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*This announcement, 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 announcement 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 announcement misleading; and (3) all opinions expressed in this announcement have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.*

*This announcement appears for information purposes only and does not constitute an invitation or offer to acquire, purchase or subscribe for the Consideration Shares.*



## **Timeless Software Limited**

*(incorporated in Hong Kong with limited liability)*

### **SHARE TRANSACTION**

On 20 November 2001, the Company entered into a subscription agreement with a PRC independent third party, Ningxia Educational, pursuant to which the Company agreed to subscribe for 8,850,000 new shares of Ningxia Educational, representing 25.03% of the enlarged registered capital of Ningxia Educational on completion, for a consideration of RMB97,350,000 (approximately HK\$91,840,000). The consideration is to be satisfied by the payment of RMB30,000,000 (approximately HK\$28,300,000) in cash and RMB67,350,000 (approximately HK\$63,540,000) by way of the issue and allotment of 108,057,374 Consideration Shares. The Consideration Shares represent approximately 13.01 % of the issued share capital of the Company prior to completion of the Asset Acquisition and approximately 11.51% of the issued share capital of the Company as enlarged by the issue and allotment of the Consideration Shares. Completion of the Asset Acquisition shall take place on or about 25 February 2002.

Timeless Software (Beijing) Ltd, a wholly owned subsidiary of the Company, has signed a contract with Ningxia Educational in relation to the development of application software, system integration, technical support and maintenance which are parts of the Education Informatisation Program. The contract sum of this contract is RMB 200,000,000 (approximately HK\$189,000,000).

The Company and Ningxia Educational have also entered into a memorandum of understanding with the aim to expand the cooperation and the Company's scope of services to eventually cover the entire Education Informatisation Program to be implemented in the Ningxia Hui Autonomous Region, subject to further negotiations and finalisation of the relevant terms.

The Asset Acquisition constitutes a share transaction for the Company under the GEM Listing Rules. Completion is conditional upon the obtaining of listing approval of the Consideration Shares from the Stock Exchange.

## **SUBSCRIPTION AGREEMENT**

- Date : 20 November 2001
- Parties : (i) Ningxia Educational Information Technology Co., Ltd., an independent third party not connected with the Directors, chief executives, management shareholders or substantial shareholders of the Company or any of its subsidiaries or any of their respective associates (as defined in the GEM Listing Rules)
- (ii) The Company
- Assets to be acquired : 8,850,000 new shares in the registered capital of Ningxia Educational, representing 25.03% of the enlarged registered capital of Ningxia Educational on completion of the Asset Acquisition.
- Consideration : RMB97,350,000 (approximately HK\$91,840,000)

: The consideration is to be satisfied by:-

- (1) the payment of RMB30,000,000 (approximately HK\$28,300,000) in cash out of the working capital of the Company by three instalments - as to RMB5,000,000 (approximately HK\$4,720,000) on 25 November 2001, RMB10,000,000 (approximately HK\$9,430,000) on 25 December 2001 and RMB15,000,000 (approximately HK\$14,150,000) on 25 February 2002; and
- (2) the remaining RMB67,350,000 (approximately HK\$63,540,000) by the issue and allotment of the Consideration Shares. The issue price of the Consideration Shares shall be HK\$0.588 per Share being the average closing price as quoted by the Stock Exchange for the 30 trading days preceding 20 November 2001. There is no lock-up in respect of the Consideration Shares.

The issue price of the Consideration Shares represents (i) a discount of approximately 6.75% to the closing price of HK\$0.63 per Share on 19 November 2001 being the immediate trading day prior to the signing of the Subscription Agreement as quoted on the Stock Exchange; and (ii) a discount of approximately 5.70 % to the average closing price of HK\$0.623 per Share for the last 10 consecutive trading days up to and including 19 November 2001 as quoted on the Stock Exchange.

The Consideration Shares represent approximately 13.01% of the issued share capital of the Company prior to completion of the Asset Acquisition and approximately 11.51% of the issued share capital of the Company as enlarged by the issue and allotment of the Consideration Shares.

The Consideration Shares are to be issued and credited as fully paid pursuant to the general mandate granted to the Directors at the annual general meeting of the Company held on 3 August 2001.

The Consideration Shares shall rank pari passu in all respects with the existing Shares in issue.

- Basis for Consideration : The Consideration has been arrived at after arm's length negotiation between the Company and Ningxia Educational, based on normal commercial terms with reference to a combination of factors including the future prospects and revenue generation potential of Ningxia Educational. The Directors consider the consideration for the Asset Acquisition to be fair and reasonable and in the interest of the Company so far as the shareholders are concerned.
- Condition precedent : The Subscription Agreement is conditional upon the obtaining of listing approval of the Consideration Shares from the Stock Exchange.
- Completion : Completion of the Asset Acquisition shall take place on or about 25 February 2002, or at such later date as may be agreed by the parties.

