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If you are in doubt as to any aspect of this circular, you should consult your stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold all your shares in Timeless Software Limited you should at once hand this circular to the purchaser or to the bank, stockbroker or other agent through whom the sale was effected for transmission to the purchaser.



TIMELESS SOFTWARE LIMITED

天 時 軟 件 有 限 公 司

(Incorporated in Hong Kong with limited liability)

DISCLOSEABLE TRANSACTION

This Circular will remain on the GEM Web site on the "Latest Company Announcements" page for 7 days from the date of its posting.

CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET OF THE STOCK EXCHANGE OF HONG KONG LIMITED

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 Web site operated by the Stock 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 Web site in order to obtain up-to-date information on GEM-listed issuers.

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DEFINITIONS

In this circular, unless the context requires otherwise, the following expressions have the following meanings:

“Acquisition”	the acquisition by the Company of the Premises pursuant to the Agreement
“Agreement”	the Agreement for Sub-Sale and Sub-Purchase entered into between the Vendor, the Company and The Center (Display Spaces) Limited on 30th December, 1999 relating to the Acquisition
“associates”	has the same meaning ascribed to such expression by the GEM Listing Rules
“Cheung Kong”	Cheung Kong (Holdings) Limited, a company listed on the Stock Exchange
“Company”	Timeless Software Limited, a company incorporated in Hong Kong with limited liability which Shares are listed on the Stock Exchange
“Completion Date”	31st March, 2000 or if the Company gives a written notice of extension under Clause 4(b) of the Agreement, a date not later than 30th June, 2000 to be specified in such notice
“Directors”	directors of the Company
“GEM”	The Growth Enterprise Market of the Stock Exchange
“GEM Listing Rules”	Rules Governing the Listing of Securities on The Growth Enterprise Market of the Stock Exchange
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Initial Management Shareholder”	has the same meaning ascribed to such expression by the GEM Listing Rules
“Latest Practicable Date”	13th January, 2000, being the latest practicable date prior to printing of this Circular for ascertaining certain information in this Circular
“Premises”	the whole of 79th Floor, The Center, No.99 Queen’s Road Central, Hong Kong
“SDI Ordinance”	Securities (Disclosure of Interests) Ordinance (Chapter 396 of the Laws of Hong Kong)

DEFINITIONS

“Share(s)”	share(s) of nominal value of HK\$0.05 each in the capital of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Vendor”	The Center 79 (No.2) Limited, an independent third party not connected with the Directors, chief executive or substantial shareholders of the Company or its subsidiaries or their respective associates
“HK\$”	Hong Kong dollars

LETTER FROM THE BOARD OF DIRECTORS



TIMELESS SOFTWARE LIMITED

天時軟件有限公司

(Incorporated in Hong Kong with limited liability)

Directors:

CHENG Kin Kwan
(Chairman and Chief Executive Officer)
CHENG Wan Cheung, Danny
KAN Siu Kei, Laurie
LAW Kwai Lam
LAU Yee Wan, Yvonne*
HO Man Kee, Jeffrey*
Vivien Chan#
CHENG Kam Chiu, Stewart#
POON Cho Yiu, Ronald#

*Registered office and
principal place of business:*
22nd Floor
China Resources Building
26 Harbour Road
Wanchai
Hong Kong

* *Non-executive Directors*

Independent Non-executive Directors

19th January, 2000

To the shareholders

Dear Sir or Madam,

DISCLOSEABLE TRANSACTION

INTRODUCTION

On 30th December, 1999, the Company announced its acquisition of the Premises pursuant to the Agreement.

The purpose of this Circular is to give you further details of the Acquisition. This Circular also contains information in compliance with the GEM Listing Rules.

THE ACQUISITION

On 30th December, 1999, the Company has entered into the Agreement that will serve to strengthen the business relationship of the Company and Cheung Kong, one of Hong Kong's largest conglomerates, and potentially create substantial future business opportunities for the Company. The Vendor is a wholly owned subsidiary of Cheung Kong.

LETTER FROM THE BOARD OF DIRECTORS

The following are the basic terms of the Agreement:

1. **Date:** 30th December, 1999

2. **Parties**

Vendor: The Center 79 (No.2) Limited

Purchaser: Timeless Software Limited

3. **The Premises:**

The Whole of 79th Floor, The Center, No.99 Queen's Road Central, Hong Kong (with a gross floor area of approximately 13,213 sq. ft.) to be sold to the Company.

