

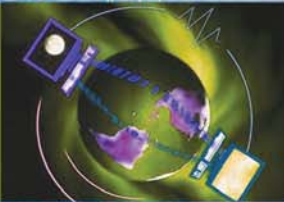


TIMELESS SOFTWARE LTD.



## Interim Report

for the quarter ended 30 September 2005



# 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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# Deloitte.

德勤

### **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 14.

#### **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 Hong Kong Accounting Standard 34 "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 2005.

Without modifying our review conclusion, we draw to your attention that the consolidated income statement for each of the three months ended 30 September 2005 and 30 September 2004 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 2005



## Consolidated Income Statements

For the three months and six months ended 30 September 2005

	Notes	(Unaudited)		(Unaudited)	
		Three months ended		Six months ended	
		30 September		30 September	
		2005	2004	2005	2004
		HK\$'000	HK\$'000	HK\$'000	HK\$'000
Turnover		<b>809</b>	1,155	<b>2,372</b>	1,928
Other income		<b>197</b>	49	<b>2,554</b>	187
Cost of computer software and hardware sold		<b>(48)</b>	—	<b>(692)</b>	—
Staff costs		<b>(3,695)</b>	(3,327)	<b>(6,515)</b>	(6,724)
Depreciation and amortisation		<b>(1,583)</b>	(3,434)	<b>(4,641)</b>	(6,896)
Other expenses		<b>(1,930)</b>	(1,941)	<b>(3,557)</b>	(3,800)
Impairment in value of available-for-sale financial assets		<b>(1,182)</b>	—	<b>(1,187)</b>	—
Impairment in value of investment securities		<b>—</b>	—	<b>—</b>	(129)
Loss from operations		<b>(7,432)</b>	(7,498)	<b>(11,666)</b>	(15,434)
Finance costs		<b>(165)</b>	(144)	<b>(341)</b>	(291)
Share of results of associates		<b>370</b>	(14,730)	<b>(1,032)</b>	(15,058)
Share of results of jointly controlled entities		<b>(1,838)</b>	42	<b>(3,545)</b>	(3,487)
Loss before taxation		<b>(9,065)</b>	(22,330)	<b>(16,584)</b>	(34,270)
Taxation	4	<b>—</b>	—	<b>—</b>	—
Loss for the period		<b>(9,065)</b>	(22,330)	<b>(16,584)</b>	(34,270)
Attributable to:					
Equity holders of the Company		<b>(9,010)</b>	(22,325)	<b>(16,443)</b>	(34,261)
Minority interests		<b>(55)</b>	(5)	<b>(141)</b>	(9)
		<b>(9,065)</b>	(22,330)	<b>(16,584)</b>	(34,270)
Loss per share	6				
– Basic		<b>(0.88) cents</b>	(2.25) cents	<b>(1.61) cents</b>	(3.46) cents

# Consolidated Balance Sheet

At 30 September 2005

	Notes	(Unaudited) 30 September 2005 HK\$'000	(Audited and restated) 31 March 2005 HK\$'000
Non-current assets			
Property, plant and equipment		<b>7,230</b>	131,370
Product development costs		<b>1,146</b>	2,291
Interests in associates		<b>5,428</b>	6,460
Interests in jointly controlled entities		<b>1,902</b>	5,430
Available-for-sale financial assets		<b>47</b>	—
Investments in securities		<b>—</b>	1,234
		<b>15,753</b>	146,785
Current assets			
Amounts due from customers for contract work		<b>4,797</b>	4,775
Trade and other receivables	7	<b>17,623</b>	11,246
Pledged bank deposits		<b>10,327</b>	10,205
Bank balances and cash		<b>16,856</b>	17,246
		<b>49,603</b>	43,472
Non-current assets classified as held for sale	8	<b>120,872</b>	—
		<b>170,475</b>	43,472
Current liabilities			
Deposit received on sale of property		<b>15,856</b>	—
Other payables		<b>4,762</b>	8,878
Obligations under a finance lease due within one year		<b>47</b>	60
Current portion of secured long-term bank loans		<b>33,241</b>	3,904
		<b>53,906</b>	12,842
Net current assets		<b>116,569</b>	30,630
Total assets less current liabilities		<b>132,322</b>	177,415
Non-current liabilities			
Obligations under a finance lease due after one year		<b>75</b>	128
Secured long-term bank loans		<b>1,294</b>	32,560
		<b>1,369</b>	32,688
		<b>130,953</b>	144,727

## Consolidated Balance Sheet (Continued)

At 30 September 2005

	Note	(Unaudited) 30 September 2005 HK\$'000	(Audited and restated) 31 March 2005 HK\$'000
Capital and reserves			
Share capital	9	<b>51,177</b>	50,474
Reserves		<b>73,130</b>	87,466
Equity attributable to equity holders of the Company		<b>124,307</b>	137,940
Minority interests		<b>6,646</b>	6,787
Total equity		<b>130,953</b>	144,727

The interim financial report on pages 3 to 14 were approved and authorised for issue by the Board of Directors on 10 November 2005 and are signed on its behalf by:

