

**If you are in any doubt** as to the action to be taken, you should immediately 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 document and the accompanying forms of proxy to the purchaser or to the bank, stockbroker or other agent through whom the sale was effected for transmission to the purchaser.

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**TIMELESS SOFTWARE LIMITED**

*(incorporated in Hong Kong with limited liability)*

Stock Code: 8028

**PROPOSED REFRESHMENT OF SCHEME MANDATE LIMIT,  
RE-ELECTION OF DIRECTORS,  
GENERAL MANDATES TO REPURCHASE AND ISSUE SHARES  
AND  
NOTICE OF ANNUAL GENERAL MEETING**

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Notice of the Annual General Meeting of Timeless Software Limited to be held in Hong Kong on 30 August 2006 at 3:30 p.m. p.m. is set out on pages 11 to 14. Whether or not you are able to attend the meeting, please complete and return the accompanying form of proxy in accordance with the instructions printed thereon and return it to the registered office of the Company at Units 111-113, 1st Floor, Building 9, Phase One, Hong Kong Science Park, Tai Po, Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for holding the meeting or the adjourned meeting. Completion of the proxy form and its return will not preclude you from attending, and voting at, the Annual General Meeting if you so wish.

This circular will remain on the GEM website at [www.hkgem.com](http://www.hkgem.com) on the "Latest Company Announcements" page for at least 7 days from the date of posting and on the Company's website at [www.timeless.com.hk](http://www.timeless.com.hk).

**GEM has been established as a market designated 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 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 website in order to obtain up-to-date information on GEM-listed issuers.**

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## DEFINITIONS

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*In this circular, the following expressions shall have the following meanings unless the context indicates otherwise:*

“Annual General Meeting”	the annual general meeting of the Company to be held in Hong Kong on Wednesday, 30 August 2006 at Meeting Room 8, 1/F, Building 9, Phase 1, No. 5 Science Park West Avenue, Hong Kong Science Park, Shatin, Hong Kong, the notice of which is set out on pages 11 to 14 of this circular, or any adjournment thereof
“Articles”	the articles of association of the Company, as may be, amended from time to time
“Associate”	shall have the meaning ascribed to it under the GEM Listing Rules
“Board”	the board of Directors or a duly authorised committee thereof
“Companies Ordinance”	the Companies Ordinance (Chapter 32 of the Laws of Hong Kong), as amended or supplemented from time to time
“Company”	Timeless Software Limited, a company incorporated in Hong Kong with limited liability under the Companies Ordinance, the shares of which are listed on GEM
“Directors”	the director(s) of the Company
“Eligible Participant”	any person or organisation who/which satisfies the eligibility criteria under the Share Option Scheme
“GEM”	The Growth Enterprise Market of the Stock Exchange
“GEM Listing Rules”	the Rules Governing the Listing of Securities on The Growth Enterprise Market of the Stock Exchange of Hong Kong Limited as amended, supplemented or otherwise modified from time to time.
“Group”	the Company and its subsidiaries
“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 for the time being
“Latest Practicable Date”	27 July 2006 , being the latest practicable date prior to the printing of this circular for ascertaining certain information contained herein

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## DEFINITIONS

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“Memorandum of Association”	the memorandum of association of the Company, as adopted and as amended from time to time
“Notice of Annual General Meeting”	the notice convening the Annual General Meeting as set out on pages 11 to 14 of this circular
“Option(s)”	right(s) to subscribe for Share(s) granted pursuant to the Share Option Scheme
“Ordinary Resolution(s)”	the proposed ordinary resolution(s) as referred to in the Notice of Annual General Meeting
“other share option scheme(s)”	schemes involving the issue or grant of options or similar rights over Shares or other securities by the Company, other than the Share Option Scheme
“Repurchase Mandate”	the proposed general and unconditional mandate to the Directors to repurchase Shares pursuant to Ordinary Resolution No.5(i) as set out in the Notice of Annual General Meeting in its present or any amended form
“Scheme Mandate Limit”	shall have the meaning given to that term in the Share Option Scheme
“Share(s)”	fully paid shares of HK\$0.05 each of the Company (or such other nominal amount prevailing from time to time)
“Shareholders”	holders of the Shares
“Share Issue Mandate”	the proposed mandate to the Directors to issue Shares pursuant to Ordinary Resolution No.5(ii) as set out in the Notice of Annual General Meeting in its present or any amended form
“Share Option Scheme”	the share option scheme adopted by the Company pursuant to an ordinary resolution of the Company passed on 28 April 2003
“Special Resolution”	the proposed special resolution as referred to in the Notice of Annual General Meeting
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subsidiary”	a subsidiary (within the meaning of the Companies Ordinance) for the time being and from time to time of the Company
“Substantial Shareholder”	shall have the meaning ascribed to it under the GEM Listing Rules