4. **Consideration**

The consideration for the Premises is HK\$178,375,500. The Premises has an approximate gross floor area of 13,213 square feet. The price per square foot for the Premises is approximately HK\$13,500.

The consideration will be satisfied by (i) payment of a deposit of approximately HK\$17.8 million (the "Deposit"), (ii) payment of a further part payment of approximately HK\$35.7 million (the "First Further Payment"), (iii) payment of another further part payment of approximately HK\$35.7 million (the "Second Further Payment"), and (iv) payment of the balance of approximately HK\$89.2 million (the "Balance").

The Deposit and the First Further Payment comprising a total cash payment of approximately HK\$53.5 million had been paid upon the signing of the Agreement. The Second Further Payment will be satisfied by cash or such other form and manner as may be mutually agreed by the Company and the Vendor in compliance with all applicable securities and listing laws, rules and regulations (in particular Rule 17.29 of the GEM Listing Rules ("Rule 17.29")) on or before the Completion Date. If the Second Further Payment is satisfied in a form or manner other than by payment of cash, a further announcement will be made by the Company. Interest on the Second Further Payment shall be payable at the prime rate specified by The Hongkong & Shanghai Banking Corporation Limited from and inclusive of 30th December, 1999 up to, but exclusive of, the actual date of payment of the Second Further Payment (which in any event shall not be later than the Completion Date).

The Balance will be satisfied by cash payable on the Completion Date.

For reference, Rule 17.29 restricts the issuance of shares or securities convertible into shares of a company within the first six months of its listing on GEM.

5. **Completion**

The expected completion date for the Acquisition is 31st March, 2000 or, if the Company gives a notice of extension under Clause 4(b) of the Agreement, a date not later than 30th

LETTER FROM THE BOARD OF DIRECTORS

June, 2000 to be specified in such notice. In the event of such extension, interest on the balance of the purchase price shall be payable at the prime rate specified by The Hongkong & Shanghai Banking Corporation Limited from and inclusive of 31st March, 2000 up to, but exclusive of, the extended date of completion.

REASONS FOR THE ACQUISITION

The Acquisition allows the Company to strengthen its business relationship with Cheung Kong with opportunities to provide IT and Internet related services to the Cheung Kong Group of companies. The Cheung Kong Group of companies has substantial reach in Hong Kong, not only in the property sector, but also in telecommunications, retails, infrastructure and power. Because of the size and scope of these companies, there is significant potential on further IT development and Web technologies where the Company can add value.

Furthermore, as the Company continues to expand its business in Hong Kong and the Greater China Region, the Company expects to seek additional office premises for its operations when its lease at its current office expires on 31st December, 2000. The Center is one of the most technologically advanced “intelligent” buildings in Hong Kong. The Company believes that the Premises are ideally suited for it in light of its requirement for substantial computing and telecommunications equipment. The office space at The Center will be able to provide the Company with state-of-the art infrastructure to pursue and grow its software business. The Company intends to vacate its existing offices and move its operations to the Premises when the lease of its current office space expires. As the Company intends to use the Premises solely for its own use as office space, the Company confirms that there is no material change to the general character or nature of its business. The Company is principally engaged in the provision of computer software services, including Internet technology and related services and enterprise resource planning and consulting services.

The Acquisition will be financed by the Company’s existing cash balance where a significant portion of which is from the working capital portion of the net proceeds raised from its share placing and its internally generated cash flow. The Company believes that, following completion of the Acquisition, it will have sufficient funds to pursue its business objectives as stated in its prospectus dated 18th November, 1999 and for general working capital purposes.

The Company believes that the consideration for the Premises is reasonable in the light of the advanced features offered and its top floor location. The consideration price was arrived at after arms length negotiations between the Company and Cheung Kong. The Directors of the Company believe that the terms of the Acquisition are fair and reasonable and in the interests of the shareholders as a whole.

GENERAL

The Acquisition constitutes a discloseable transaction of the Company for the purpose of the GEM Listing Rules. Your attention is drawn to the further information set out in the Appendix to this Circular.