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

**Law Kwai Lam**  
*Director*

## Consolidated Statement of Changes in Equity

For the six months ended 30 September 2005

### Attributable to equity holders of the Company

	(Unaudited)								
	(Unaudited) Share capital	(Unaudited) Share premium	(Unaudited) Share options reserve	(Unaudited) Goodwill reserve	(Unaudited) Translation reserve	(Unaudited) Deficit	(Unaudited) Total	(Unaudited) Minority interests	(Unaudited) Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 April 2004	49,503	629,932	—	(9,080)	—	(460,681)	209,674	2,360	212,034
Issue of shares	57	158	—	—	—	—	215	—	215
Expenses incurred in connection with the issue of shares	—	(6)	—	—	—	—	(6)	—	(6)
Loss for the period	—	—	—	—	—	(34,261)	(34,261)	(9)	(34,270)
At 30 September 2004	49,560	630,084	—	(9,080)	—	(494,942)	175,622	2,351	177,973
<b>At 1 April 2005</b>	<b>50,474</b>	<b>630,625</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>(543,159)</b>	<b>137,940</b>	<b>6,787</b>	<b>144,727</b>
<b>Exchange differences arising from translation of financial statements of overseas operations recognised directly in equity</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>777</b>	<b>—</b>	<b>777</b>	<b>—</b>	<b>777</b>
<b>Loss for the period</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>(16,443)</b>	<b>(16,443)</b>	<b>(141)</b>	<b>(16,584)</b>
<b>Total recognised income and expense for the period</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>777</b>	<b>(16,443)</b>	<b>(15,666)</b>	<b>(141)</b>	<b>(15,807)</b>
<b>Issue of shares</b>	<b>703</b>	<b>318</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>1,021</b>	<b>—</b>	<b>1,021</b>
<b>Expenses incurred in connection with the issue of shares</b>	<b>—</b>	<b>(8)</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>(8)</b>	<b>—</b>	<b>(8)</b>
<b>Recognition of equity settled share-based payments</b>	<b>—</b>	<b>—</b>	<b>1,020</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>1,020</b>	<b>—</b>	<b>1,020</b>
	<b>703</b>	<b>310</b>	<b>1,020</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>2,033</b>	<b>—</b>	<b>2,033</b>
<b>At 30 September 2005</b>	<b>51,177</b>	<b>630,935</b>	<b>1,020</b>	<b>—</b>	<b>777</b>	<b>(559,602)</b>	<b>124,307</b>	<b>6,646</b>	<b>130,953</b>



## Condensed Consolidated Cash Flow Statement

For the six months ended 30 September 2005

	<b>(Unaudited)</b>	
	<b>Six months ended</b>	
	<b>30 September</b>	
	<b>2005</b>	2004
	<b>HK\$'000</b>	HK\$'000
Net cash from (used in) operating activities	<b>364</b>	(9,892)
Net cash from (used in) investing activities	<b>67</b>	(858)
Net cash used in financing activities	<b>(1,323)</b>	(1,980)
Net decrease in cash and cash equivalents	<b>(892)</b>	(12,730)
Cash and cash equivalents at 1 April	<b>17,246</b>	38,761
Effect of change in exchange rates	<b>502</b>	—
Cash and cash equivalents at 30 September	<b>16,856</b>	26,031

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 September 2005

## 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 Hong Kong Accounting Standard (the "HKAS") 34 "Interim financial reporting" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

## 2. Significant accounting policies

The condensed consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments, which are measured at fair values, as appropriate.

The accounting policies used in the condensed consolidated financial statements are consistent with those followed in the preparation of the annual financial statements of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31 March 2005 except as described below.

In the current period, the Group has applied, for the first time, a number of new Hong Kong Financial Reporting Standards ("HKFRS"s), HKASs and Interpretations (hereinafter collectively referred to as "new HKFRSs") issued by the HKICPA that are effective for accounting periods beginning on or after 1 January 2005. The application of the new HKFRSs has resulted in the change in presentation of income statement, balance sheet and the statement of changes in equity. In particular, the presentation of minority interests has been changed. The adoption of the new HKFRSs has resulted in changes to the Group's accounting policies in the following areas that have an effect on how the results for the current or prior accounting periods are prepared and presented.

### Share-based payments

In the current period, the Group has applied HKFRS 2 "Share-based payment" which requires an expense to be recognised where the Group buys goods or obtains services in exchange for shares or rights over shares ("equity-settled transactions"). The principal impact of HKFRS 2 on the Group is in relation to the expensing of the fair value of directors' and employees' share options of the Company determined at the date of grant of the share options over the vesting period. Prior to the application of HKFRS 2, the Group did not recognise the financial effect of these share options until they were exercised. The Group has applied HKFRS 2 to share options granted on or after 1 April 2005. In relation to share options granted before 1 April 2005, the Group has not applied HKFRS 2 to share options granted on or before 7 November 2002 and share options that were granted after 7 November 2002 and had vested before 1 April 2005 in accordance with the relevant transitional provisions. The financial impact on the adoption of HKFRS 2 is described below.

### Financial instruments

In the current period, the Group has applied HKAS 32 "Financial instruments: disclosure and presentation" and HKAS 39 "Financial instruments: recognition and measurement". HKAS 32 requires retrospective application. The application of HKAS 32 has had no material effect on the presentation of financial instruments in the financial statements of the Group. HKAS 39, which is effective for annual periods beginning on or after 1 January 2005, generally does not permit the recognition, derecognition or measurement of financial assets and liabilities on a retrospective basis. The principal effects resulting from the implementation of HKAS 39 are summarised below:

### 2. Significant accounting policies (Continued)

#### Financial instruments (Continued)

##### *Classification and measurement of financial assets and financial liabilities*

The Group has applied the relevant transitional provisions in HKAS 39 with respect to classification and measurement of financial assets and financial liabilities that are within the scope of HKAS 39.