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## DEFINITIONS

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“Takeover Code”	The Hong Kong Code on Takeovers and Mergers issued by the Hong Kong Securities and Futures Commission
“Terminated Scheme”	the share option scheme of the Company adopted on 21 November 2000 and terminated pursuant to an ordinary resolution of the Company passed on 28 April 2003



**TIMELESS SOFTWARE LIMITED**

*(incorporated in Hong Kong with limited liability)*

Stock Code: 8028

*Executive Directors:*

Mr. CHENG, Kin Kwan (*Chairman*)  
Mr. CHUNG, Yiu Fai  
Mr. LAW, Kwai Lam  
Ms. LEUNG, Mei Sheung Eliza  
Ms. ZHENG, Ying Yu  
Mr. FUNG, Chun Pong Louis  
Mr. LIAO, Yun

*Registered Office:*

Units 111-113,  
1st Floor, Building 9,  
Phase One,  
Hong Kong Science Park,  
Tai Po, Hong Kong

*Independent Non-executive Directors:*

Mr. NG, Kwok Tung  
Ms. TSANG, Wai Chun Marianna  
Mr. CHAN, Mei Ying Spencer

4 August 2006

*To the Shareholders of the Company,*

Dear Sir/Madam,

**PROPOSED REFRESHMENT OF SCHEME MANDATE LIMIT,  
RE-ELECTION OF DIRECTORS,  
GENERAL MANDATES TO REPURCHASE AND ISSUE SHARES  
AND  
NOTICE OF ANNUAL GENERAL MEETING**

**1. INTRODUCTION**

At the Annual General Meeting convened for 30 August 2006, resolutions will be proposed:

- (a) that the Scheme Mandate Limit be refreshed to permit the grant of further Options under the Share Option Scheme;
- (b) that certain Directors, who shall retire in accordance with the Articles and (being eligible) offer themselves for re-election, be re-elected; and
- (b) that the Directors be given the Repurchase Mandate and the Share Issue Mandate.

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## LETTER FROM THE BOARD

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This circular sets out the information reasonably necessary to enable the shareholders of the Company to make an informed decision on whether to vote for or against the relevant resolutions in respect of the matters described above.

### **2. REFRESHMENT OF SCHEME MANDATE LIMIT UNDER THE SHARE OPTION SCHEME**

The Share Option Scheme was adopted and the Terminated Scheme was terminated pursuant to an ordinary resolution passed by Shareholders in general meeting on 28 April 2003.

Under the rules of the Share Option Scheme:

- (a) the maximum number of Shares in respect of which options may be granted under the Share Option Scheme and any other share option schemes (excluding those options that have already been granted by the Company prior to the date of approval of the Share Option Scheme) shall not, in aggregate, exceed the Scheme Mandate Limit; and
- (b) the maximum number of Shares which may be issued upon the exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other share option schemes must not, in any event and in aggregate, exceed 30 per cent. of the Shares in issue from time to time.

The Company may seek approval from the Shareholders in general meeting for refreshing the Scheme Mandate Limit so that the total number of Shares which may be issued upon the exercise of options granted under the Share Option Scheme and any other share option schemes shall be re-set at 10 per cent. of the Shares in issue as at the date of the approval of such refreshment. In this connection, options previously granted under the Share Option Scheme (including those exercised, outstanding, cancelled or lapsed in accordance with the terms of the Share Option Scheme and any other share option schemes of the Company) will not be counted for the purpose of calculating, whether the refreshed Scheme Mandate Limit has been exceeded.

Apart from the Share Option Scheme and the Terminated Scheme, the Company currently has no other share option scheme. The first Scheme Mandate Limit of 94,885,550 Shares (the “First Scheme Mandate Limit”) (being 10 per cent. of the Shares in issue as at the date of adoption of the Share Option Scheme) was refreshed by shareholders on 29 December 2003 to 98,706,150 Shares (the “Second Scheme Mandate Limit”) (being 10 per cent. of the Shares in issue as at the date of shareholders’ approval of such refreshment). The Second Scheme Mandate Limit was refreshed by shareholders on 5 August 2004 to 99,118,550 Shares (the “Current Scheme Mandate Limit”) (being 10 per cent. of the Shares in issue as at the date of shareholders’ approval of such refreshment).

Options previously granted under the Share Option Scheme (including all those Options which are outstanding or cancelled, or have lapsed, in accordance with the Share Option Scheme, or Options which have been exercised) will not be counted for the purpose of calculating the Scheme Mandate Limit as refreshed.



