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*This announcement, for which the directors of the Company (the “Directors”) collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the Growth Enterprise Market of the Stock Exchange (“GEM Listing Rules”) for the purpose of giving information with regard to the Company. 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.*



## **TIMELESS SOFTWARE LIMITED**

*(Incorporated in Hong Kong with limited liability)*

**(Stock Code: 8028)**

### **VERY SUBSTANTIAL DISPOSAL ANNOUNCEMENT RELATING TO THE PROPOSED SALE OF A PROPERTY**

The Board is pleased to announce that TLL, a wholly-owned subsidiary of the Company, has entered into the Provisional Agreement with the Purchaser on 7 July 2005 in relation to the proposed sale of TLL’s property located at 79/F., The Center, 99 Queen’s Road Central, Hong Kong at the cash consideration of HK\$158,556,000. Formal documentation in relation to the Transaction is expected to be executed on or before 19 July 2005.

Pursuant to the terms of the Provisional Agreement, completion of the Transaction is subject to and conditional upon the due compliance of all requirements under the GEM Listing Rules on or before 30 September 2005, including but not limited to the due obtaining of independent shareholders’ approval for the Transaction by the Company. Subject to fulfilment of such condition precedent, completion of the Transaction is expected to occur on or before 30 December 2005.

The Property is currently owned by and registered under the name of TLL, and is mortgaged as security for a loan facility with a licensed bank in Hong Kong. Upon completion of the Transaction, pursuant to the terms of the Provisional Agreement, TLL shall procure the Company to enter into a 12-month tenancy agreement with the Purchaser in respect of the Property at the monthly rental of HK\$528,520.

The terms of the Transaction were negotiated on an arm’s length basis and the Directors consider that the Transaction and its terms are fair and reasonable and are in the interests of the Company and its shareholders as a whole.

The Transaction constitutes a very substantial disposal of the Group under the GEM Listing Rules. A circular containing details of the Transaction will be despatched to the Company's shareholders within 21 days from the date of publication of this announcement. An EGM of the Company is expected to be held in September 2005.

At the request of the Company, trading in its shares was suspended with effect from 9:30 a.m. on 8 July 2005. An application has been made for the resumption of trading of the Company's shares with effect from 9:30 a.m. on 12 July 2005.

## **I. THE PROVISIONAL SALE AND PURCHASE AGREEMENT**

Date: 7 July 2005

Parties:

- (a) Vendor — Timeless Laboratories Limited (“TLL”)
- (b) Purchaser — Glorious Limited, which and the ultimate beneficial owners of which (to the best knowledge, information and belief of the Directors, having made all reasonable enquiries) are third parties independent of the Company and connected persons (as defined in the GEM Listing Rules) of the Company (“**Independent Third Party**”).

### **General nature of transaction:**

Pursuant and subject to a provisional sale and purchase agreement dated 7 July 2005 (“**Provisional Agreement**”), TLL (a wholly-owned subsidiary of the Company) has agreed to sell and the Purchaser has agreed to purchase TLL's property situated at 79/F., The Center, 99 Queen's Road Central, Hong Kong (the “**Property**”) at the cash consideration of HK\$158,556,000 (the “**Transaction**”), representing an approximately 31.15% premium to the book and carrying value of the Property in the Company's audited accounts for the year ended 31 March 2005. Such consideration was determined after arm's length negotiations between TLL and the Purchaser, having due regard to the book and carrying values of the Property as well as the prevailing market rates.

AGW Commercial Limited (trading as A.G. Wilkinson & Associates) acted as estate agents in the Transaction and receive agency fees of HK\$1,268,448 from each of TLL and the Purchaser. To the best knowledge, information and belief of the Directors, having made all reasonable enquiries, each of AGW Commercial Limited and its ultimate beneficial owners are Independent Third Parties.

### **Payment:**

Upon the signing of the Provisional Agreement, a deposit of HK\$5,000,000 was paid by the Purchaser to Deacons, acting as stakeholders and the legal advisors of TLL. Formal documentation in relation to the Transaction is expected to be executed on or before 19 July 2005, upon which a second deposit of HK\$10,855,600 shall be paid by the Purchaser to Deacons acting in its capacity as aforesaid.

### **Condition precedent and Completion:**

Pursuant to the terms of the Provisional Agreement, completion of the Transaction is subject to and conditional upon the due compliance of all requirements under the Rules Governing the Listing of Securities on The Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (“**GEM Listing Rules**”) on or before 30 September 2005, including but not limited to the due obtaining of independent shareholders’ approval for the Transaction by the Company. Subject to fulfilment of such condition precedent, completion of the Transaction is expected to occur on or before 30 December 2005 upon which the final payment of HK\$142,700,400 shall be made in favour of TLL.