By Order of the Board
Timeless Software Limited
Cheng Kin Kwan
Chairman

1. RESPONSIBILITY STATEMENTS

This document, for which the Directors of the Company collectively and individually accept full responsibility, includes particulars given in compliance with the 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:

- (a) the information contained in this document is accurate and complete in all material respects and not misleading;
- (b) there are no other matters the omission of which would make any statement in this document misleading; and
- (c) all opinions expressed in this document have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.

2. DISCLOSURE OF INTERESTS

As at the Latest Practicable Date, the interests of the Directors and the chief executives of the Company in the share capital of the Company or any of its associated corporations (within the meaning of the SDI Ordinance) which were notified to the Company and the Stock Exchange pursuant to Section 28 of the SDI Ordinance (including interests which they were taken or deemed to have under Section 31 of, or Part 1 of the Schedule to, the SDI Ordinance), or which were required, pursuant to Section 29 of the SDI Ordinance, to be entered in the register referred to therein, or which were required, pursuant to Rules 5.40 to 5.59 of the GEM Listing Rules, to be notified to the Company and the Stock Exchange, were as follows:

Name	Type of interest	Number of Shares held
Cheng Kin Kwan	Personal	48,400,000
Cheng Wan Cheung, Danny	Personal	42,400,000
Kan Siu Kei, Laurie	Personal	42,400,000
Law Kwai Lam	Personal	10,000,000
Poon Cho Yiu, Ronald	Personal	1,000,000

So far as is known to any Director or chief executive of the Company, as at the Latest Practicable Date, the following persons (not being a Director or a chief executive of the Company) were interested in 10 per cent. or more of the issued share capital of the Company:

Name	Number of Shares	Percentage of issued share capital
Encore Holdings Limited ¹	113,300,000	15.11%
Crimson Asia Capital Limited, L.P. ²	144,781,580	19.30%

Notes:

1. The beneficial owners of the entire issued share capital of Encore Holdings Limited are Mr. Choi Kin Chung, Mr. Law Kwai Lam, Mr. Li Yau and Mr. Wan Wai Man. Mr. Choi Kin Chung, Mr. Li Yau and Mr. Wan Wai Man are former directors of the Company.
2. Crimson Asia Capital Limited, L.P. is a third party direct investment fund with numerous shareholders/investors.

So far as the Directors are aware, as at the Latest Practicable Date, the following shareholders, being Initial Management Shareholder, were entitled to exercise or control the exercise of 5 per cent. or more of the voting power at general meetings of the Company and who were able, as a practical matter, to direct or influence the management of the Company:

Name	Number of Shares	Percentage of issued share capital
Cheng Kin Kwan	48,400,000	6.45%
Cheng Wan Cheung, Danny	42,400,000	5.65%
Kan Siu Kei, Laurie	42,400,000	5.65%

Save as disclosed herein:

- (a) as at the Latest Practicable Date, none of the Directors or any chief executive of the Company had any interest in any shares in or debentures of, the Company or any associated corporation (within the meaning of the SDI Ordinance) which would have to be notified to the Company and the Stock Exchange pursuant to section 28 of the SDI Ordinance (including interests which he was taken or deemed to have under section 31 or Part 1 of the Schedule to the SDI Ordinance) or which were required, pursuant to section 29 of the SDI Ordinance, to be entered in the register referred to therein, or which were required, pursuant to Rules 5.40 to 5.59 of the GEM Listing Rules, to be notified to the Company and the Stock Exchange; and
- (b) the Directors are not aware of any person who as at the Latest Practicable Date (i) held or was beneficially interested in 10 per cent. or more of the shares of the Company or any other member of the Group; or (ii) was entitled to exercise or control the exercise of 5 per cent. or more of the voting power at general meetings of the Company and was able, as a practical matter, to direct or influence the management of the Company; and
- (c) the Directors are not aware of, as at the Latest Practicable Date, any business or interest of each Director, Initial Management Shareholder and the respective associates of each that competes or may compete with the business of the Group and any other conflicts of interest which any such person has or may have with the Group.