By 31 March 2005, the Group classified and measured its debt and equity securities in accordance with the benchmark treatment of Statement of Standard Accounting Practice ("SSAP") 24. Under SSAP 24, investments in debt or equity securities are classified as "investment securities", "other investments" or "held-to-maturity investments" as appropriate. "Investment securities" are carried at cost less impairment losses (if any) while "other investments" are measured at fair value, with unrealised gains or losses included in profit or loss. Held-to-maturity investments are carried at amortised cost less impairment losses (if any).

From 1 April 2005 onwards, the Group classifies and measures its investments in equity securities in accordance with HKAS 39. Under HKAS 39, financial assets are classified as "financial assets at fair value through profit or loss", "available-for-sale financial assets", "loans and receivables", or "held-to-maturity financial assets". "Financial assets at fair value through profit or loss" and "available-for-sale financial assets" are carried at fair value, with changes in fair values recognised in profit or loss and equity respectively. Available-for-sale investment in equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are carried at cost less impairment. "Loans and receivables" and "held-to-maturity financial assets" are measured at amortised cost using the effective interest method. Any impairment losses on available-for-sale financial assets are recognised in profit or loss. Impairment losses on available-for-sale equity investments will not reverse in subsequent periods.

##### *Financial assets and financial liabilities other than debt and equity securities*

From 1 April 2005 onwards, the Group classifies and measures its financial assets and financial liabilities other than debt and equity securities (which were previously outside the scope of SSAP 24) in accordance with the requirements of HKAS 39. As mentioned above, financial assets under HKAS 39 are classified as "financial assets at fair value through profit or loss", "available-for-sale financial assets", "loans and receivables" or "held-to-maturity financial assets". Financial liabilities are generally classified as "financial liabilities at fair value through profit or loss" or "financial liabilities other than financial liabilities at fair value through profit or loss (other financial liabilities)". "Other financial liabilities" are carried at amortised cost using the effective interest method.

#### Owner-occupied leasehold interest in land

In previous periods, owner-occupied leasehold land and buildings were included in property, plant and equipment and measured using the cost model. In the current period, the Group has applied HKAS 17 "Leases". Under HKAS 17, the land and buildings elements of a lease of land and buildings are considered separately for the purposes of lease classification, unless the lease payments cannot be allocated reliably between the land and buildings elements, in which case, the entire lease is generally treated as a finance lease. To the extent that the allocation of the lease payments between the land and buildings elements can be made reliably, the leasehold interests in land are reclassified to prepaid lease payments under operating leases, which are carried at cost and amortised over the lease term on a straight line basis. However as the allocation between the land and buildings elements cannot be made reliably, the leasehold interests in land continue to be accounted for as property, plant and equipment.

**2. Significant accounting policies** (Continued)

**Non-current assets held for sale and discontinued operations**

The Company has adopted HKFRS 5 "Non-current assets held for sale and discontinued operations" during the period. According to HKFRS 5, an entity shall classify a non-current asset (or disposal group) as held for sale if its carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset (or disposal group) is available for immediate sale in its present condition. Management must be committed to the sale which should be expected to qualify for recognition as a completed sale within one year from the date of classification. Non-current assets classified as held for sale and the assets of a group classified as held for sale must be disclosed separately from other assets in the balance sheet, which are stated at the lower of the carrying amount and fair value less costs to sell.

Accordingly, the property which is expected to be sold within twelve months has been reclassified to non-current assets held for sale during the period and there is no impact in the loss for the period.

**Summary of the effects of the changes in accounting policies**

The effects of the changes in the accounting policies described above on the results for the current period are as follows:

	<b>Six months ended 30 September 2005</b>
	HK\$'000
Expenses in relation to share options granted to employees and increase in loss for the period	1,020

The cumulative effects of the application of the new HKFRSs as at 31 March 2005 and 1 April 2005 are summarised below:

	<b>31 March 2005</b>	<b>Adjustment</b>	<b>1 April 2005</b>
	HK\$'000	HK\$'000	HK\$'000
	(originally stated)		(restated)
<i>Balance sheet items</i>			
Property, plant and equipment (note a)	131,370	(120,872)	10,498
Available-for-sale financial assets (note b)	—	1,234	1,234
Investments in securities (note b)	1,234	(1,234)	—
Non-current assets classified as held for sale (note a)	—	120,872	120,872

Notes:

- (a) In accordance with HKFRS 5, the property was reclassified as an asset held for sale.
- (b) Upon the adoption of HKAS 39, the investments in securities were reclassified as available-for-sale financial assets.

