

1. FURTHER INFORMATION ABOUT THE COMPANY

Incorporation

The Company was incorporated in Hong Kong under the Companies Ordinance on 12th March, 1996 as a private company.

Share capital of the Company

- (a) As at the date of incorporation of the Company on 12th March, 1996, its initial authorised share capital was HK\$10,000 divided into 10,000 shares of HK\$1.00 each. On 20th March, 1996, pursuant to a resolution passed at an extraordinary general meeting of the Company, the authorised share capital of the Company was increased from HK\$10,000 to HK\$10,000,000 by the creation of 9,990,000 shares of HK\$1.00 each. As at the date falling two years prior to the date of this prospectus, the issued share capital of the Company comprised 10,000,000 shares of HK\$1.00 each, all fully paid up and held by Encore Holdings Limited as to 6,000,000 shares, Mr. Cheng Kin Kwan as to 2,000,000 shares and Mr. Cheng Wan Cheung, Danny as to 2,000,000 shares.
- (b) On 21st August, 1998, pursuant to a resolution passed at an extraordinary general meeting of the Company, the authorised share capital of the Company was increased from HK\$10,000,000 to HK\$12,000,000 by the creation of 2,000,000 shares of HK\$1.00 each.
- (c) On 21st August, 1998, 2,000,000 shares of HK\$1.00 each were allotted and issued at a price of HK\$1.00 per share, which has since been fully paid up, to Mr. Kan Siu Kei, Laurie. The HK\$2,000,000 net proceeds of the issue were used for working capital purposes.
- (d) On 30th December, 1998, pursuant to a resolution passed at an extraordinary general meeting of the Company, the authorised share capital of the Company was increased from HK\$12,000,000 to HK\$16,000,000 by the creation of 4,000,000 shares of HK\$1.00 each.
- (e) On 30th December, 1998, 4,000,000 shares of HK\$1.00 each were allotted and issued at a price of HK\$1.00 per share, which has since been fully paid up, as follows—

<u>Name of allottees</u>	<u>No. of shares</u>
Leung Pui Kie, Raymond	1,000,000
Mak Yin Ping	800,000
Lin Kai Horng	600,000
Wong Wai Ping	500,000
Chung Yiu Fai	350,000
Wong Tai Wai	200,000
Lau Yuk King	200,000
Ho Wing Hang	150,000
Fung Chun Pong, Louis	100,000
Fung Sau Ching	50,000
Leung Mei Sheung, Eliza	50,000

Ms. Mak Yin Ping is the mother of Mr. Cheng Wan Cheung, Danny. The HK\$4,000,000 net proceeds of the issue were used for working capital purposes.

- (f) On 19th May, 1999, pursuant to a resolution passed at an extraordinary general meeting of the Company, the authorised share capital of the Company was increased from HK\$16,000,000 to HK\$30,000,000 by the creation of 14,000,000 shares of HK\$1.00 each.
- (g) On 7th July, 1999, 8,387,097 shares of HK\$1.00 each were allotted and issued at a price of HK\$7.75 per share fully paid up as follows:—

<u>Name of allottees</u>	<u>No. of shares</u>
Crimson Investments, Ltd.	2,506,157
Crimson Asia Capital Ltd., L.P.	5,880,940

Of the HK\$64,300,000 net proceeds of the issue, HK\$17,500,000 was used to repay outstanding debts and the balance was or will be used for working capital purposes.

- (h) Pursuant to a written shareholders' resolution dated 21st October, 1999, the authorised share capital of the Company was increased from HK\$30,000,000 to HK\$50,000,000 by the creation of 20,000,000 shares of HK\$1.00 each.
- (i) On 2nd November, 1999, 2,612,903 shares of HK\$1.00 each were allotted and issued at a price of HK\$7.75 per share fully paid up to the following allottees:—

<u>Name of allottees</u>	<u>No. of shares</u>
Crimson Investments, Ltd.	780,764
Crimson Asia Capital Ltd., L.P.	1,832,139

The HK\$20.2 million net proceeds of the issue will be used for working capital purposes.