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## LETTER FROM THE BOARD

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As at the Latest Practicable Date, there were no options outstanding and unexercised under the Terminated Scheme.

A total of 94,700,000 Options were granted to Directors and employees of the Group under the First Scheme Mandate Limit on 5 September 2003, 15 September 2003, 26 November 2003 and 8 December 2003 respectively, out of which 25,000,000 Options have lapsed in accordance with the terms of the Share Option Scheme and 2,040,000 Options have been exercised as at the Latest Practicable Date. Out of these 94,700,000 Options, there remain therefore a total of 67,660,000 outstanding and unexercised Options (representing approximately 6.53 per cent. of the issued capital of the Company as at the Latest Practicable Date) that were granted under the First Scheme Mandate Limit.

As at the Latest Practicable Date, a total of 84,450,000 Options were granted to Directors and employees of the Group under the Second Scheme Mandate Limit on 9 January 2004, 25 February 2004 and 19 April 2004 respectively, out of which 21,866,000 Options have lapsed in accordance with the terms of the Share Option Scheme, 3,950,000 Options have been exercised, and 58,634,000 Options (representing approximately 5.66 per cent. of the issued capital of the Company as at the Latest Practicable Date) remain outstanding and unexercised.

A total of 112,100,000 Options were granted to Directors and employees of the Group under the Current Scheme Mandate Limit on 16 September 2004, 30 September 2004, 13 December 2004, 28 February 2005, 11 May 2005, 22 September 2005 and 24 March 2006 respectively, out of which 13,400,000 Options have lapsed in accordance with the terms of the Share Option Scheme and 44,070,000 Options have been exercised as at the Latest Practicable Date. Out of these 112,100,000 Options, there remain therefore a total of 54,630,000 outstanding and unexercised Options (representing approximately 5.27 per cent. of the issued capital of the Company as at the Latest Practicable Date) that were granted under the Current Scheme Mandate Limit. Accordingly, approximately 99.58 per cent. of the Current Scheme Mandate Limit has been utilized.

As at the Latest Practicable Date, there remain therefore a combined total of 180,924,000 outstanding and unexercised Options (representing approximately 17.47 per cent. of the issued capital of the Company as at the Latest Practicable Date) that were granted under the Share Option Scheme.

The Current Scheme Mandate Limit has substantially been utilized. Unless the Scheme Mandate Limit is refreshed, a maximum of 418,550 Options only entitling the holder(s) thereof to subscribe for an aggregate of 418,550 Shares, may be further granted under the Share Option Scheme.

The purpose of the Share Option Scheme is to recognise and acknowledge the contributions that Eligible Participants had made or may make to the Group. To allow greater flexibility for the Directors to achieve this, it is proposed that the Current Scheme Mandate Limit be refreshed. If the Current Scheme Mandate Limit is refreshed, on the basis of 1,035,781,503 Shares in issue as at the Latest Practicable Date and assuming that no Shares will be issued or repurchased by the Company prior to the Annual General Meeting, the Company will be allowed to grant further options under the Share Option Scheme of the Company carrying the rights to subscribe for a maximum of 103,578,150 Shares.

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## LETTER FROM THE BOARD

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The aggregate number of Shares that could be issued pursuant to the full exercise of 180,924,000 outstanding Options granted under the Share Option Scheme representing approximately 17.47 per cent. of the Company's issued share capital as at the Latest Practicable Date. The Company will comply with Note 2 of Rule 23.03(3) of the GEM Listing Rules when granting further Options.

The Directors consider that it will be for the benefit of the Group and the Shareholders as a whole that the Eligible Participants are granted rights to obtain equity holdings of the Company through the grant of Options. This will motivate the Eligible Participants to contribute to the success of the Group. For these reasons, the Directors propose the passing of an ordinary resolution at the Annual General Meeting for refreshing the Scheme Mandate Limit.

The proposed refreshment of the Current Scheme Mandate Limit will be conditional upon:

- (a) the passing of an ordinary resolution by the Shareholders to approve the refreshment of the Current Scheme Mandate Limit at the Annual General Meeting; and
- (b) the Listing Committee of the Stock Exchange granting the listing of, and the permission to deal in, such number of Shares, representing 10 per cent. of the Shares in issue as at the date of the Annual General Meeting, which may fall to be allotted and issued pursuant to the exercise of options granted under the refreshed Current Scheme Mandate Limit.

Application will be made to the Stock Exchange for granting the listing of, and the permission to deal in, the Shares to be issued pursuant to the exercise of the Options to be granted under the Share Option Scheme within the refreshed Current Scheme Mandate Limit.