3. LITIGATION

Members of the Group are involved in the following legal proceedings:

- (a) Unimax Toys Limited is suing Three Principles Computer Service Co., Ltd. (“Three Principles”), a wholly-owned subsidiary of the Company, for damages for alleged breach of an agreement to supply and install a computer software solution system. The contract amount for this agreement was HK\$1 million. The writ in the action was issued on 27th October, 1999. It is not realistically possible to make any proper reserve for this claim since the plaintiff has not put forward the amount being claimed and the basis for assessment in the statement of claim. Three Principles has filed an acknowledgement of service to contest the proceedings and a Defence and Counter-claim.

- (b) An ex-employee of Expert Consulting Limited (“Expert Consulting”), a wholly-owned subsidiary of the Company, has sued Expert Consulting for HK\$672,716 in relation to commissions which the ex-employee claims are due to him. The statement of claim in the proceeding was filed on 30th November, 1998. Expert Consulting has counterclaimed that the ex-employee breached his contract and is defending this suit vigorously. The proceedings have reached the discovery stage. Witness statements are yet to be exchanged and no trial date has been fixed.
- (c) Harbour Building Material Supply Limited is suing Expert Consulting for HK\$234,600 in relation to Expert Consulting’s failure to install an Internet system within the agreed time frame. The writ in the proceedings was issued on 7th August, 1998. Expert Consulting has counterclaimed that the plaintiff did not comply with various implied terms of the agreement which would have enabled Expert Consulting to perform its obligations within the required time frame. Since Harbour Building Material Supply Limited filed its reply and defence to counterclaim on 26th October, 1998, no step has been taken by either party to further the proceedings.
- (d) Bright Generation Enterprises Limited is suing Three Principles for approximately HK\$750,000 in relation to its claim that Three Principles failed to install a computer system within the agreed time frame and for various other problems encountered in using the system. The writ in the proceedings was issued on 15th January, 1998. Three Principles filed a counterclaim for damages for wrongful repudiation of the agreement to install the computer system and/or reasonable fees on a quantum meruit basis for the works and materials provided. Witness statements have been filed, but a trial date has yet to be fixed for the trial of the proceeding.

Save as disclosed above, none of the members of the Group is engaged in any litigation of material importance and no litigation or claim of material importance is known to the Directors to be pending or threatened against any member of the Group.

4. SERVICE CONTRACTS

- (a) Each of Mr. Cheng Kin Kwan, Mr. Cheng Wan Cheung, Danny, Mr. Kan Siu Kei, Laurie and Mr. Law Kwai Lam, being executive Directors, has entered into a service contract with the Company on 15th November, 1999.
- (i) Material particulars of all these contracts, except for the remuneration, are in all material respects identical and are set out below:
- (aa) Each service contract of the above directors with the Company commenced on 1st May, 1996, 1st June, 1996, 16th March, 1998 and 1st August, 1997 respectively. Each of these service contracts continues after their respective commencement dates unless and until terminated by not less than three months’ notice in writing served by either party on the other.
- (bb) The annual salary of each of Mr. Cheng Kin Kwan, Mr. Cheng Wan Cheung, Danny, Mr. Kan Siu Kei, Laurie and Mr. Law Kwai Lam under the above

service contracts is subject to periodic review, and each of Mr. Cheng Kin Kwan, Mr. Cheng Wan Cheung, Danny, Mr. Kan Siu Kei, Laurie and Mr. Law Kwai Lam may not vote on any resolution of the Directors regarding such review of his salary.

- (ii) Apart from the above salary, no other directors' fees, bonus, pension payments, housing or other allowances are provided for in each of the above service contracts.
- (b) No other Director has any existing or proposed service contracts with any member of the Group (excluding contracts expiring or determinable by the employer within one year without payment of compensation (other than statutory compensation)).
- (c) Under the arrangements currently in force, the aggregate remuneration payable by the Group to the Directors for the year ending 31st March, 2000 is expected to be approximately HK\$5,794,000, details of which are as follows on an individual basis: HK\$2,403,000, HK\$1,935,000, HK\$1,050,000, HK\$256,000 and HK\$150,000.
- (d) Apart from the remuneration and benefits mentioned above, none of the Directors is or was ever entitled to any agency fees or commissions from any member of the Group and each of them has not provided any personal guarantee to any member of the Group.

5. INTEREST OF SPONSOR

The Sponsor of the Company, ING Barings Asia Limited, its directors, employees and associates do not have any interest in the Acquisition or any shareholding interest in any member of the Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

ING Barings Asia Limited has entered into a sponsorship agreement with the Company whereby, for a fee, ING Barings Asia Limited will act as the Company's continuing sponsor for the period from 18th November 1999 to 31st March, 2002.