- (j) Pursuant to a written shareholders' resolution dated 3rd November, 1999, the authorised share capital of the Company consisting of 50,000,000 shares of HK\$1.00 each was divided into 1,000,000,000 Shares of HK\$0.05 each.
- (k) On 16th November, 1999, 60,000,000 Shares were allotted and issued at a price of HK\$0.05 per Share fully paid up to the following Directors and employees of the Company:—

<u>Name of allottees</u>	<u>No. of Shares</u>
Cheng Kin Kwan	10,000,000
Cheng Wan Cheung, Danny	4,000,000
Kan Siu Kei, Laurie	4,000,000
Law Kwai Lam	10,000,000
Other employees	32,000,000

The HK\$3.0 million net proceeds of the issue will be used for working capital purposes.

Resolutions passed at general meeting on 16th November, 1999

- (a) On 16th November, 1999, pursuant to resolutions passed by the shareholders of the Company, the Company adopted its new articles of association (“Articles”) and was converted into a public company.
- (b) On 16th November, 1999, pursuant to resolutions passed by the shareholders of the Company and conditional on the same conditions as stated under the section “Conditions of the Placing” in this prospectus being fulfilled:—
 - (i) the Placing was approved and the Directors were authorised to allot and issue the Placing Shares;
 - (ii) a general unconditional mandate was given to the Directors to allot, issue and deal with, otherwise than by way of a rights issue or any Shares of the Company allotted in lieu of the whole or part of a dividend on Shares of the Company in accordance with the memorandum and articles of association of the Company, Shares with an aggregate nominal value not exceeding 20 per cent. of the aggregate nominal value of the share capital of the Company in issue immediately following the completion of the Placing, such mandate to remain in effect until whichever is the earlier of:—
 - (aa) the conclusion of the next annual general meeting of the Company;
 - (bb) the expiration of the period within which the next annual general meeting of the Company is required by the memorandum and articles of association of the Company, or the Companies Ordinance or any other applicable laws of Hong Kong to be held; or
 - (cc) the time when such mandate is revoked or varied by an ordinary resolution of the shareholders of the Company in general meeting;
 - (iii) a general unconditional mandate was given to the Directors authorising them to exercise all powers of the Company to repurchase Shares on the Stock Exchange, or on any other stock exchange on which the securities of the Company may be listed and which is recognised by the Securities and Futures Commission and the Stock Exchange for this purpose, such number of Shares not exceeding 10 per cent. of the aggregate nominal value of the share capital of the Company in issue immediately following the completion of the Placing, such mandate to remain in effect until whichever is the earlier of:—
 - (aa) the conclusion of the next annual general meeting of the Company;
 - (bb) the expiration of the period within which the next annual general meeting of the Company is required by the memorandum and articles of association of the Company or the Companies Ordinance or any other applicable laws of Hong Kong to be held; or
 - (cc) the time when such mandate is revoked or varied by an ordinary resolution of the shareholders of the Company in general meeting;

- (iv) the general unconditional mandate referred to in sub-paragraph (b)(ii) above was extended by the addition to the aggregate nominal value of the share capital of the Company which may be allotted or agreed conditionally or unconditionally to be allotted (whether pursuant to an option or otherwise) by the Directors pursuant to such general mandate of an amount representing the aggregate nominal value of the share capital of the Company repurchased by the Company pursuant to the general unconditional mandate to repurchase shares referred to in sub-paragraph (b)(iii) above provided that such extended amount shall not exceed 10 per cent. of the aggregate nominal value of the issued share capital of the Company immediately following the completion of the Placing.

Share capital of the Company after the Placing

Assuming that the Placing becomes unconditional and the issue of the Placing Shares mentioned above is made, the authorised share capital of the Company will be HK\$50,000,000 divided into 1,000,000,000 Shares and the issued share capital of the Company will be HK\$37,500,000 divided into 750,000,000 Shares fully paid, with 250,000,000 Shares remaining unissued.

There is no present intention to issue any part of the authorised but unissued share capital of the Company, and without the prior approval of the members in general meeting, no issue of Shares of the Company will be made which would effectively alter the control of the Company.

Save as aforesaid, there has been no alteration in the share capital of the Company within the two years preceding the date of this prospectus.

2. CHANGES IN SHARE CAPITAL OF SUBSIDIARIES AND ASSOCIATED COMPANY

The Company's subsidiaries and associated company are referred to in the section headed "Business — Group Structure" of this prospectus.