## Notes to the Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 September 2005

### 2. Significant accounting policies (Continued)

At the date of authorisation of these condensed consolidated financial statements, the following new HKASs, HKFRSs and Interpretations issued by Hong Kong (International) Financial Reporting Interpretations Committee ("HK(IFRIC)Int"s) were in issue but not yet effective:

HKAS 1 (Amendment)	Capital disclosures
HKAS 19 (Amendment)	Actuarial gains and losses, group plans and disclosure
HKAS 39 (Amendment)	Cash flow hedge accounting of forecast intragroup transactions
HKAS 39 (Amendment)	Fair value option
HKAS 39 (Amendment) and HKFRS 4 (Amendment)	Financial guarantee contracts
HKFRS 6	Exploration for and evaluation of mineral resources
HKFRS 7	Financial instruments: disclosures
HK(IFRIC)Int 4	Determining whether an arrangement contains a lease
HK(IFRIC)Int 5	Right to interests arising from decommissioning, restoration and environmental rehabilitation funds
HK(IFRIC)Int 6	Liabilities arising from participating in a specific market - waste electrical and electronic equipment

The directors anticipate that the adoption of these new HKFRSs and Interpretations in future periods will have no material impact on the condensed consolidated financial statements of the Group.

## Notes to the Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 September 2005

### 3. Business and geographical segments

For management purposes, the Group's operations are organised into three operating divisions: 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		Six months ended 30 September	
	2005 HK\$'000	2004 HK\$'000	2005 HK\$'000	2004 HK\$'000
Turnover				
Software development	<b>809</b>	1,153	<b>2,371</b>	1,921
Other operations	<b>—</b>	2	<b>1</b>	7
	<b>809</b>	1,155	<b>2,372</b>	1,928
Results				
Software development	<b>(4,438)</b>	(5,659)	<b>(7,145)</b>	(12,008)
Investments	<b>(1,182)</b>	—	<b>(1,187)</b>	(86)
Other operations	<b>(24)</b>	(92)	<b>(111)</b>	(265)
	<b>(5,644)</b>	(5,751)	<b>(8,443)</b>	(12,359)
Unallocated expenses	<b>(1,788)</b>	(1,747)	<b>(3,223)</b>	(3,075)
Loss from operations	<b>(7,432)</b>	(7,498)	<b>(11,666)</b>	(15,434)
Finance costs	<b>(165)</b>	(144)	<b>(341)</b>	(291)
Share of results of associates				
- software development	<b>—</b>	(6,442)	<b>—</b>	(6,661)
- other operations	<b>370</b>	(8,288)	<b>(1,032)</b>	(8,397)
Share of results of jointly controlled entities				
- software development	<b>—</b>	(395)	<b>—</b>	(539)
- other operations	<b>(1,838)</b>	437	<b>(3,545)</b>	(2,948)
Loss before taxation	<b>(9,065)</b>	(22,330)	<b>(16,584)</b>	(34,270)
Taxation	<b>—</b>	—	<b>—</b>	—
Loss for the period	<b>(9,065)</b>	(22,330)	<b>(16,584)</b>	(34,270)
Attributable to:				
Equity holders of the Company	<b>(9,010)</b>	(22,325)	<b>(16,443)</b>	(34,261)
Minority interests	<b>(55)</b>	(5)	<b>(141)</b>	(9)
	<b>(9,065)</b>	(22,330)	<b>(16,584)</b>	(34,270)



## Notes to the Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 September 2005

### 3. Business and geographical segments (Continued)

Geographical segments for the period are as follows:

	Three months ended 30 September 2005		Six months ended 30 September 2005	
	HK\$'000	2004 HK\$'000	HK\$'000	2004 HK\$'000
Turnover				
- Mainland China	<b>174</b>	455	<b>1,222</b>	699
- Hong Kong	<b>635</b>	700	<b>1,150</b>	1,229
	<b>809</b>	1,155	<b>2,372</b>	1,928

### 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.

### 5. Interim dividend

The directors do not recommend the payment of an interim dividend (2004: Nil).

### 6. Loss per share

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

	Three months ended 30 September 2005		Six months ended 30 September 2005	
	HK\$(9,010,000)	2004 HK\$(22,325,000)	HK\$(16,443,000)	2004 HK\$(34,261,000)
Loss attributable to equity holders of the Company	<b>HK\$(9,010,000)</b>	HK\$(22,325,000)	<b>HK\$(16,443,000)</b>	HK\$(34,261,000)
Weighted average number of ordinary shares for the purposes of basic loss per share	<b>1,020,526,069</b>	991,188,438	<b>1,019,642,159</b>	991,077,743

No diluted loss per share for the three months and six months ended 30 September 2005 and 30 September 2004 have been presented as the share options granted by the Company are anti-dilutive.

## Notes to the Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 September 2005

### 7. 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:

	<b>30 September 2005 HK\$'000</b>	31 March 2005 HK\$'000
Age		
0 to 30 days	<b>226</b>	307
31 to 60 days	<b>25</b>	107
61 to 90 days	<b>4</b>	—
Over 90 days	<b>—</b>	57
	<b>255</b>	471

### 8. Non-current assets held for sale

On 29 March 2005, the directors resolved to dispose of a property. The transaction is expected to be completed by December 2005, so the property has been classified as an asset held for sale and presented separately in the balance sheet. The proceeds from disposal will exceed the carrying amount of the property and, accordingly, no impairment loss has been recognised on the classification of the asset as held for sale.

### 9. Share capital

During the period, 13,600,000 and 450,000 share options were exercised at a subscription price of HK\$0.0722 per share and HK\$0.0870 per share respectively, resulting in an aggregate issue of 14,050,000 ordinary shares of HK\$0.050 each in the Company. All the shares issued during the period ranked pari passu with the then existing shares in all respects.

