004	A HK\$	B HK\$
Employees	16/2/2001	16/2/2002 - 15/2/2005	0.7340	1,500,000	—	(300,000)	—	1,200,000	N/A	N/A
	6/3/2001	6/3/2002 - 5/3/2005	0.6300	3,600,000	—	—	—	3,600,000	N/A	N/A
	9/4/2001	9/4/2002 - 8/4/2005	0.5920	50,000	—	—	—	50,000	N/A	N/A
	27/4/2001	27/4/2002 - 26/4/2005	0.8180	250,000	—	—	—	250,000	N/A	N/A
	3/10/2001	3/10/2002 - 2/10/2005	0.4450	3,710,000	—	(590,000)	—	3,120,000	N/A	N/A
	22/4/2002	22/4/2003 - 21/4/2006	0.4550	3,900,000	—	(1,000,000)	—	2,900,000	N/A	N/A
	5/9/2003	5/9/2003 - 4/9/2013	0.2280	33,500,000	—	(2,800,000)	—	30,700,000	N/A	N/A
	15/9/2003	15/9/2003 - 14/9/2013	0.2550	11,000,000	—	(1,300,000)	—	9,700,000	N/A	N/A
	26/11/2003	26/11/2003 - 25/11/2013	0.2300	7,200,000	—	(1,800,000)	—	5,400,000	N/A	N/A
	8/12/2003	8/12/2003 - 7/12/2013	0.2130	800,000	—	—	—	800,000	N/A	N/A
	9/1/2004	9/1/2004 - 8/1/2014	0.1900	18,778,000	—	(3,400,000)	(558,000)	14,820,000	N/A	0.205
	25/2/2004	25/2/2004 - 24/2/2014	0.1900	20,000,000	—	—	—	20,000,000	N/A	N/A
	19/4/2004	19/4/2004 - 18/4/2014	0.2096	—	4,650,000	(450,000)	—	4,200,000	0.194	N/A
	16/9/2004	16/9/2004 - 15/9/2014	0.0870	—	13,000,000	—	—	13,000,000	0.081	N/A
	30/9/2004	30/9/2004 - 29/9/2014	0.0900	—	11,100,000	—	—	11,100,000	0.088	N/A

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 2004, 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	Number of share options held	Aggregate long position	Percentage of the issued share capital as at 30 September 2004
Educational Information Technology (H.K.) Company Limited*	108,057,374	—	108,057,374	10.90%
Crimson Asia Capital Limited, L.P.**	105,203,591	—	105,203,591	10.61%
Kan Siu Kei**	41,978,000	14,000,000	55,978,000	5.65%

* 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 held 25.03% equity interest.

** These shares/underlying shares were beneficially owned by the respective parties.

Save as disclosed above, at 30 September 2004, 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 2004, 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 2004 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 5.34 to 5.45 of the GEM Listing Rules throughout the period.