The following alterations in share capital of the Company's subsidiaries and associated company have taken place within the two years preceding the date of this prospectus:—

- (a) (i) On 8th December, 1997, two subscriber shares of HK\$1.00 each in Timeless Holdings Limited ("Timeless Holdings") were allotted for cash at par as to one share to Mr. Law Kwai Lam and the other share to Mr. Cheng Kin Kwan who held such share on trust for the Company; and
- (ii) On 23rd October, 1999, Mr. Law Kwai Lam transferred to the Company one share in the capital of Timeless Holdings for a consideration of HK\$1.00.
- (b) On 19th December, 1997, 100 subscriber shares of HK\$1,000 each in Timeless Laboratories Limited were allotted for cash at par as to 99 shares to the Company and one share to Mr. Cheng Kin Kwan who held such share on trust for the Company.
- (c) On 21st November, 1997, two subscriber shares of HK\$1.00 each in Timeless China Limited were allotted for cash at par as to one share to the Company and the other share to Mr. Cheng Kin Kwan who held such share on trust for the Company.

- (d) On 28th November, 1997, two subscriber shares of HK\$1.00 each in Timeless Strategy Limited were allotted for cash at par as to one share to the Company and the other share to Mr. Cheng Kin Kwan who held such share on trust for the Company.
- (e) (i) On 5th November, 1997, two subscriber shares of HK\$1.00 each in eDynasty21.com Limited (“eDynasty”) were allotted for cash at par as to one share to Top Glory Limited and the other share to Venco Limited;
- (ii) On 28th November, 1997, 9,998 ordinary shares of HK\$1.00 each in eDynasty were allotted to the Company for cash at par; and
- (iii) On 2nd December, 1997,
- (aa) Top Glory Limited transferred to the Company one share in the capital of eDynasty for a consideration of HK\$1.00;
- (bb) Venco Limited transferred to Mr. Cheng Kin Kwan one share in the capital of eDynasty for a consideration of HK\$1.00. Mr. Cheng Kin Kwan held such share on trust for the Company.
- (f) On 23rd January, 1999,
- (i) Mr. Yeung Kam Leung, Patrick transferred to Mr. Law Kwai Lam one share in the capital of Corp-Vision Publishing Limited (“Corp-Vision”) for a consideration of HK\$1.00. Mr. Law Kwai Lam held such share on trust for the Company;
- (ii) Mr. Yeung Kam Leung, Patrick transferred to the Company 24,999 shares in the capital of Corp-Vision for a consideration of HK\$1.00;
- (iii) Corp-Vision Promotion Limited transferred to the Company 25,000 shares in the capital of Corp-Vision for a consideration of HK\$1.00; and
- (iv) Mr. Chan Kei Fu, Ringo transferred to the Company 50,000 shares in the capital of Corp-Vision for a consideration of HK\$299,997.
- (g) (i) On 2nd December, 1997, a total of 4,499,996 shares of HK\$1.00 each in Expert Consulting were allotted as to 2,500,000 shares to the Company, 949,999 shares to Mr. Wong Yao Wing, Robert, 449,999 shares to Ms. Yeung Wai Man, Vivien, 449,999 shares to Mr. Chan Hok Nang and 149,999 shares to Mr. Leung Wai Kei for cash at par;
- (ii) On 16th June, 1998,
- (aa) Mr. Wong Yao Wing, Robert transferred to the Company 950,000 shares in the capital of Expert Consulting for a consideration of HK\$1.00;
- (bb) Ms. Yeung Wai Man, Vivien transferred to the Company 450,000 shares in the capital of Expert Consulting for a consideration of HK\$1.00;
- (cc) Mr. Chan Hok Nang transferred to the Company 450,000 shares in the capital of Expert Consulting for a consideration of HK\$1.00; and

- (dd) Mr. Leung Wai Kei transferred to Mr. Law Kwai Lam 150,000 shares in the capital of Expert Consulting for a consideration of HK\$1.00. Mr. Law Kwai Lam held such shares on trust for the Company.
- (h) On 25th January, 1998, Timeless Guangzhou, a co-operative joint venture company, was formed in the PRC between Guangzhou Tianhe Wide Sky Industrial Company and Timeless China Limited with a registered capital of RMB2,000,000 wholly contributed by Timeless China Limited.
- (i) On 4th November, 1998, the Zhuhai Joint Venture, an equity joint venture company, was formed between Zhuhai Southern Software Park Development Co., Ltd. and the Company in the PRC with registered capital of HK\$10,000,000 contributed by Zhuhai Southern Software Park Development Co., Ltd. as to 20 per cent. and contributed by the Company as to 80 per cent.