## Review and Outlook

### Results for the six months ended 30 September 2005

The directors continued to take a conservative approach for accounting purposes and a stringent view on recognising revenue was still being adopted especially for contracts of relatively longer term in nature in Mainland China. The net loss attributable to equity holders for the six months ended 30 September 2005 was approximately HK\$16.4 million representing a decrease of 52.2% as compared to the net loss of HK\$34.3 million in the same period in previous year. The decrease in net loss is mainly due to the following:-

1. The written back of allowance for other receivables of approximately HK\$2.2 million which was included as other operating income;
2. The reduction in amortisation of the leasehold land and building of approximately HK\$1.4 million as a result of adoption of new HKFRS 5 "Non-current assets held for sale and discontinued operations" in respect of the committed disposal of the Group's headquarters at The Center; and
3. The decrease in the share of losses of associates from approximately HK\$15.1 million to approximately HK\$1 million.

For the period under review, turnover was approximately HK\$2.4 million, an increase of 26.3% from HK\$1.9 million in the corresponding period in previous year. The Group has for the first time adopted HKFRS 2 "Share-based payment" to account for its share options in the current period and recognised an amount of share option expense of approximately HK\$1 million in staff costs. Further impairment in value of investment securities of approximately HK\$1.2 million is classified as impairment in value of available-for-sale financial assets.

### Liquidity and financial resources

The Group generally financed its operations and investing activities with internally generated cash flows and loans from banks.

As at 30 September 2005, the Group had bank balances and cash (excluding pledged bank deposits) of approximately HK\$16.9 million compared to approximately HK\$17.2 million as at 31 March 2005.

As at 30 September 2005, the Group had outstanding bank loans and obligations under finance lease amounted to HK\$34.5 million (31 March 2005: HK\$36.5 million) and HK\$0.1 million (31 March 2005: HK\$0.2 million) respectively. On 2 August 2005, Timeless Laboratories Limited, a wholly-owned subsidiary of the Company, has entered into a formal sale and purchase agreement for the disposal of the Group's headquarters at The Center expected to be completed on or before 30 December 2005. As a result of such commitment, the outstanding bank borrowing relating to the property is expected to be fully repaid in December 2005. In accordance with the terms of the banking facilities, the remaining bank loan is installment loan and will be fully repaid in 2015. The following is the maturity profile of the Group's bank loans as of 30 September 2005:

Within one year	96%
In the 2nd year	1%
In the 3rd to 10th year	3%
	<hr/>
	100%
	<hr/> <hr/>

### Gearing ratio

The gearing ratio of the Group, which is calculated as the ratio of total borrowings to equity attributable to equity holders of the Company, was 27.9% compared to 26.6% as at 31 March 2005.

### Charge on the Group's assets

As at 30 September 2005, the Group's headquarters at 79/F The Center, 99 Queen's Road Central, Hong Kong was mortgaged to a bank for a loan of HK\$33.1 million as mentioned in the previous paragraph. A commercial property situated in Guangzhou held by a subsidiary in Mainland China was also mortgaged to a bank for a loan of approximately HK\$1.4 million. Bank deposits totalling approximately HK\$10.3 million (31 March 2005: HK\$10.2 million) were pledged to banks for banking facilities of HK\$5 million (31 March 2005: HK\$5 million) available to the Company and some of its subsidiaries and a loan facility of approximately HK\$4.8 million (31 March 2005: HK\$4.7 million) available to a jointly controlled entity.

### Capital structure

Certain directors and employees of the Group exercised their share options and as a result 14,050,000 shares of the Company were issued and allotted to them during the six months ended 30 September 2005.

### 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 providing total solutions and customised development in respect of web technologies and related services, back-end and supporting technologies, software localisation, China informatisation and social industry management projects, as well as business applications and system maintenance.

In respect of geographical segments, turnover were mainly generated from Hong Kong and Mainland China accounting for approximately 48.5% and 51.5% of the Group's total turnover for the six months ended 30 September 2005.

### Order book and prospects for new business

The amount of orders on hand of the Group was over HK\$2.6 million as at 30 September 2005. 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.

### **Material acquisitions and disposal of subsidiaries and affiliated companies**

There was no disposal or acquisition of subsidiaries and affiliated companies for the period under review.

### **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. Following the appreciation of Renminbi in July 2005, it is expected that there should have a positive impact on future cashflow from Mainland China operations.

### **Contingent liabilities**

As at 30 September 2005, the Company has given corporate guarantees of HK\$45 million (31 March 2005: HK\$45 million) to banks to secure credit facilities granted to its subsidiaries. As at 30 September 2005, credit facility of HK\$33.1 million (31 March 2005: HK\$35 million) was utilised by a subsidiary.

### **Employee information**

As at 30 September 2005, the Group employed a total staff of 47. 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.

### **Outlook**

Subsequent to the issue on 12 August 2005 of the Company's Quarterly Report for the quarter ended 30 June 2005, further progress has been made in respect of the disposal of the Group's property at 79/F, The Center. The disposal was approved by shareholders of the Company at the extraordinary general meeting held on 15 September 2005. Completion shall take place in December this year. Following the disposal the Group will be in a much strengthened financial position to implement relatively more aggressive marketing strategies in promoting the technologies and benefits of the Timeless Consolidated Platform and in expanding markets and product lines.