### 3. RE-ELECTION OF DIRECTORS

The Board currently consists of 10 members, namely the following executive Directors:

- (a) Mr. CHENG, Kin Kwan (Chairman)
- (b) Mr. CHUNG, Yiu Fai
- (c) Mr. LAW, Kwai Lam
- (d) Ms. LEUNG, Mei Sheung Eliza
- (e) Ms. ZHENG, Ying Yu
- (f) Mr. FUNG, Chun Pong Louis
- (g) Mr. LIAO, Yun

and the following independent non-executive Directors:

- (h) Mr. NG, Kwok Tung

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## LETTER FROM THE BOARD

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(i) Ms. TSANG, Wai Chun Marianna

(j) Mr. CHAN, Mei Ying Spencer

In accordance with Article 105(A) of the Articles, Mr. CHENG Kin Kwan, LAW Kwai Lam, Mr. CHUNG Yiu Fai and Mr. NG Kwok Tung shall retire at the conclusion of the Annual General Meeting and, being eligible, shall offer themselves for re-election.

Biographies of the above retiring and re-electing Directors are set out in Appendix II to this circular. At the Annual General Meeting, ordinary resolutions will be proposed to approve their re-election.

#### **4. EXPLANATORY MEMORANDUM FOR THE GENERAL MANDATE TO REPURCHASE SHARES**

To provide flexibility to the Directors, an ordinary resolution will be proposed at the Annual General Meeting that the Directors be given the Repurchase Mandate to exercise all powers of the Company to purchase issued Shares of the Company subject to the limitation set out in Resolution 5(ii)(c). In particular, shareholders should note that the maximum number of Shares that may be repurchased pursuant to the Repurchase Mandate will be such number of Shares as represents 10 per cent. of the share capital of the Company in issue outstanding on the date of the relevant resolution. As at 27 July 2006, the Latest Practicable Date for determining such figure, the number of Shares in issue were 1,035,781,503 Shares. On the basis of such figures (and assuming no new Shares will be issued and no Shares will be repurchased after 27 July 2006, and up to the date of passing such resolution), the Directors would be authorised to repurchase Shares up to a limit of 103,578,150 Shares.

In addition, shareholders should note that the Repurchase Mandate will continue in force until the conclusion of the next annual general meeting of the Company or an earlier date as referred to in paragraph (c) of the Resolution set out in Item 5(i) of the Notice of the Annual General Meeting.

An ordinary resolution will also be proposed at the Annual General Meeting to authorise the extension of the general mandate to issue new Shares by adding to the mandate the number of Shares to be repurchased by the Company under the Repurchase Mandate in the terms set out in ordinary resolution no. 5(iii) of the Notice of Annual General Meeting.

An explanatory statement as required under Rule 13.08 of the GEM Listing Rules to provide the requisite information of the Repurchase Mandate is set out in the Appendix hereto.

#### **5. 2006 ANNUAL REPORT AND ANNUAL GENERAL MEETING**

The Annual Report of the Company for the year ended 31 March 2006 has been dispatched to Shareholders on 30 June 2006. A copy of the Notice of Annual General Meeting, to be held in Hong Kong at Meeting Room 8, 1/F, Building 9, Phase 1, No. 5 Science Park West Avenue, Hong Kong Science Park, Shatin, Hong Kong at 3:30 p.m. on 30 August 2006 is set out on pages 11 to 14.

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## LETTER FROM THE BOARD

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The Ordinary Resolutions to approve the re-election of Directors, the granting of the Repurchase Mandate and the Share Issue Mandate, and the refreshment of the Scheme Mandate Limit will be proposed at such meeting.

In accordance with the Company's Articles of Association, resolutions proposed at the Annual General Meeting shall be decided on a show of hand unless a poll is (before or on the declaration of the result of the show of hands) demanded:

- (a) by the Chairman; or
- (b) by at least 3 members present in person or by proxy and entitled to vote at the Annual General Meeting; or
- (c) by any member or members present in person or by proxy and representing not less than one-tenth of the total voting rights of all the members having the right to vote at the Annual General Meeting.

A form of proxy for use at the Annual General Meeting is enclosed. **Whether or not you are able to attend the meeting, please complete the accompanying form of proxy in accordance with the instructions printed thereon and return it to the registered office of the Company at Units 111-113, 1st Floor, Building 9, Phase One, Hong Kong Science Park, Tai Po, Hong Kong as soon as possible and, in any event, so as to be received not less than 48 hours before the time appointed for the holding of the meeting.** Completion and delivery of the form of proxy will not prevent you from attending and voting at the meeting if you so wish.