Save as disclosed herein, there has been no alteration in the share capital of any of the Company's subsidiaries and associated companies within the two years immediately preceding the date of this prospectus.

3. DISCLOSURE OF INTEREST

Disclosure of Interest in shareholding in the Company

Immediately following completion of the Placing, the interests of the Directors in the share capital of the Company or any of its associated corporations (within the meaning of the SDI Ordinance) which will have to be notified to the Company and the Stock Exchange pursuant to Section 28 of the SDI Ordinance (including interests which they are taken or deemed to have under Section 31 of, or Part 1 of the Schedule to, the SDI Ordinance) once the Shares are listed, or which will be required, pursuant to Section 29 of the SDI Ordinance, to be entered in the register required to be kept therein once the Shares are listed, or which will be required, pursuant to Rules 5.40 to 5.59 of the GEM Listing Rules, to be notified to the Company and the Stock Exchange once the Shares are listed, will be as follows:

The Company

<u>Name</u>	<u>Type of Interest</u>	<u>Number of Shares</u>
Cheng Kin Kwan	Personal	50,000,000
Cheng Wan Cheung, Danny	Personal	44,000,000
Kan Siu Kei, Laurie	Personal	44,000,000
Law Kwai Lam	Personal	10,000,000

Particulars of service contracts of Directors

- (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, 1988 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) The aggregate remuneration paid by the Group to the Directors for the year ended 31st March, 1998 was approximately HK\$6,429,000, details of which are as follows on an individual basis: HK\$2,067,000, HK\$1,842,000, HK\$1,560,000 and HK\$960,000. The aggregate remuneration paid by the Group to the Directors for the year ended 31st March, 1999 was approximately HK\$5,114,000.00, details of which are as follows on an individual basis: HK\$1,570,000, HK\$1,380,000, HK\$900,000, HK\$720,000 and HK\$544,000.
- (d) 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.
- (e) 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.

Related party transactions

A number of transactions were or are being conducted between the Group and its related parties. Please refer to the section headed "Connected transactions" for details of such transactions.

Miscellaneous

Save as disclosed herein or elsewhere in this prospectus:—

- (a) none of the Directors or chief executives has for the purposes of section 28 of the SDI Ordinance, nor is any of them taken to or deemed to have under section 31 of, or Part 1 of the Schedule to, the SDI Ordinance, any interest in the Shares of the Company or any of its associated corporations (within the meaning of the SDI Ordinance) or any interests which will have to be entered in the register to be kept by the Company pursuant to section 29 of the SDI Ordinance or pursuant to Rules 5.40 to 5.59 of the GEM Listing Rules once the Shares are listed on the GEM;
- (b) none of the Directors nor any of the experts whose names are listed in the “Consents of experts” paragraph in the “Other information” section in this appendix has any direct or indirect interest in the promotion of the Company, or in any assets which have within the two years immediately preceding the issue of this prospectus been acquired or disposed of by or leased to any member of the Group, or are proposed to be acquired or disposed of by or leased to any member of the Group;
- (c) none of the Directors nor any of the persons whose names are listed in the “Consents of experts” paragraph in this appendix is materially interested in any contract or arrangement subsisting at the date of this prospectus which is significant in relation to the business of the Group; and
- (d) none of the experts listed in the “Consents of experts” paragraph in the “Other information” section in this appendix has any shareholding in any member of the Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for Shares in any member of the Group.

4. REPURCHASE OF THE COMPANY’S SECURITIES

This section includes information required by the Stock Exchange to be included in this prospectus concerning the repurchase by the Company of its own securities.

(a) Provisions of the GEM Listing Rules

The GEM Listing Rules permit a company with a primary listing on GEM to repurchase its securities on GEM subject to certain restrictions, the most important of which are summarised below:—

(i) Shareholders’ approval

The GEM Listing Rules provide that all proposed repurchase of securities by a company with a primary listing on GEM must be approved in advance by an ordinary resolution of shareholders, either by way of general mandate or by specific approval of a particular transaction.