## Other Information

### Directors' and chief executives' interests in securities

As at 30 September 2005, the interests and short positions of the directors and the chief executives of the Company and their associates in the shares, underlying shares or debentures of the Company and its associated corporations, as recorded in the register maintained by the Company pursuant to Section 352 of the Securities and Futures Ordinance (the "SFO"), or otherwise 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 (the "GEM Listing Rules"), were as follows:

#### Long positions

##### (a) Ordinary shares of HK\$0.05 each of the Company

Name of director	Number of ordinary shares held				Total number of shares	Percentage of shareholding
	Personal interest	Family interest	Corporate interest	Total		
Cheng Kin Kwan	136,624,000	—	—	136,624,000	13.35%	
Law Kwai Lam	10,000,000	—	28,325,000*	38,325,000	3.74%	
Chung Yiu Fai	4,170,000	—	—	4,170,000	0.41%	
Leung Mei Sheung Eliza	4,330,000	—	—	4,330,000	0.42%	
Zheng Ying Yu	500,000	—	—	500,000	0.05%	

\* 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 and number of underlying shares				
				As at 1/4/2005	Granted during the period	Exercised during the period	Lapsed during the period	As at 30/9/2005
Cheng Kin Kwan	27/4/2001	27/4/2002 – 26/4/2005	0.8180	500,000	—	—	(500,000)	—
	3/10/2001	3/10/2002 – 2/10/2005	0.4450	800,000	—	—	—	800,000
	22/4/2002	22/4/2003 – 21/4/2006	0.4550	650,000	—	—	—	650,000
	5/9/2003	5/9/2003 – 4/9/2013	0.2280	6,960,000	—	—	—	6,960,000
	8/12/2003	8/12/2003 – 7/12/2013	0.2130	800,000	—	—	—	800,000
	25/2/2004	25/2/2004 – 24/2/2014	0.1900	7,700,000	—	—	—	7,700,000
Law Kwai Lam	27/4/2001	27/4/2002 – 26/4/2005	0.8180	200,000	—	—	(200,000)	—
	3/10/2001	3/10/2002 – 2/10/2005	0.4450	200,000	—	—	—	200,000
	5/9/2003	5/9/2003 – 4/9/2013	0.2280	2,000,000	—	—	—	2,000,000
	9/1/2004	9/1/2004 – 8/1/2014	0.1900	1,000,000	—	—	—	1,000,000
	28/2/2005	28/2/2005 – 27/2/2015	0.0722	1,000,000	—	—	—	1,000,000



Directors' and chief executives' interests in securities (Continued)

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

Name of director	Date of grant	Exercisable period	Exercise price per share HK\$	Number of share options and number of underlying shares				
				As at 1/4/2005	Granted during the period	Exercised during the period	Lapsed during the period	As at 30/9/2005
Chung Yiu Fai	27/4/2001	27/4/2002 – 26/4/2005	0.8180	200,000	—	—	(200,000)	—
	3/10/2001	3/10/2002 – 2/10/2005	0.4450	500,000	—	—	—	500,000
	22/4/2002	22/4/2003 – 21/4/2006	0.4550	300,000	—	—	—	300,000
	5/9/2003	5/9/2003 – 4/9/2013	0.2280	5,500,000	—	—	—	5,500,000
	8/12/2003	8/12/2003 – 7/12/2013	0.2130	400,000	—	—	—	400,000
	25/2/2004	25/2/2004 – 24/2/2014	0.1900	6,450,000	—	—	—	6,450,000
	16/9/2004	16/9/2004 – 15/9/2014	0.0870	2,300,000	—	—	—	2,300,000
	13/12/2004	13/12/2004 – 12/12/2014	0.0982	300,000	—	—	—	300,000
	28/2/2005	28/2/2005 – 27/2/2015	0.0722	6,000,000	—	—	—	6,000,000
	22/9/2005	22/9/2005 – 21/9/2015	0.0920	—	2,400,000	—	—	2,400,000
Leung Mei Sheung Eliza	27/4/2001	27/4/2002 – 26/4/2005	0.8180	200,000	—	—	(200,000)	—
	3/10/2001	3/10/2002 – 2/10/2005	0.4450	500,000	—	—	—	500,000
	5/9/2003	5/9/2003 – 4/9/2013	0.2280	5,500,000	—	—	—	5,500,000
	8/12/2003	8/12/2003 – 7/12/2013	0.2130	4,300,000	—	—	—	4,300,000
	25/2/2004	25/2/2004 – 24/2/2014	0.1900	5,800,000	—	—	—	5,800,000
	13/12/2004	13/12/2004 – 12/12/2014	0.0982	3,430,000	—	—	—	3,430,000
	28/2/2005	28/2/2005 – 27/2/2015	0.0722	5,500,000	—	(2,000,000)	—	3,500,000
	22/9/2005	22/9/2005 – 21/9/2015	0.0920	—	400,000	—	—	400,000
So Mi Ling Winnie	27/4/2001	27/4/2002 – 26/4/2005	0.8180	200,000	—	—	(200,000)	—
	3/10/2001	3/10/2002 – 2/10/2005	0.4450	200,000	—	—	—	200,000
	5/9/2003	5/9/2003 – 4/9/2013	0.2280	2,000,000	—	—	—	2,000,000
	9/1/2004	9/1/2004 – 8/1/2014	0.1900	1,000,000	—	—	—	1,000,000
	28/2/2005	28/2/2005 – 27/2/2015	0.0722	1,000,000	—	—	—	1,000,000