### 6 RESPONSIBILITY STATEMENT

This circular, for which the Directors 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 circular is accurate and complete in all material respects and not misleading;
- (b) there are no other matters the omission of which would make any such statement in this circular misleading; and
- (c) 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.

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## LETTER FROM THE BOARD

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### 7. RECOMMENDATION

The Directors believe that approvals for the re-election of Directors, for the granting of the Repurchase Mandate and the Share Issue Mandate, and for the refreshment of the Scheme Mandate Limit are in the best interests of the Company and its shareholders and so recommend you to vote in favour of the Ordinary Resolutions at the Annual General Meeting. Shareholders should note that the Directors will exercise their voting rights in respect of all of their shareholdings (if any) in favour of the Ordinary Resolutions.

Yours faithfully,  
**CHENG Kin Kwan**  
*Chairman & Chief Executive Officer*



**TIMELESS SOFTWARE LIMITED**

*(incorporated in Hong Kong with limited liability)*

Stock Code: 8028

**NOTICE IS HEREBY GIVEN** that the Annual General Meeting of Timeless Software Limited (the “Company”) will be held at Meeting Room 8, 1/F, Building 9, Phase 1, No. 5 Science Park West Avenue, Hong Kong Science Park, Shatin, Hong Kong on Wednesday, 30 August 2006, at 3:30 p.m. to consider and, if thought fit, pass the following ordinary and special resolutions of the Company:

**AS ORDINARY RESOLUTIONS:**

- (1) To receive and consider the audited financial statements together with the reports of the Directors and auditors for the year ended 31 March 2006;
- (2) To re-elect the following Directors of the Company:
  - (i) Mr. CHENG Kin Kwan;
  - (ii) Mr. LAW Kwai Lam;
  - (iii) Mr. CHUNG Yiu Fai; and
  - (iv) Mr. NG Kwok Tung
- (3) To appoint auditors and to authorise the Directors to fix their remuneration;
- (4) As special business, to consider and, if thought fit, pass the following resolution as an ordinary resolution of the Company:

“**THAT** subject to and conditional upon the Listing Committee of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) granting the listing of, and permission to deal in, such number of fully paid shares of HK\$0.05 each (“Shares”) of Timeless Software Limited (the “Company”) which may fall to be allotted and issued pursuant to the exercise of the options which may be granted under the share option scheme adopted by the Company on 28 April 2003 (the “Share Option Scheme”) and any other share option scheme of the Company, representing 10 per cent. of the issued share capital of the Company as at the day on which this resolution is passed, pursuant to Clause 10.2 of the Share Option Scheme:

- (i) approval be and is hereby granted for refreshing the 10 per cent. scheme mandate limit under the Share Option Scheme (the “Refreshed Scheme Mandate Limit”) provided that the total number of Shares which may be allotted and issued upon the exercise of

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## NOTICE OF ANNUAL GENERAL MEETING

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all options to be granted under the Share Option Scheme and any other share option schemes of the Company under the Refreshed Scheme Mandate Limit shall not exceed 10 per cent. of the aggregate nominal amount of the issued share capital of the Company as at the day on which this resolution is passed (options previously granted under the Share Option Scheme and any other share option schemes of the Company (including options outstanding, cancelled, lapsed or exercised in accordance with the terms of the Share Option Scheme or any other share option scheme of the Company) shall not be counted for the purpose of calculating the Refreshed Scheme Mandate Limit); and

- (ii) the directors of the Company (the “Directors”) or a duly authorised committee thereof be and they are hereby authorised (a) at their absolute discretion, to grant options to subscribe for Shares within the Refreshed Scheme Mandate Limit in accordance with the terms of the Share Option Scheme, and (b) to allot, issue and deal with Shares pursuant to the exercise of options granted under the Share Option Scheme within the Refreshed Scheme Mandate Limit.”
- (5) As special business, to consider and, if thought fit, pass the following resolutions as ordinary resolutions of the Company:

(i) **“THAT**

- (a) the exercise by the directors of the Company (the “Directors”) during the Relevant Period (as defined below) of all powers of Timeless Software Limited (the “Company”) to purchase shares of HK\$0.05 each in the capital of the Company (“Shares”) be and is hereby generally and unconditionally approved;
- (b) the respective aggregate amounts of shares which may be purchased on the Stock Exchange or any other stock exchange on which the Shares may be listed and recognised for this purpose by the Securities and Futures Commission of Hong Kong and The Stock Exchange of Hong Kong Limited pursuant to paragraph (a) of this Resolution during the Relevant Period shall be no more than 10 per cent. of the aggregate nominal amount of the issued share capital of the Company at the date of passing of this Resolution;
- (c) for the purpose of this Resolution:

“Relevant Period” means the period from the passing of this Resolution until whichever is the earlier of:

- (A) the conclusion of the next annual general meeting of the Company;
- (B) the expiration of the period within which the next annual general meeting of the Company is required by law to be held; and

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## NOTICE OF ANNUAL GENERAL MEETING

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(C) the revocation or variation of the authority given under this Resolution by ordinary resolution of the shareholders of the Company in general meeting.