Note: At an extraordinary general meeting of the Company held on 16th November, 1999, a general unconditional mandate (“Buyback Mandate”) was given to the Directors authorising the repurchase by the Company on GEM, or on any other stock exchange on which the securities of the Company may be listed and which is recognised by the Securities and Futures Commission

of Hong Kong and the Stock Exchange for this purpose, of such number of Shares with an aggregate nominal value not exceeding 10 per cent. of the aggregate nominal value of its share capital in issue immediately following completion of the Placing, such mandate to remain in effect until the earliest of the conclusion of the next annual general meeting of the Company, or the expiration of the period within which the next annual general meeting of the Company is required by any applicable laws or the Articles of Association to be held or the date on which such mandate is revoked or varied by an ordinary resolution of the shareholders of the Company in general meeting.

(ii) *Source of funds*

Repurchases must be funded out of funds legally available for the purpose in accordance with the company's memorandum and articles of association and the laws of the jurisdiction in which the company is incorporated. A listed company may not repurchase its own securities on GEM for consideration other than cash or for settlement otherwise than in accordance with the trading rules of the Stock Exchange.

(iii) *Trading restrictions*

The shares proposed to be repurchased by a company must be fully paid up. A maximum of 10 per cent. of the existing issued share capital may be repurchased on GEM. A company may not issue or announce an issue of new shares for a period of 30 days immediately following a repurchase whether on GEM or otherwise (other than an issue of securities pursuant to an exercise of share options or similar instruments requiring the company to issue securities which were outstanding prior to such repurchase) without the prior approval of the Stock Exchange. The GEM Listing Rules also prohibit a company from repurchasing its securities on GEM if the repurchase would result in the number of listed securities which are in the hands of the public falling below the relevant prescribed minimum percentage as required by the Stock Exchange. A company shall procure that any broker appointed by the Company to effect the repurchase of securities shall disclose to the Stock Exchange such information with respect to the repurchases as the Stock Exchange may request.

(iv) *Status of repurchased securities*

The GEM Listing Rules provide that the listing of all repurchased securities is automatically cancelled and the certificates for those securities must be cancelled and destroyed.

(v) *Suspension of repurchases*

The GEM Listing Rules prohibit any repurchase of securities at any time after a price sensitive development has occurred or has been the subject of a decision until the price sensitive information is made publicly available. In particular, during the period of one month immediately preceding either the preliminary announcement of a company's annual results or the publication of the company's half-year report or a quarterly report, a company may not purchase its own securities on GEM. In addition, the Stock Exchange may prohibit repurchases of securities on GEM if the Stock Exchange considers that a company has committed a breach of the GEM Listing Rules.

(vi) *Reporting requirements*

Under the GEM Listing Rules, repurchases of securities on GEM or otherwise must be reported in the prescribed form to the Stock Exchange not later than 9:30 a.m. (Hong Kong time) on the following business day. In addition, a company's annual report is required to disclose details regarding securities repurchases made during the year, including in respect of the number of securities repurchased each month, the purchase price per share or the highest and lowest price paid for such purchases, where relevant, and the aggregate prices paid and the reasons of the directors of the company for making such repurchases.

(vii) *Connected parties*

The GEM Listing Rules prohibit a company from knowingly repurchasing securities on GEM from a "connected person", that is, a director, chief executive, substantial shareholder or management shareholder of the company or any of its subsidiaries or any of their respective associates (as defined in the GEM Listing Rules) and a connected person is prohibited from knowingly selling his/her shares to the company.

(b) Exercise of the Buyback Mandate

Exercise in full of the Buyback Mandate, on the basis of 750,000,000 Shares in issue immediately after the completion of the Placing, could accordingly result in up to 75,000,000 Shares being repurchased by the Company during the period up to the conclusion of the next annual general meeting of the Company or the expiration of the period within which the next annual general meeting of the Company is required to be held or when revoked or varied by an ordinary resolution of the shareholders in general meeting of the Company, whichever occurs first.

(c) 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.

(d) Funding of repurchases

In repurchasing securities, 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.