Directors' and chief executives' interests in securities (Continued)

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

Name of director	Date of grant	Exercisable period	Exercise price per share HK\$	Number of share options and number of underlying shares				
				As at 1/4/2005	Granted during the period	Exercised during the period	Lapsed during the period	As at 30/9/2005
Zheng Ying Yu	27/4/2001	27/4/2002 – 26/4/2005	0.8180	100,000	—	—	(100,000)	—
	3/10/2001	3/10/2002 – 2/10/2005	0.4450	300,000	—	—	—	300,000
	22/4/2002	22/4/2003 – 21/4/2006	0.4550	300,000	—	—	—	300,000
	5/9/2003	5/9/2003 – 4/9/2013	0.2280	2,000,000	—	—	—	2,000,000
	8/12/2003	8/12/2003 – 7/12/2013	0.2130	400,000	—	—	—	400,000
	9/1/2004	9/1/2004 – 8/1/2014	0.1900	7,000,000	—	—	—	7,000,000
	13/12/2004	13/12/2004 – 12/12/2014	0.0982	500,000	—	—	—	500,000
	28/2/2005	28/2/2005 – 27/2/2015	0.0722	2,000,000	—	—	—	2,000,000
	22/9/2005	22/9/2005 – 21/9/2015	0.0920	—	400,000	—	—	400,000
Chong Siu Pui	28/2/2005	28/2/2005 – 27/2/2015	0.0722	1,000,000	—	(1,000,000)	—	—
Ng Kwok Tung	28/2/2005	28/2/2005 – 27/2/2015	0.0722	1,000,000	—	—	—	1,000,000
Tsang Wai Chun Marianna	28/2/2005	28/2/2005 – 27/2/2015	0.0722	1,000,000	—	(1,000,000)	—	—
				88,990,000	3,200,000	(4,000,000)	(1,400,000)	86,790,000

All the 7,300,000 share options held by Mr. Pun Chung Sang Trevor were lapsed upon his resignation as director of the Company on 28 May 2005.

Of the 14,080,000 share options held by Ms. Wong Wai Ping Mandy, 500,000 share options were exercised on 1 September 2005 and 13,580,000 share options were lapsed upon her resignation as director of the Company on 3 September 2005.

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 2005, none of the directors or chief executives or any of 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.

### Shareholders' interests in securities

As at 30 September 2005, 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 and underlying shares held	Aggregate long position	Percentage of the issued share capital as at 30 September 2005
Educational Information Technology (H.K.) Company Limited *	108,057,374	—	108,057,374	10.56%
Crimson Asia Capital Limited, L.P. **	105,203,591	—	105,203,591	10.28%
Kan Siu Kei Laurie **	41,978,000	17,000,000	58,978,000	5.76%

\* 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% equity interest.

\*\* These shares were beneficially owned by the respective parties.

Save as disclosed in the section "Directors' and chief executives' interests in securities", at 30 September 2005, 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.

### Share options

#### (a) 2000 share option scheme

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

Type of participants	Date of grant	Exercisable period	Exercise price per share HK\$	Number of share options		
				As at 1/4/2005	Lapsed during the period	As at 30/9/2005
Directors	9/4/2001	9/4/2002 - 8/4/2005	0.5920	100,000	(100,000)	—
	27/4/2001	27/4/2002 - 26/4/2005	0.8180	1,700,000	(1,700,000)	—
	3/10/2001	3/10/2002 - 2/10/2005	0.4450	3,200,000	(700,000)	2,500,000
	22/4/2002	22/4/2003 - 21/4/2006	0.4550	1,250,000	—	1,250,000
Employees	27/4/2001	27/4/2002 - 26/4/2005	0.8180	150,000	(150,000)	—
	3/10/2001	3/10/2002 - 2/10/2005	0.4450	2,800,000	(30,000)	2,770,000
	22/4/2002	22/4/2003 - 21/4/2006	0.4550	2,300,000	—	2,300,000
				11,500,000	(2,680,000)	8,820,000

Share options (Continued)

(b) 2003 share option scheme

A summary of the share options granted under the 2003 share option scheme is as follows:

Type of participants	Date of grant	Exercisable period	Exercise price per share HK\$	Number of share options				As at 30/9/2005	Notes
				As at 1/4/2005	Granted during the period	Exercised during the period	Lapsed during the period		
Directors	5/9/2003	5/9/2003 – 4/9/2013	0.2280	32,960,000	—	—	(9,000,000)	23,960,000	N/A
	26/11/2003	26/11/2003 – 25/11/2013	0.2300	400,000	—	—	(400,000)	—	N/A
	8/12/2003	8/12/2003 – 7/12/2013	0.2130	6,300,000	—	—	(400,000)	5,900,000	N/A
	9/1/2004	9/1/2004 – 8/1/2014	0.1900	12,000,000	—	—	(3,000,000)	9,000,000	N/A
	25/2/2004	25/2/2004 – 24/2/2014	0.1900	25,630,000	—	—	(5,680,000)	19,950,000	N/A
	16/9/2004	16/9/2004 – 15/9/2014	0.0870	2,300,000	—	—	—	2,300,000	N/A
	13/12/2004	13/12/2004 – 12/12/2014	0.0982	4,530,000	—	—	(300,000)	4,230,000	N/A
	28/2/2005	28/2/2005 – 27/2/2015	0.0722	20,000,000	—	(4,500,000)	(1,000,000)	14,500,000	(1)
	22/9/2005	22/9/2005 – 21/9/2015	0.0920	—	3,200,000	—	—	3,200,000	(2)
Employees	5/9/2003	5/9/2003 – 4/9/2013	0.2280	28,500,000	—	—	—	28,500,000	N/A
	15/9/2003	15/9/2003 – 14/9/2013	0.2550	9,500,000	—	—	(200,000)	9,300,000	N/A
	26/11/2003	26/11/2003 – 25/11/2013	0.2300	4,400,000	—	—	(200,000)	4,200,000	N/A
	8/12/2003	8/12/2003 – 7/12/2013	0.2130	800,000	—	—	—	800,000	N/A
	9/1/2004	9/1/2004 – 8/1/2014	0.1900	12,024,000	—	—	(490,000)	11,534,000	N/A
	25/2/2004	25/2/2004 – 24/2/2014	0.1900	20,000,000	—	—	—	20,000,000	N/A
	19/4/2004	19/4/2004 – 18/4/2014	0.2096	3,150,000	—	—	(450,000)	2,700,000	N/A
	16/9/2004	16/9/2004 – 15/9/2014	0.0870	7,900,000	—	(450,000)	(800,000)	6,650,000	(3)
	30/9/2004	30/9/2004 – 29/9/2014	0.0900	8,900,000	—	—	(1,800,000)	7,100,000	N/A
	13/12/2004	13/12/2004 – 12/12/2014	0.0982	3,100,000	—	—	—	3,100,000	N/A
28/2/2005	28/2/2005 – 27/2/2015	0.0722	19,750,000	—	(4,450,000)	(1,100,000)	14,200,000	(4)	
11/5/2005	11/5/2005 – 10/5/2015	0.1038	—	3,000,000	—	—	3,000,000	(5)	
22/9/2005	22/9/2005 – 21/9/2015	0.0920	—	5,600,000	—	—	5,600,000	(2)	
				222,144,000	11,800,000	(9,400,000)	(24,820,000)	199,724,000	

### Share options (Continued)

#### (b) 2003 share option scheme (Continued)

Notes:

- (1) The weighted average closing prices of the Company's shares immediately before the date of exercise of 1,000,000 options on 7 April 2005, 2,000,000 options on 8 April 2005, 1,000,000 options on 19 April 2005 and 500,000 options on 1 September 2005 were HK\$0.1180, HK\$0.1080, HK\$0.1000 and HK\$0.0850 respectively.
- (2) The closing price of the Company's shares immediately before the date of grant on 22 September 2005 was HK\$0.0880.
- (3) The weighted average closing prices of the Company's shares immediately before the date of exercise of 300,000 options on 14 April 2005 and 150,000 options on 18 April 2005 were HK\$0.1100 and HK\$0.1080 respectively.
- (4) The weighted average closing prices of the Company's shares immediately before the date of exercise of 600,000 options on 4 April 2005, 100,000 options on 6 April 2005, 100,000 options on 11 April 2005, 100,000 options on 13 April 2005, 200,000 options on 15 April 2005, 200,000 options on 18 April 2005, 50,000 options on 21 April 2005, 100,000 options on 16 May 2005 and 3,000,000 options on 14 September 2005 were HK\$0.1420, HK\$0.1300, HK\$0.1000, HK\$0.1140, HK\$0.1040, HK\$0.1080, HK\$0.1140, HK\$0.0880 and HK\$0.0920 respectively.
- (5) The closing price of the Company's shares immediately before the date of grant on 11 May 2005 was HK\$0.1020.

### Competing interest

As at 30 September 2005, 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.

### 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.

### Code on corporate governance practices

The Company has complied with the code on corporate governance practices (the "Code") as set out in Appendix 15 of the GEM Listing Rules throughout the six months ended 30 September 2005 save in respect of the following:

1. The Company does not have a separate chairman and chief executive officer and Mr. Cheng Kin Kwan currently holds both positions. The Board will continue to review the effectiveness of the Group's corporate governance structure to assess if the separation of the positions of chairman and chief executive officer is necessary;
2. The Articles of Association of the Company currently in force do not provide for retirement by rotation of a director holding office as chairman nor for directors to be subject to retirement by rotation at least once every three years. The Articles of Association of the Company will be amended to be in line with the requirements under paragraph A.4.2 of the Code; and
3. The Company is in the course of setting up a remuneration committee in accordance with the Code.

**Code of conduct regarding securities transactions by directors**

The Company has adopted a code of conduct regarding securities transactions by directors on terms no less exacting than the required standard of dealings set out in Rules 5.48 to 5.67 of the GEM Listing Rules. Having made specific enquiry of all directors, all directors confirmed that they have complied with the required standard of dealings and the code of conduct regarding securities transactions by directors adopted by the Company throughout the six months ended 30 September 2005.

**Audit committee**

The audit committee comprises three independent non-executive directors, Mr. Ng Kwok Tung, Ms. Tsang Wai Chun Marianna and Mr. Chan Mei Ying Spencer. The audit committee has reviewed the unaudited interim financial report for the six months ended 30 September 2005 in conjunction with the Company's external auditors. The independent review report of the external auditors is set out on page 2.

On behalf of the Board

**Cheng Kin Kwan**

*Chairman & Chief Executive Officer*

Hong Kong, 10 November 2005