(ii) **“THAT**

- (a) subject to the limitation mentioned in paragraph (c) of this Resolution, the exercise by the directors ( the “Directors”) of Timeless Software Limited (the “Company”) during the Relevant Period of all the powers of the Company to allot, issue and deal with additional shares in the capital of the Company and to make or grant offers, agreements and options, which might require the exercise of such powers be and is hereby generally and unconditionally approved;
- (b) the approval in paragraph (a) above shall authorise the Directors during the Relevant Period to make or grant offers, agreements and options, which might require the exercise of such powers after the end of the Relevant Period;
- (c) the aggregate nominal amount of share capital allotted or agreed conditionally or unconditionally to be allotted (whether pursuant to an option or otherwise) by the Directors pursuant to the approval in paragraph (a) above, otherwise than pursuant to (A) a Rights Issue, (B) the exercise of options granted under any share option scheme adopted by the Company from time to time and (C) any scrip dividend or similar scheme, shall not exceed the aggregate of (i) 20 per cent. of the aggregate nominal amount of the share capital of the Company in issue at the date of passing this Resolution plus (ii) (if the Directors are so authorised by separate ordinary resolution of the Company) the nominal amount of share capital repurchased by the Company subsequent to the passing of this Resolution (up to a maximum equivalent to 10 per cent. of the aggregate nominal amount of the issued share capital of the Company at the date of passing this Resolution) and the said approval shall be limited accordingly; and
- (d) for the purpose of this Resolution:

“Relevant Period” means the period from the passing of this Resolution until whichever is the earlier of:

- (A) the conclusion of the next annual general meeting of the Company;
- (B) the expiration of the period within which the next annual general meeting of the Company is required by law to be held; and
- (C) the revocation or variation of the authority given by this Resolution by ordinary resolution of the shareholders of the Company in general meeting; and

“Rights Issue” means an offer of shares open for a period fixed by the Company or by the Directors to holders of shares on the register on a fixed record date in



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## NOTICE OF ANNUAL GENERAL MEETING

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proportion to their then holdings of such shares (subject to such exclusions or other arrangements as the Directors may deem necessary or expedient in relation to fractional entitlements having regard to any restrictions or obligations under the laws of, or the requirements of any recognised regulatory body or any stock exchange in, any territory outside Hong Kong).”

- (iii) **“THAT** the directors (the “Directors”) of Timeless Software Limited (the “Company”) be and they are hereby authorised to exercise the powers of the Company referred to in paragraph (a) of the Resolution set out as Resolution 5(ii) in the Notice of this Meeting in respect of the share capital of the Company referred to in sub-paragraph (ii) of paragraph (c) of such Resolution.”

By Order of the Board

**CHENG Kin Kwan**

*Chairman & Chief Executive Officer*

Hong Kong, 4 August 2006

*Registered Office:*

Units 111-113, 1st Floor, Building 9, Phase One, Hong Kong Science Park, Tai Po, Hong Kong

**Notes:**

1. A member entitled to attend and vote at the meeting convened by the above notice may appoint one or more proxies to attend the meeting and vote on a poll instead of him. A proxy need not be a member of the Company.
2. To be valid, a form of proxy and the power of authority (if any) under which it is signed or a notarially certified copy of such power of authority must be deposited at the registered office of the Company in Units 111-113, 1st Floor, Building 9, Phase One, Hong Kong Science Park, Tai Po, Hong Kong not less than 48 hours before the time appointed for holding the meeting or the adjourned meeting.

This appendix serves as an explanatory statement, as required by Rule 13.08 of the GEM Listing Rules, to provide requisite information to you for your consideration of the proposal to permit the repurchase of Shares up to a maximum of 10 per cent. of the issued share capital of the Company as at the date of approval for the Repurchase Mandate.

### **MAXIMUM NUMBER OF SHARES TO BE REPURCHASED**

A maximum of 10 per cent. of the aggregate nominal amount of the issued share capital at the date of the proposed resolutions may be repurchased on the Stock Exchange. As at 27 July 2006, the Latest Practicable Date for determining such figure, the number of Shares in issue were 1,035,781,503 Shares. On the basis of such figures (and assuming no new Shares will be issued and no Shares will be repurchased after 27 July 2006, and up to the date of passing such resolution), the Directors would be authorised to repurchase Shares up to a limit of 103,578,150 Shares.