The Company shall not purchase securities on GEM for a consideration other than cash or for settlement otherwise than in accordance with the trading rules of the Stock Exchange from time to time.

There might be a material adverse impact on the working capital requirements or gearing levels of the Company, as compared with the position disclosed in this prospectus, in the event

that the Buyback Mandate is exercised in full at any time. 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 its gearing levels which, in each case, in the opinion of the Directors are from time to time appropriate for the Company.

(e) General

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) have any present intention if the Buyback Mandate is exercised to sell any Shares to the Company or its subsidiaries.

The Directors have undertaken to the Stock Exchange that, so far as the same may be applicable, they will exercise the Buyback Mandate only in accordance with the GEM Listing Rules and the applicable laws of Hong Kong.

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 exercised.

If as a result of a repurchase of Shares, a shareholder's proportionate interest in the voting rights of the Company increases, such increase will be treated as an acquisition for the purposes of the Hong Kong Code on Takeovers and Mergers. 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 Hong Kong Code on Takeovers and Mergers.

5. FURTHER INFORMATION ABOUT THE BUSINESS OF THE COMPANY

(a) Material Contracts

The following contracts, not being contracts in the ordinary course of business, have been entered into by the Company and/or its subsidiaries within the two years preceding the date of this prospectus and are or may be material:

- (i) a cooperative joint venture contract in Chinese, dated 22nd January, 1998, made between Guangzhou Tianhe Wide Sky Industrial Company (中國廣州市天河區偉天實業公司) ("Wide Sky") and Timeless China Limited, pursuant to which the parties agreed to set up a cooperative joint venture company, Timeless Guangzhou, with registered capital of RMB 2,000,000 wholly contributed by Timeless China Limited whereas Wide Sky shall provide liaison and policy services to the joint venture company in PRC at the expense of Timeless China Limited, for a term of 10 years, to conduct information technology service business;
- (ii) an equity joint venture contract in Chinese, dated 28th September, 1998, made between Zhuhai Southern Software Park Development Co., Ltd. (珠海南方軟件園發展有限公司) and the Company, pursuant to which the parties agreed to set up an equity joint venture company, Timeless Southern (Zhuhai) Software Co.,

Ltd., with registered capital of HK\$10,000,000 contributed by Zhuhai Southern Software Park Development Co., Ltd. as to 20 per cent. and contributed by the Company as to 80 per cent., for a term of 20 years, to conduct information technology service and product sales business;



- (iii) a deed dated 16th June, 1998 made between Mr. Wong Yao Wing, Robert, Mr. Chan Hok Nang, Ms. Yeung Wai Man, Vivian, Mr. Leung Wai Kei collectively as the vendors and the Company as the purchaser, pursuant to which the Company acquired 2,000,000 shares in the share capital of Expert Consulting for a consideration of HK\$4.00 and the Company's undertaking to take over and assume responsibility for a debt, provided that the vendors shall pay to the Company a sum of HK\$800,000. The said debt, in the principal sum of HK\$3,571,955.80, was previously owed to a company known as Expert System Company Ltd. by Expert Consulting and secured by the vendors' joint and several undertaking to repay such debt;
- (iv) a deed of release dated 16th June, 1998 made between Expert Consulting and Mr. Wong Yao Wing, Robert, pursuant to which Expert Consulting released Mr. Wong Yao Wing, Robert from all liabilities which may arise from his acts or omissions as general manager and director of Expert Consulting, in consideration of his resigning as such general manager and director;
- (v) an agreement dated 22nd January, 1999 made between Mr. Yeung Kam Lung, Patrick, Corp-Vision Promotion Ltd., Mr. Chan Kei Fu, Ringo and the Company, pursuant to which the Company acquired the entire issued share capital of Corp-Vision Publishing Ltd. for a consideration of HK\$300,000;
- (vi) a subscription agreement dated 19th June, 1999 ("Subscription Agreement") entered into between Crimson Investments, Ltd. and Crimson Asia Capital Ltd., L.P. of the first part, Encore Holdings Limited, the Initial Management Shareholders, Leung Pui Kie, Raymond, Mak Yin Ping, Lin Kai Horng, Wong Wai Ping, Mandy, Chung Yiu Fai, Lau Yuk King, Wong Tai Wai, David, Ho Wing Hang, Fung Chun Pong, Louis, Fung Sau Ching, Leung Mei Sheung, Eliza (collectively the "Existing Shareholders") of the second part and the Company of the third part, pursuant to which Crimson Investments, Ltd. agreed to subscribe for 2,506,157 shares of HK\$1.00 each and Crimson Asia Capital Ltd., L.P. agreed to subscribe for 5,880,940 shares of HK\$1.00 each of the Company at the subscription price of HK\$7.75 per share subject to the terms of the agreement. The Crimson Group was also granted an option to subscribe for up to an additional 2,612,903 shares of HK\$1.00 each of the Company at the subscription price of HK\$7.75 per share in accordance with the terms of the agreement;
- (vii) a shareholders agreement dated 7th July, 1999 ("Shareholders Agreement"), entered into, pursuant to the terms of the Subscription Agreement, between Crimson Group of the first part, the Existing Shareholders of the second part and the Company of the third part, which sets out terms regulating the relationship of the parties in respect of the conduct of the business and affairs of the Company;
- (viii) the three unsecured loan agreements described in the paragraph numbered 2 under the section headed "Connected transactions";