## **INFORMATION ON NINGXIA EDUCATIONAL**

Ningxia Educational was established in March 2001. Pursuant to the policy of the Ningxia Municipality Demos Government, Ningxia Educational is chosen to be the only one company in the PRC to participate in the Education Informatisation Program in the Ningxia Hui Autonomous Region. Based on the supports from the Central Government and the Ningxia Municipality Demos Government of the PRC, Ningxia Educational will be engaged in various works within the Educational Informatisation Program including but not limited to the construction of hardware infrastructure for various schools, training of computer teachers, development of education software and the construction of long-distance education and learning portal.

Ningxia Educational is a high technology company formed by various PRC companies. The details of these PRC companies are as follows:

<b>Name of shareholders</b>	<b>Nature of business</b>	<b>Beneficial owners</b>
Yinchuan Zhengke Electronic Technology Co., Ltd.	Strategic investments	<ol style="list-style-type: none"> <li>1. Shenzhen Zhengke Electronic Technology Co., Ltd (85%) (<i>Note 1</i>)</li> <li>2. Yinchuan High-Tech Industrial Exploitation Co., Ltd. (15%)</li> </ol>
Shanghai Ningxia Investment & Development Co., Ltd.	Strategic investments	<ol style="list-style-type: none"> <li>1. Ningxia Government (50%)</li> <li>2. Shanghai Municipal Government (50%)</li> </ol>
West China Electronic Business Co., Ltd.	Main contractor of government IT contracts and prime participant in IT projects for the building and development of the Yinchuan Economic Development Zone.	<ol style="list-style-type: none"> <li>1. GuangXia (YinChuan) Industry Co. Ltd. (<i>Note 2</i>)</li> <li>2. Wuzhong Instrument Co., Ltd. (<i>Note 2</i>)</li> <li>3. NingXia Orient Tantalom Industry Co., Ltd. (<i>Note 2</i>)</li> <li>4. YinChuan XinHua Department Store Co., Ltd. (<i>Note 2</i>)</li> <li>5. NingXia Islamic International Trust &amp; Investment Corporation (<i>Note 3</i>)</li> </ol>

		6. NingXia Zhong Tian Technology Innovation Engineering Co., Ltd. ( <i>Note 4</i> )
		7. NingXia Telecom TianBo Industry Co., Ltd. ( <i>Note 5</i> )
		8. Timeless Software Limited
Ningxia Power Development & Investment Co., Ltd.	Investment arm of a Ningxia power supply company	Ningxia Development Planning Commission of the Ningxia Government
Yinchuan High-Tech Industrial Exploitation Co., Ltd.	Strategic investments	Ningxia Hi-tech Industrial Development Zone Administration Commission of the Ningxia Government
Ningxia University Science & Technology Development Company	A company set up by Ningxia University for productisation and investment purposes	Ningxia Government

*Note 1:* Shenzhen Zhengke Electronic Technology Co., Ltd is a manufacturer of computers and was founded by a native of Yinchuan, Ningxia.

*Note 2:* These are PRC listed companies.

*Note 3:* NingXia Islamic International Trust & Investment Corporation is an investment and financial institution.

*Note 4:* NingXia Zhong Tian Technology Innovation Engineering Co., Ltd. engages in anti-drought products for rare earth and other high technology agricultural products.

*Note 5:* NingXia Telecom TianBo Industry Co., Ltd. is principally engaged in telecommunications, property and the hotel industry.

All of these shareholders are companies limited by shares and are established in the PRC who are independent third parties not connected with the Directors, chief executives, management shareholders or substantial shareholders of the Company or any of its subsidiaries or any of their respective associates (as defined in the GEM Listing Rules). As at 20 November 2001, Ningxia Educational has a registered and paid-up capital of RMB26,500,000 (approximately HK\$25,000,000). On completion of the subscription the Company will become the single largest shareholder of Ningxia Educational. The percentages of shareholding of Ningxia Educational before and after Asset Acquisition are as follows:

<b>Name of shareholders</b>	<b>Before Asset Acquisition</b>	<b>After Asset Acquisition</b>
Yinchuan Zhengke Electronic Technology Co., Ltd.	22.64%	16.97%
Shanghai Ningxia Investment & Development Co., Ltd.	18.87%	14.15%
West China Electronic Business Co., Ltd.	18.87%	14.15%
Ningxia Power Development & Investment Co., Ltd.	18.87%	14.15%
Yinchuan High-Tech Industrial Exploitation Co., Ltd.	18.87%	14.15%
Ningxia University Science & Technology Development Company	1.88%	1.40%
Timeless Software Limited	—	<u>25.03%</u>
<b>Total</b>	<u>100.00%</u>	<u>100.00%</u>

According to the management accounts of Ningxia Educational as at 31 October 2001, the net asset value was approximately RMB26,334,000 (approximately HK\$24,840,000), and a loss of approximately RMB166,000 (approximately HK\$157,000) for the period from March 2001 to October 2001.

Upon completion, the Company shall be entitled to appoint two additional directors to the board currently of six members of Ningxia Educational.