### **REASONS FOR THE REPURCHASE MANDATE**

The Directors have no present intention to repurchase any Shares. It is not possible to anticipate in advance those circumstances in which the Directors might consider it appropriate to repurchase Shares, but Shares would only be purchased in circumstances where the Directors consider that the purchase would be in the best interests of the Company and its shareholders. Such purchases may, depending on market conditions and funding arrangements at the time, lead to an enhancement of net assets and/or earnings per Share.

### **SOURCE OF FUNDS**

It is expected that the funds required for repurchases of Shares under the Repurchase Mandate would be derived from the capital paid up on the Shares being repurchased (if applicable) and from the distributable profits of the Company, which will be funds legally available for the purchase under Hong Kong law and in accordance with the Memorandum of Association and the Articles.

### **MATERIAL ADVERSE IMPACT**

There might be a material adverse impact on the working capital or gearing position of the Company (as compared with the position disclosed in its most recent published audited financial statements) in the event that authorised repurchases of Shares is carried out in full at any time during the proposed repurchase period. However, the Directors do not propose to exercise the general 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 to time appropriate for the Company.

### **DIRECTORS, THEIR ASSOCIATES AND CONNECTED PERSONS**

None of the Directors nor, to the best of their knowledge and belief having made all reasonable enquiries, any of their associates (as defined under the GEM Listing Rules) has any present intention, in the event that the repurchase mandate is granted by shareholders, to sell Shares to the Company.

## APPENDIX I                      REPURCHASE MANDATE EXPLANATORY STATEMENT

No connected person of the Company (as defined in the GEM Listing Rules) has notified the Company that any such person has a present intention to sell any Shares to the Company nor has he/she undertaken not to sell any of the Shares held by him/her to the Company in the event that the Company is authorised to make purchases of Shares.

### EFFECT OF TAKEOVER CODE

The Directors are not aware of any consequences which will arise under the Takeover Code as a result of any purchases made under the Repurchase Mandate.

In the event that the Directors exercise in full the power to repurchase Shares which is proposed to be granted pursuant to the Ordinary Resolution (5)(i), then (based on the present shareholdings as at the Latest Practicable Date) the shareholdings of Mr. Cheng Kin Kwan, Educational Information Technology (H.K.) Company Ltd. and Crimson Asia Capital Limited, L.R would be increased from approximately 17.47 per cent., 10.43 per cent. and 10.16 per cent. to approximately 19.41 per cent., 11.59 per cent. and 11.29 per cent. respectively. In the opinion of the Directors, such increase would not give rise to an obligation to make a mandatory offer under Rules 26 and 32 of the Takeover Code. However, the Directors have no present intention to exercise the repurchase of Shares to an extent that would result in such takeover obligations.

### SHARE PRICES

During each of the 12 months preceding the Latest Practicable Date, the highest and lowest traded prices per Share on the Stock Exchange were as follows:

<b>Year</b>	<b>Month</b>	<b>Highest HK\$</b>	<b>Lowest HK\$</b>
2005	July	0.1000	0.0690
	August	0.0860	0.0620
	September	0.1000	0.0800
	October	0.0910	0.0750
	November	0.0910	0.0600
	December	0.0900	0.0700
2006	January	0.0880	0.0700
	February	0.1290	0.0720
	March	0.1800	0.1000
	April	0.1520	0.1320
	May	0.1410	0.0900
	June	0.1100	0.0810
	July (upto 27 July 2006)	0.1000	0.0760

**SHARES PURCHASED BY THE COMPANY**

The Company has not purchased any of its Shares (whether on the Stock Exchange or otherwise) during the six months prior to the date of this document.

**UNDERTAKING OF THE DIRECTORS**

The Directors have undertaken to the Stock Exchange to exercise the power of the Company to make purchases pursuant to the Repurchase Mandate in accordance with the GEM Listing Rules and in accordance with the regulations set out in the Memorandum of Association and Articles of the Company.