- (ix) a deed of release dated 16th November, 1999 entered into between the parties to the Subscription Agreement and Shareholders Agreement, pursuant to which such parties mutually released all their outstanding obligations under Subscription Agreement and Shareholders Agreement to one another in consideration of such mutual release;
- (x) the four service agreements described under the section “Disclosure of interest (Particulars of service contracts of Directors)” of this Appendix;
- (xi) the Taxation Indemnity mentioned in the “Other information” section of this Appendix below; and
- (xii) the Underwriting Agreement dated 18th November, 1999 between, *inter alia*, the Company, ING Barings, the Underwriters, the executive Directors and certain existing shareholders mentioned in the section headed “Underwriting”.



(b) Intellectual Property

The Company has made the following applications to register its trademark in Hong Kong and the PRC:—

Hong Kong

<u>Trademark</u>	<u>Class (Note)</u>	<u>Application No.</u>	<u>Application Date</u>
TIMELESS	9	14788/99	19.10.99
TIMELESS	42	14789/99	19.10.99
	9	14790/99	19.10.99
	42	14791/99	19.10.99

PRC

<u>Trademark</u>	<u>Class (Note)</u>	<u>Application No.</u>	<u>Application Date</u>
TIMELESS	9	9900124139	20.10.99
TIMELESS	42	9900124140	20.10.99
	9	9900124137	20.10.99
	42	9900124138	20.10.99

Note:—

Class 9 includes computer and computer related goods whereas Class 42 includes computer related and internet related services. The specification which Timeless has filed in Hong Kong and in China for Class 9 and Class 42 are as follows:—

Class 9

computers, recorded computer software, printers for use with computers, computer peripheral devices

Class 42

providing access to and leasing access time to computer data bases; computer rental design, drawing and commissioned writing, all for the compilation of Web pages on the internet; information included in Class 42 provided on-line from a computer data base or from the Internet; consultancy in the field of computer hardware, computer software design, computer programming, computer system analysis.

(c) **Details of the PRC Joint Ventures of the Group**

(i) *Timeless Southern (Zhuhai) Software Co., Ltd.* 天時南方(珠海)軟件有限公司

The Zhuhai Joint Venture is an equity joint venture involving ZSSPD and the Company. The Zhuhai Joint Venture's registered capital and investment amount is HK\$10.0 million, 20 per cent. of which was contributed by ZSSPD and the remaining 80 per cent. was contributed by the Company. The profit and loss sharing ratio between ZSSPD and the Company is 20:80. The term of the joint venture is 20 years from 4th November, 1998. Its permitted business scope is resources development of computer industries; development, production and sale of information technology products and services (including electronics, communications and multimedia); development, production and sale of computer products; undertaking computer software development assignment, system engineering, system integration, technical training, information consultancy services and value-added services, except those products which are under the uniform administration of the state. The board of directors shall consist of seven members. ZSSPD and the Company shall appoint two and five directors respectively. The Chairman shall be appointed by the Company whereas the Vice-Chairman shall be appointed by ZSSPD. The term of office of directors is four years. The directors may be re-appointed. In the event the Zhuhai Joint Venture is dissolved or upon expiry of the joint venture term, any assets, after repayment of debts, will be distributed to the joint venture parties in proportion to their equity contribution.