## REASONS FOR THE ASSET ACQUISITION

The Group is principally engaged in providing a full range of computer software services with an established and growing presence in the market for Internet technology services in Hong Kong and the PRC. The Asset Acquisition, to be financed out of the working capital of the Company, is in line with the Group's broad business objective as stated in the prospectus dated 18 November 1999 to grow and develop through strategic partnership with market leaders providing value-added services that complement the business of the Group and its more current strategic approach to align and identify itself with PRC's continuing market liberalisation and accelerating informatisation programs through participation in the PRC in local and regional efforts to informatise or modernise traditional enterprises through innovative technologies. Through the Asset Acquisition, the Company will be taking part directly and indirectly in the Education Informatisation Program in the Ningxia Hui Autonomous Region in northwest China.

The Company's equity investment in Ningxia Educational will be an indirect way to earn continuous stream of revenue through the equity method of accounting in the future. Pursuant to the policy of the Ningxia Municipality Demos Government, Ningxia Educational is chosen to be the only one company in the PRC to participate in the Education Informatisation Program in the Ningxia Hui Autonomous Region. This Education Informatisation Program is actually an extension of the strategy of "Utilising education and technology to strengthen the country" implemented by the Central Government of the PRC. Based on the supports from the Central Government and the Ningxia Municipality Demos Government of the PRC, Ningxia Educational will be engaged in various works within the Educational Informatisation Program including but not limited to the construction of hardware infrastructure for various schools, training of computer teachers, development of education software and the construction of long-distance education and learning portal. The market and revenue generating potentials of Ningxia Educational are believed to be substantial. For the period from 2001 to 2005, the Ningxia Municipality Demos Government will spend approximately RMB2 billion (approximately HK\$1.89 billion) in the Educational Informatisation Program in the Ningxia Hui Autonomous Region. The Education Informatisation Program and thus the model of infrastructure and software built may also be replicated to other provinces in the PRC.

Through the Asset Acquisition, the Company will also benefit directly from the Education Informatisation Program. On 20 November 2001, Timeless Software (Beijing) Ltd, a wholly owned subsidiary of the Company, has in its



ordinary and usual course of business signed a contract with Ningxia Educational in relation to the development of application software, system integration, technical support and maintenance which are parts of the Education Informatisation Program. The contract sum of this contract is RMB 200 million (approximately HK\$189 million). This contract is expected to take three years to complete and will generate a continuous stream of revenue based on the percentage of completion for the Group.

The Company and Ningxia Educational have also entered into a memorandum of understanding with the aim to expand the cooperation and the Company's scope of services to eventually cover the entire Education Informatisation Program to be implemented in the Ningxia Hui Autonomous Region, subject in the meantime only to further negotiations and finalisation of the relevant terms.

The Directors consider that the Asset Acquisition, the Group's second substantial investment in the Ningxia Hui Autonomous Region, will further strengthen the Company's business prospects in the western part of the PRC with a dominant position in the provision of Internet technology and related services to businesses and government agencies in that region. The Directors believe that the terms of the Asset Acquisition are fair and reasonable and in the interests of the shareholders of the Company as a whole.

## **GENERAL**

The Asset Acquisition constitutes a share transaction for the Company under the GEM Listing Rules. The Consideration Shares are to be issued pursuant to the general mandate granted to the Directors at the annual general meeting of the Company held on 3 August 2001. Completion of the Asset Acquisition is conditional on the approval by the Stock Exchange for the listing of and permission to deal in the Consideration Shares. Application will be made to the Stock Exchange for the listing of and permission to deal in the Consideration Shares.

## **DEFINITIONS**

“Asset Acquisition”                      the subscription by the Company of 8,850,000 new shares of Ningxia Educational at a consideration of RMB97,350,000 (approximately HK\$91,840,000), representing 25.03% of the enlarged registered capital of Ningxia Educational on completion of the Asset Acquisition

“Company”	Timeless Software Limited, a company incorporated in Hong Kong whose shares are listed on the Stock Exchange
“Consideration Shares”	108,057,374 new Shares to be issued at HK\$0.588 per Share as part consideration for the Asset Acquisition
“Directors”	the directors of the Company
“Education Informatisation Program”	the program implemented by the Ningxia Municipality Demos Government in line with the central policy “Utilising education and technology to strengthen the country” in the next five years and involves, inter alia, the construction of computer hardware and network infrastructure, the development of education software, the training of computer teachers and the provision of information value added services to over 4,000 schools and colleges as well as over 1 million students in the Ningxia Hui Autonomous Region.
“GEM Listing Rules”	The Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars
“PRC”	the People’s Republic of China
“RMB”	Renminbi
“Share(s)”	ordinary share(s) of HK\$0.05 each in the share capital of the Company
“Stock Exchange”	The Growth Enterprise Market of The Stock Exchange of Hong Kong Limited

“Ningxia Educational”

Ningxia Educational Information Technology Co., Ltd., a company limited by shares and established in the PRC which is an independent third party not connected with the Directors, chief executives, management shareholders or substantial shareholders of the Company or any of its subsidiaries or any of their respective associates (as defined in the GEM Listing Rules)

By Order of the Board  
**Law Kwai Lam**  
*Secretary*

Hong Kong, 20 November 2001

*This announcement will remain on the GEM website (www.hkgem.com) on the “Latest Company Announcements” page for at least 7 days from the day of its posting and on the Company’s website (www.timeless.com.hk).*