6. GENERAL

- (a) The registered office of the Company is at 22nd Floor, China Resources Building, 26 Harbour Road, Wanchai, Hong Kong. The share registrar and transfer office of the Company is Central Registration Hong Kong Limited at Rooms 1901-5, 19th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong.
- (b) The Company Secretary and the Compliance Officer of the Company is Mr. Law Kwai Lam. Mr. Law holds a Bachelor degree in Biochemistry from the University of Kansas. Prior to joining the Group, Mr. Law was the company secretary of a listed company in Hong Kong for 10 years.
- (c) The Qualified Accountant of the Company is Ms. So Mi Ling, Winnie, holder of a professional diploma in accountancy from the City University of Hong Kong and a fellow of the ACCA and Associate of the Hong Kong Society of Accountants.

- (d) The Company established an audit committee on 16th November, 1999. The primary duty of the audit committee is to review and supervise the financial reporting process and internal control system of the Group. The audit committee has three members comprising of Ms. Vivien Chan, Mr. Cheng Kam Chiu, Stewart and Mr. Poon Cho Yiu, Ronald, further details of whom are set out below:

Ms. Vivien Chan, aged 45, is a solicitor of over 18 years standing. She holds a Bachelor degree in law from Reading University and a Master degree in law from King's College, London University. She is the founding partner of Vivien Chan & Co., a Notary Public for Hong Kong and a Notarial Attesting Officer for the People's Republic of China. She is also an appointed arbitrator for the China International Economic and Trade Arbitration Commission and the Shenzhen Arbitration Commission. She is a member of the Council of the Hong Kong Law Society and serves on various government advisory bodies, including the Advisory Committee on Travel Agents and the Professional Services Advisory Committee of the Trade Development Council. She is a member of the Copyright Tribunal of the HKSAR and Deputy Chairman of the Appeal Board on Public Meetings and Processions and was a member of the Election Committee of the Hong Kong SAR 1998 Legislative Council Election. In respect of overseas professional offices, she is the Vice President of the Inter Pacific Bar Association. Ms. Chan is active in community service as the Chairman of Hong Kong Adventure Corps., Chairman of Baby Friendly Hospital Initiative Hong Kong Association and Vice Chairman of the Hong Kong Committee of Unicef. Ms. Chan was appointed as an independent non-executive director of the Company in November 1999.

Mr. Cheng Kam Chiu, Stewart, aged 43, is a director of New World Services Ltd. and an executive director of Hip Hing Construction Co. Ltd. Mr. Cheng holds a Bachelor of Science degree in Civil and Environmental Engineering from the University of Wisconsin, Madison, a Master of Science degree in Structural Engineering from the University of California, Berkeley and a Master of Business Administration degree from the Chinese University of Hong Kong. He is a member of the Institute of Structural Engineers and the Hong Kong Institutes of Engineers. Mr. Cheng was appointed as an independent non-executive director of the Company in November 1999.

Mr. Poon Cho Yiu, Ronald, aged 57, is an architect and development consultant. He is currently the managing director of Ronald Poon Consultants Ltd. Mr. Poon has been President of the Hong Kong Institute of Architects (1981 and 1982); Vice President of the Commonwealth Association of Architects (1981-1983); first Chairman of the Architects Regional Council Asia (ARCASIA) (1981 and 1982); President of the Hong Kong Association for the Advancement of Science and Technology (1987 and 1988); Councillor of the Hong Kong Urban Council (1991-1995); Chairman of the Hong Kong Housing Society (1991-1994); member of the China Hong Kong Special Administrative Region First Government Selection Committee (1996-1997); member of the China Hong Kong SAR Electoral College for 9th Peoples' Congress Deputies (1997); and member for the 8th National Committee CPPCC, China (1993-1998). Mr. Poon is currently a member of the 9th National Committee CPPCC, China; member of the Solicitors Disciplinary Tribunal Panel; Honorary council member of the Architectural Society of China; adviser to ARCASIA; Advisory Professor of South China University of Technology since 1993 and Shenzhen University and Consultant to the Shenzhen City Planning Committee. Mr. Poon was appointed as an independent non-executive director in November 1999.