**Mr. CHENG Kin Kwan** aged 67, is the founder and Chairman and Chief Executive Officer of the Company. Prior to establishing the Company, Mr. Cheng has been serving the IT industry for over 30 years. He was the inventor who developed the first Chinese processing system and brought into China the first generation of image processing PC, the first dealer of Novell system in Hong Kong and China, and also, the developer of the first computer system for Hong Kong Futures Exchange. He took up various senior positions in software development companies and provided services as technical consultant for multinational vendors. Mr. Cheng has entered into a service contract with the Company which will continue until terminated by either party giving to the other party not less than three months' notice in writing. For the year ended 31 March 2006, Mr. Cheng's remuneration was HK\$1,378,000. As at the Latest Practicable Date, Mr. Cheng is interested within the meaning of Part XV of the Securities and Futures Ordinance in 180,986,000 ordinary shares of the Company, and in 15,460,000 share options and underlying shares. Mr. Cheng is not related to any directors, senior management, management shareholders, substantial shareholders, or controlling shareholders of the Company and he did not hold any directorship in other listed companies in the last three years. Save as disclosed above, there are no information to be disclosed pursuant to any of the requirements of Rule 17.50(2) of the GEM Listing Rules (particularly in relation to sub-paragraphs(h) to (v) therein) nor are there other matters that need to be brought to the attention of the Shareholders.

**Mr. Chung Yiu Fai**, aged 42, joined the Group in February 1998. Mr. Chung became the Chief Information Officer since February 2001 and assists the CEO to strategize and execute the Group's business directions and IT strategies. He has over 14 years of IT experience and substantial experience in project management in Hong Kong and China. He obtained a Bachelor of Science degree in Computer Information Science from Ohio State University and gained the Engineering Honour Student Award. Mr. Chung has entered into a service contract with the Company which will continue until terminated by either party giving to the other party not less than three months' notice in writing. For the year ended 31 March 2006, Mr. Chung's remuneration was HK\$502,000. As at the Latest Practicable Date, Mr. Chung was interested within the meaning of Part XV of the Securities and Futures Ordinance in 6,170,000 ordinary shares of the Company, and in 21,650,000 share options and underlying shares. Mr. Chung is not related to any directors, senior management, management shareholders, substantial shareholders, or controlling shareholders of the Company and he did not hold any directorship in other listed companies in the last three years. Save as disclosed above, there are no information to be disclosed pursuant to any of the requirements of Rule 17.50(2) of the GEM Listing Rules (particularly in relation to sub-paragraphs(h) to (v) therein) nor are there other matters that need to be brought to the attention of the Shareholders.

**Mr. Law Kwai Lam**, aged 59, is the Corporate Affairs Director and the Company Secretary of the Company. Mr. Law has been with the Group since its establishment, and has since been responsible for the Company's and the Group's administrative, legal and secretarial matters. 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. Mr. Law has entered into a service contract with the Company which will continue until terminated by either party giving to the other party not less than three months' notice in writing. For the year ended 31 March 2006, Mr. Law's remuneration was HK\$186,000. As at the Latest Practicable Date, Mr. Law is interested within the meaning of Part XV of the Securities and Futures Ordinance in 38,325,000 ordinary shares of the Company, and in 4,000,000 share options and underlying shares. Mr. Law is not related to any directors, senior management, management shareholders, substantial shareholders, or controlling

shareholders of the Company and he did not hold any directorship in other listed companies in the last three years. Save as disclosed above, there are no information to be disclosed pursuant to any of the requirements of Rule 17.50(2) of the GEM Listing Rules (particularly in relation to sub-paragraphs(h) to (v) therein) nor are there other matters that need to be brought to the attention of the Shareholders.

**Mr. Ng Kwok Tung**, aged 55, was appointed as an independent non-executive director in 2003. Mr. Ng is a practising accountant. He holds a Bachelor of Commerce Degree and a Licentiate in Accountancy from McGill University, Canada and a Diploma in Chinese Law from the University of East Asia, Macau. Mr. Ng is a member of the Hong Kong Institute of Certified Public Accountants, the Institute of Chartered Accountants of British Columbia, the Order of Chartered Accountants of Quebec, the Canadian Institute of Chartered Accountants and the Taxation Institute of Hong Kong. Mr. Ng's appointment as an independent non-executive director of the Company is for a term of one year. Mr. Ng receives a director's fee of HK\$90,000 per annum. Other directorships in listed public companies held by Mr. Ng in the last three year include Universe International Holdings Limited (as independent non-executive director), Wah Ha Realty Company Limited (as non-executive director) and Fountain Set (Holdings) Limited (as independent non-executive director). As at the Latest Practicable Date, Mr. Ng is not interested in any ordinary shares but is interested in 1,500,000 share options and underlying shares, of the Company within the meaning of Part XV of the Securities and Futures Ordinance. Mr. Ng is not related to any directors, senior management, management shareholders, substantial shareholders, or controlling shareholders of the Company. Save as disclosed above, there are no information to be disclosed pursuant to any of the requirements of Rule 17.50(2) of the GEM Listing Rules (particularly in relation to sub-paragraphs(h) to (v) therein) nor are there other matters that need to be brought to the attention of the Shareholders.