Should the Purchaser fail to proceed with the Transaction, all deposits paid by the Purchaser in connection with the Transaction shall be forfeited in favour of TLL. Should TLL fail to proceed with the Transaction, however, all such deposits shall be refunded to the Purchaser without interest.

### **Continued tenancy by the Company:**

The Property is currently used by the Company as its headquarter premises. Upon completion of the Transaction, pursuant to the terms of the Provisional Agreement, TLL shall procure the Company to enter into a 12-month tenancy agreement with the Purchaser in respect of the Property at the monthly rental of HK\$528,520. Such monthly rental was determined after arm’s length negotiations and reflect the prevailing market rates.

## **II. REASONS FOR THE TRANSACTION**

After taking into account the expenses, including but not limited to the agency commission and legal fees, the net proceeds from the Transaction will be approximately HK\$156,000,000. The Company and its subsidiaries (the “**Group**”) intends to use such net proceeds: (a) as to approximately HK\$32,000,000 for the repayment of bank borrowings (including the mortgage loan in respect of the Property); (b) as to approximately HK\$6,300,000 for rental payments in respect of the continued 12-month tenancy of the Property following completion of the Transaction as disclosed above; (c) as to approximately HK\$12,000,000 for research and development; (d) as to approximately HK\$10,000,000 for general corporate and business development; and (e) as to the remaining balance for general working capital purposes.

The purpose of the Transaction is to take advantage of better sentiment of the property market thereby realising a better value for the Property, reducing the Group’s bank borrowings and finance expenses as well as improving its cashflow position. The terms of the Transaction were negotiated on an arm’s length basis and the directors of the Company (including the independent non-executive directors) (“**Directors**”) consider that the Transaction and its terms are fair and reasonable and are in the interests of the Company and its shareholders as a whole.

## **III. BACKGROUND INFORMATION**

The principal activities of the Company are the provision of computer consultancy and software maintenance services, software development and sales of computer hardware and software.

The Property is currently owned by and registered under the name of TLL, and is mortgaged as security for a loan facility with a licensed bank in Hong Kong. As at 31 March 2005, the carrying value of the Property was approximately HK\$120,900,000. The resultant gain expected to accrue to the Company, being the difference of the net proceeds from the Transaction and the carrying value of the Property as at 31 March 2005, is approximately HK\$35,100,000.

To the best knowledge, information and belief of the Directors, having made all reasonable enquiries, the Purchaser is an investment holding company and each of the Purchaser and its ultimate beneficial owners is an Independent Third Party.

#### **IV. COMPLIANCE WITH GEM LISTING RULES**

The Transaction constitutes a very substantial disposal of the Group under Rule 19.06(4) of the GEM Listing Rules and therefore requires shareholders' approval in accordance with Rule 19.49 of the GEM Listing Rules.

A circular containing details of the Transaction will be despatched to the Company's shareholders within 21 days from the date of publication of this announcement. An extraordinary general meeting ("EGM") of the Company is expected to be held in September 2005. Pursuant to Rule 19.49 of the GEM Listing Rules, any shareholder and his/her associates (as defined in the GEM Listing Rules) will be required to abstain from voting at the EGM on the relevant resolution(s) if such shareholder has a material interest in the Transaction. As at the date of this announcement and to the best knowledge, information and belief of the Directors, no shareholder has such material interest in the Transaction and therefore no shareholder is required to abstain from voting under Rule 19.49 of the GEM Listing Rules.

At the request of the Company, trading in its shares was suspended with effect from 9:30 a.m. on 8 July 2005. An application has been made for the resumption of trading of the Company's shares with effect from 9:30 a.m. on 12 July 2005.

By Order of the Board  
**Cheng Kin Kwan**  
*Chairman & Chief Executive Officer*

Hong Kong, 11 July 2005

*As at the date of this announcement, the executive Directors are Mr. Cheng Kin Kwan, Mr. Chung Yiu Fai, Mr. Law Kwai Lam, Ms. Leung Mei Sheung, Eliza, Ms. So Mi Ling, Winnie, Ms. Wong Wai Ping, Mandy and Ms. Zheng Ying Yu; and the independent non-executive Directors are Mr. Chong Siu Pui, Mr. Ng Kwok Tung and Ms. Tsang Wai Chun, Marianna.*

*This announcement will remain on the "Latest Company Announcements" page of the GEM website at <http://www.hkgem.com> for at least seven days from the date of its publication and on the Company's website at <http://www.timeless.com.hk>.*