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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)

PROPOSAL FOR GENERAL MANDATE TO REPURCHASE ITS OWN SHARES

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

This Circular will remain on the GEM website (www.hkgem.com) on the "Latest Company Announcements" page for 7 days from the date of its posting and on the Company's website (www.timeless.com.hk).

DEFINITIONS

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

“AGM”	the Annual General Meeting of the Company to be held at Coral Room 1, 3/F, Furama Hotel Hong Kong, One Connaught Road Central, Hong Kong on Friday, 3 August 2001 at 3:30 p.m.
“Commission”	Securities and Futures Commission
“Company”	Timeless Software Limited
“Companies Ordinance”	Companies Ordinance, Chapter 32 of the Laws of Hong Kong
“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
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Latest Practicable Date”	the latest practicable date prior to the printing of this circular
“Share(s)”	share(s) of nominal value of HK\$0.05 each in the share capital of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Takeover Code”	the Code on Takeovers and Mergers approved by the Securities and Futures Commission as amended from time to time



TIMELESS SOFTWARE LIMITED

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(Incorporated in Hong Kong with limited liability)

Directors:

CHENG Kin Kwan
(Chairman and Chief Executive Officer)
LAW Kwai Lam
CHUNG Yiu Fai
LEUNG Mei Sheung Eliza
LIN Kai Horng
SO Mi Ling Winnie
WONG Wai Ping Mandy
ZHANG Hong
CHAN Vivien[#]
CHENG Kam Chiu Stewart[#]
TONG Tuen Yee Junie[#]

*Registered office and
principal place of business:*
79/F The Center
99 Queen's Road Central
Hong Kong

[#] *Independent Non-executive Directors*

28 June 2001

To the shareholders

Dear Sir or Madam,

GENERAL MANDATE TO REPURCHASE ITS OWN SHARES

INTRODUCTION

At the extraordinary general meeting of the company held on 7 July 2000, an ordinary resolution was passed giving general mandate to the Directors to exercise the powers of the Company to repurchase its own Shares in accordance with the GEM Listing Rules. Such general mandate will lapse at the conclusion of the forthcoming AGM for the financial year ended 31 March 2001. It is therefore proposed to renew the general mandate to repurchase Shares at the AGM.

The purpose of this circular is to provide you with information regarding the proposed renewal of the general mandate to repurchase Shares and to seek your approval of the ordinary resolution relating to such matter at the AGM.

LETTER FROM THE BOARD

GENERAL MANDATE TO REPURCHASE SHARES

An ordinary resolution will be proposed at the AGM to grant to the Directors a general mandate to exercise the powers of the Company to repurchase Shares (“Buyback Mandate”), details of which are set out in ordinary resolution no. 4(A) in the notice of AGM. The Shares which may be repurchased pursuant to the Buyback Mandate is limited to a maximum of 10 per cent. of the issued share capital of the Company at the date of passing of the resolution approving the Buyback Mandate. The Buyback Mandate shall continue in force from the date of passing of the resolution until the earlier of the conclusion of the next AGM of the Company or the date on which the authority is revoked or varied by shareholders in general meeting.

An explanatory statement as required under the GEM Listing Rules, giving certain information regarding the Buyback Mandate, is set out in the appendix hereto.

GENERAL INFORMATION

The notice convening the AGM is set out in the 2001 annual report of the Company.

Whether or not you intend to be present at the AGM, you are requested to complete the accompanying form of proxy and return it to the registered office of the company in accordance with the instructions printed thereon not less than 48 hours before the time fixed for holding the AGM.

RECOMMENDATION

The Directors believe that the Buyback Mandate is in the best interests of the Company as well as its shareholders. Accordingly, the Directors recommend that all shareholders of the Company should vote in favour of resolution no. 4(A) set out in the notice of AGM.

On behalf of the Board
Cheng Kin Kwan
Chairman

This appendix serves as an explanatory statement, as required by the GEM Listing Rules, to provide you with requisite information for your consideration of the Buyback Mandate and also constitutes the Memorandum required under Section 49BA of the Companies Ordinance. Reference in this appendix to “Share(s)” means share(s) of HK\$0.05 each in the share capital of the Company.

1. SHARE CAPITAL

As at 22 June 2001, being the Latest Practicable Date, the issued share capital of the Company comprised 783,500,000 Shares.