(ii) *Timeless Software (Guangzhou) Limited* 天時軟件(廣州)有限公司

Timeless Guangzhou is a co-operative joint venture consisting of Guangzhou Tianhe Wide Sky Industrial Company (中國廣州市天河區偉天實業公司) ("Wide Sky") and the Company. Timeless Guangzhou has a registered capital of RMB2.0 million all of which was contributed by the Company. Wide Sky's contribution is domestic relationship deployment and domestic policy provision services. Wide Sky receives a certain fixed monthly co-operation fee whereas the Company receives the profits of the joint venture after deduction of such co-operation fee. The term of the co-operation is 10 years from 25th January, 1998. Its permitted business scope is research and development of

computer information systems, network and all types of computer software, training of computer information personnel and related after sales services. The board of directors shall consist of three persons, one appointed by Wide Sky and two by the Company. The Chairman shall be appointed by the Company.

6. OTHER INFORMATION

Litigation

Save as disclosed in this prospectus under the heading “Business — Legal proceedings”, neither the Company nor any of its subsidiaries is engaged in any litigation or arbitration of material importance and, so far as the Directors are aware, no litigation, arbitration or claim of material importance is pending or threatened against the Company or any of its subsidiaries.

Estate Duty and Tax Indemnities

Mr. Cheng Kin Kwan, Mr. Cheng Wan Cheung, Danny, Mr. Kan Siu Kei, Laurie, Encore Holdings Ltd., Crimson Investments, Ltd. and Crimson Asia Capital Ltd., L.P. (together, the “Indemnifiers”) have given joint and several indemnities to the Group pursuant to a deed of indemnity dated 18th November, 1999 (the “Taxation Indemnity”), in respect of any liability for, inter alia, Hong Kong estate duty which might be payable by the Company or any of its subsidiaries by reason of any transfer of property (within the meaning of Section 35 of the Estate Duty Ordinance (Chapter 111 of the Laws of Hong Kong)) to any member of the Group on or before the date on which the Placing becomes unconditional. Under the Taxation Indemnity, the Indemnifiers have also given joint and several indemnities to the Group in respect of taxation which might be payable by any member of the Group in respect of any income, profits, gains earned, accrued or received on or before the date on which the Placing becomes unconditional save in certain circumstances including, *inter alia*, where provision has been made for such taxation in the audited consolidated accounts of the Group for the period from 12th March, 1996 to 31st March, 1997 and for each of the two years ended 31st March, 1998 and 31st March, 1999 and the five months ended 31st August, 1999.

Sponsor

ING Barings has made an application on behalf of the Company to the GEM Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Shares in issue and the Shares to be issued as mentioned herein.

Consents

Each of ING Barings, PricewaterhouseCoopers and Brooke International (China) Limited has given and has not withdrawn their respective written consents to the issue of this prospectus with the inclusion of their reports and/or letters and/or valuation certificates and/or the references to their names or summaries of opinions included herein in the form and context in which they are respectively included.

Miscellaneous

- (a) Save as disclosed herein:
- (i) within the two years preceding the date of this prospectus:
- (aa) no share or loan capital of the Company or any of its subsidiaries have been issued or agreed to be issued fully or partly paid either for cash or for consideration other than cash;
- (bb) no commissions, discounts, brokerages or any other special terms have been granted in connection with the issue or sale of any share or loan capital of the Company or any of its subsidiaries; and
- (ii) no share or loan capital of the Company or any of its subsidiaries is under option or is agreed conditionally or unconditionally to be put under option.
- (b) The Company has no founders shares, management shares or deferred shares.
- (c) The Company does not have any promoters.
- (d) The estimated preliminary expenses of the Company are approximately HK\$8,100 and are payable by the Company.
- (e) The following are the qualifications of the experts who have given an opinion or advice which is contained in this prospectus:

<u>Name</u>	<u>Qualification</u>
ING Barings	Investment adviser registered under the Securities Ordinance (Chapter 333 of the Laws of Hong Kong)
PricewaterhouseCoopers	Certified Public Accountants
Brooke International (China) Limited	Professional surveyors and valuers