Subject to the passing of the ordinary resolution no.4(A) set out in the notice of AGM and on the basis that no further Shares are issued or repurchased prior to the AGM, the Company would be allowed under the Buyback Mandate to repurchase a maximum of 78,350,000 Shares.

2. REASONS FOR REPURCHASES

The Directors believe that it is in the best interests of the Company and its shareholders to have a general authority from shareholders to enable the Directors to repurchase Shares on GEM. Such repurchase may, depending on market conditions and funding arrangements at the time, lead to an enhancement of the net asset value per Share and its earnings per Share and will only be made when and to the extent that the Directors believe that such repurchases will benefit the Company and its shareholders.

3. FUNDING OF REPURCHASES

In repurchasing Shares, the Company may apply only funds legally available for such purpose in accordance with its Articles of Association, the GEM Listing Rules and the applicable laws of Hong Kong. It is proposed that repurchase of Shares under the Buyback Mandate in these circumstances would be financed from available cash flow or working capital facilities of the Company and its subsidiaries.

The Companies Ordinance provides that the amount of capital repaid in connection with a share repurchase may only be paid from the distributable profits of the company or from the proceeds of a new issue of shares made for the purpose. The Companies Ordinance further provides that the amount of premium payable on repurchases may only be made out of the distributable profits of the company. Where the repurchased shares were issued at a premium, any premium payable on repurchase may be paid out of the proceeds of a fresh issue of shares made for the purpose of the share repurchase up to certain limits specified by the Companies Ordinance.

There might be a material adverse impact on the working capital or gearing position of the Company (as compared with the position disclosed in the audited accounts contained in the annual report for the year ended 31 March 2001) in the event that the proposed repurchase of Shares was to be carried out in full at any time during the proposed repurchase period. However, the Directors do not propose to exercise the Buyback Mandate to such extent as would, in the circumstances, have a material adverse effect on the working capital requirements of the Company or the gearing levels which in the opinion of the Directors are from time appropriate for the Company.

4. SHARE PRICES

The highest and lowest prices at which the Shares have been traded on the Stock Exchange in each of the twelve months preceding the Latest Practicable Date were as follows:—

	Shares	
	Highest <i>HK\$</i>	Lowest <i>HK\$</i>
June 2000	4.775	3.375
July 2000	3.700	2.825
August 2000	2.975	2.450
September 2000	2.800	1.280
October 2000	1.670	1.030
November 2000	1.430	0.990
December 2000	1.110	0.830
January 2001	1.010	0.750
February 2001	0.890	0.630
March 2001	0.680	0.520
April 2001	0.980	0.550
May 2001	1.440	0.800

5. GENERAL

The Directors have undertaken to the Stock Exchange that, so far as the same may be applicable, they will exercise the powers of the Company to make share repurchases pursuant to the proposed ordinary resolution no.4(A) set out in the notice of AGM in accordance with the GEM Listing Rules and the applicable laws of Hong Kong.

If as a result of the share repurchases, a shareholder's proportionate interest in the voting rights of the Company increases, such interest will be treated as an acquisition for the purposes of the Takeover Code. As a result, a shareholder, or group of shareholders acting in concert, depending on the level of increase of shareholders' interest, could obtain or consolidate control of the Company and become obliged to make a mandatory offer in accordance with Rule 26 of the Takeover Code.

As at the Latest Practicable Date, Crimson Asia Capital Limited, L.P. was interested in 122,357,480 Shares, representing approximately 15.62 per cent. of the issued share capital of the Company. Based on such shareholding, and in the event that the Directors exercised in full the Buyback Mandate, the beneficial interests of Crimson Asia Capital Limited, L.P. in the issued share capital of the Company would be increased to approximately 17.35 per cent. of the issued share capital of the Company. The Directors are not aware of any consequences which may arise under the Takeover Code as a consequence of any purchases made under the Buyback Mandate.

None of the Directors nor, to the best of their knowledge, having made all reasonable enquiries, any of their associates (as defined in the GEM Listing Rules), has any present intention, if the Buyback Mandate is approved by the shareholders of the Company, to sell any securities to the Company or its subsidiaries.

No connected person (as defined in the GEM Listing Rules) has notified the Company that he has a present intention to sell Shares to the Company, or has undertaken not to do so, if the Buyback Mandate is approved by the shareholders.

6. SHARES REPURCHASED BY THE COMPANY

The Company had not purchased any of the Shares (whether on GEM or otherwise) in the six months preceding the date of this circular.